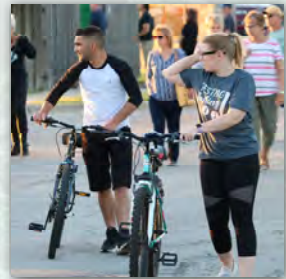


VILLAGE OF SHOREWOOD

Annual Comprehensive Financial Report

for the Fiscal Year Ended March 31, 2025



VILLAGE OF SHOREWOOD, ILLINOIS

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Year Ended
March 31, 2025

Prepared by the Finance Department

Anne R. Burkholder
Village Treasurer and
Finance Director

VILLAGE OF SHOREWOOD, ILLINOIS
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INTRODUCTORY SECTION

VILLAGE OF SHOREWOOD, ILLINOIS

PRINCIPAL OFFICIALS

March 31, 2025

LEGISLATIVE

VILLAGE BOARD OF TRUSTEES

Clarence C. DeBold, President

Donald C. Carroll

Stevan A. Brockman

Thomas D. Amos

Anthony M. Luciano

Scott R. Selfridge

Richard E. Chapman

Lona Jakaitis, Village Clerk

VILLAGE ADMINISTRATOR

Aaron Klima

FINANCE DIRECTOR

Anne R. Burkholder, Director and Treasurer

**Village of Shorewood
Organizational Chart**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Village of Shorewood
Illinois**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

March 31, 2024

Christopher P. Morrill

Executive Director/CEO

August 12, 2025

To the Honorable President,
Members of the Village Board
Citizens of the Village of Shorewood:

The Annual Comprehensive Financial Report for the Village of Shorewood, Illinois (Village) is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in financial position of the various funds of the Village and the Village as a whole at the entity-wide level. All disclosures necessary to enable the reader to gain an understanding of the Village's financial activities have been included.

We are pleased to report that the independent audit firm Sikich CPA LLC has issued an unmodified opinion on the Village's financial statements for the year ended March 31, 2025. The independent auditors' report is located at the front of the financial section of the Annual Comprehensive Financial Report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Village of Shorewood

The Village of Shorewood was incorporated in 1957 under the provisions of Chapter 24 of the Illinois Revised Statutes, as amended, and at the close of the fiscal year operated as a home rule until of government. The Village is located in Will County in the State of Illinois and is 40 miles southwest of Chicago. The Village of Shorewood is located adjacent to the intersection of Interstate 55 and Interstate 80 and further accessed by State Highway Routes 52 and 59. The Village of Shorewood currently occupies a land area of 7.0 square miles with a potential planning area of twenty square miles. The 2020 census listed a population of 18,186 residents, a 3.9% increase over the 2017 special census of 17,495 residents. Shorewood is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The Village operates under a council-manager form of government as defined by the Illinois Municipal Code. The Village President, Village Clerk, and six trustees are elected at large to serve four-year terms, with three trustees elected every second year. The Village Administrator is hired by the Village President and the Board of Trustees. All department managers are hired by the Village Administrator.

Management of the Village is responsible for establishing and maintaining internal controls designed to provide assurance that the assets of the Village are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Village provides a full range of services. These services include police protection, water and sanitary sewer service, stormwater sewer service, park and recreation programs, construction and maintenance streets and other public infrastructure, refuse removal, planning and zoning, code enforcement, and financial and general administrative services. The Village of Shorewood is also served by two independent agencies: the Shorewood-Troy Public Library and the Troy Fire Protection District.

The Village adopts a final budget no later than the close of the fiscal year but continues to operate under the Appropriation Ordinance which is filed no later than June 30th of each year. The annual budget serves as the foundation for the Village of Shorewood's financial planning and control. The budget is prepared by fund, department, and program. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the budgeted amount) is established at the fund level. The Village operates several unbudgeted funds including Drug Prevention and Asset Forfeiture. Revenues and expenses in these funds are infrequent, immaterial, and nonrecurring. When transactions occur, they are subject to the Village's purchasing policy and Village Board approval.

Factors Affecting Financial Condition

Single family home construction decreased in the current year, with 13 permits issued in the 2024-25 fiscal year. New home construction continued in the Village with several existing subdivisions continuing build-outs. The Village is nearing completion of construction of available lots in existing subdivisions. One national home builder is presently under contract on two separate sites:

- A 139-unit single family development in the Towne Center Subdivision
- A development on Seil Rd encompassing 110 townhomes and 214 Single Family homes

The Village is optimistic that this growth will continue; however, any revenues derived from growth are not calculated into future projections until they are recognized.

Commercial development continues within the Village. New commercial construction continued on Route 59, filling most available space on that route within the Village. The focus of commercial development will shift to encourage growth westward along Route 52. Two projects are currently underway westward on Route 52:

- The construction of a YMCA facility, financed in partnership with the Village of Shorewood
- A new veterinary facility in the Towne Center Development

Sales tax is the largest single source of revenue in the General Fund, and the current year resulted in a total of \$6,341,678. This represents the largest single-year total to date. The Village is committed to diversifying the sales tax base.

The Village's water supply is currently served by both shallow and deep wells with a water treatment facility to treat the water from the deep wells. Shorewood, with five other communities is a member of the newly created Grand Prairie Water Commission (GPWC). The GPWC will be responsible for the construction of a new water delivery system which will bring treated water from the City of Chicago to the Village and other members of the GPWC. Total construction costs are approximately \$1.4 billion. The Village represents nearly 10% of the Commission. Payment to the Commission will be made as a cost of purchased water through the Village's water system. A range of financing tools are being considered to fund this project, including grants, state and federal loans, and bonds. Additional information can be found on the commission's website at www.gpwc-il.org. The financial implications of this project are represented in this document in two forms:

- A sub-fund of the Water & Sewer Enterprise Fund has been utilized to reserve funds for the capital connection costs to Lake Michigan Water. A deposit of \$20M accrued from this sub-fund was made toward these capital costs to the GPWC following the close of the fiscal year.

- A custodial fund is shown in this document, as Shorewood was the Treasurer to the Administrative Fund of the GPWC, prior to its official formation. This responsibility ended in Fiscal Year 2025.

Long-Term Financial Planning

The Village of Shorewood has established a resolution establishing a fund balance policy for the General Fund (Resolution No. 11R-784) in compliance with GASB 54. The fund balance is the reserve of the general fund and as such, the Village Board recognizes that a sufficient level of unrestricted fund balance should be assigned for operating reserves for the continued and orderly operation of the Village of Shorewood, the provision of services to the residents, and the continued stability of the tax structure.

Furthermore, an assigned operating reserve should be maintained in the General Fund sufficient to handle emergency needs and be available to cover unfavorable variances in estimating the revenue and expenditure budget. The Village Board has established that the level of the assigned operating reserve in the fund balance for the General Fund sub-fund should be three months (25%) of the current fiscal year's operating expenditures. With yearly General Fund sub-fund expenditures for 2025 at \$15,647,852 and a General Fund sub-fund unrestricted fund balance at March 31, 2024 of \$6,010,478, the Village is compliant with this resolution.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Sikich CPA LLC was selected by the Village Board. The auditor's report on the basic financial statements and combining and individual fund financial statements and schedules is included in the financial section of this report.

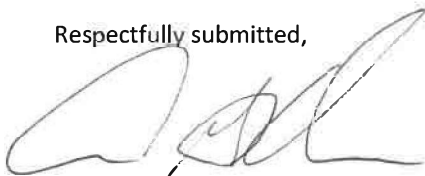
Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Shorewood for its annual comprehensive financial report for the fiscal year ended 3/31/2024. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of these departments who assisted and contributed to the preparation of this report. Most importantly, we would like to thank the Village President and Board of Trustees for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted,



Aaron Klima
Village Administrator



Anne R. Burkholder
Finance Director/Village Treasurer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the Board of Trustees
Village of Shorewood, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited 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 Shorewood, Illinois (the Village) as of and for the year ended March 31, 2025 and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Shorewood, Illinois, as of March 31, 2025, and the respective change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 13 to the financial statements, the Village adopted the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended March 31, 2025. The implementation of this guidance resulted in changes to the accrual of compensated absence balances and a restatement of beginning net position. Our opinion was not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the Village's basic financial statements as a whole. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2025 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
July 28, 2025

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

SIKICH.COM

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

The Honorable Mayor
Members of the Village Board of Trustees
Village of Shorewood, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Shorewood, Illinois (the Village) as of and for the year ended March 31, 2025, and the related notes to financial statements, which collectively comprise the Village’s basic financial statements, and have issued our report thereon dated July 28, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sikich CPA LLC

Naperville, Illinois
July 28, 2025

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

VILLAGE OF SHOREWOOD, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2025

As the management of the Village of Shorewood (the “village”), we offer readers of the village’s financial statements this narrative overview and analysis of the village’s financial activities for the fiscal year ended March 31, 2025. This discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues
- Provide an overview of the village’s financial activities
- Identify changes in the village’s financial position (its ability to address the next and subsequent year challenges)
- Identify any material deviations from the financial plan (the approved budget),
- Identify individual fund issues or concerns.

We encourage readers to consider information presented here in conjunction with additional information presented in our letter of transmittal found on pages iv–vi and the village’s financial statements which begin on page 7.

Financial Highlights

- The assets and deferred outflows of resources of the village exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$197,189,879 which includes the net investment in capital assets of \$125,126,452
- As of the close of the current fiscal year, the village’s governmental funds reported combined ending fund balances of \$16,426,933, an increase of \$2,060,157 in comparison with the prior year.
- Approximately 80% of this total fund balance amount or \$13,219,706 is available for spending at the government’s discretion as unrestricted fund balance.
- At the end of the fiscal year, assigned and unassigned fund balance for the General Fund sub-fund (p 82) was \$6,010,478, which represents 38% of the total General Fund sub-fund expenditures for the fiscal year.

USING THE FINANCIAL SECTION OF THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

The focus of the financial statements is on both the village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the village’s accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the village’s finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term, spendable resources) with capital assets and long-term obligations using the accrual basis of accounting which maintains its measurement focus on economic resources rather than spendable financial resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating.

The *Statement of Activities* presents information on how the village's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. earned but unused employee leave time). The *Statement of Activities* also reports the extent to which various expenses for governmental or business-type functions are dependent upon user-charges, grant sources, or general tax and other revenues.

Both of the government-wide financial statements distinguish functions of the village which are principally supported by taxes and intergovernmental revenues (governmental activities) from those functions which are intended to recover all or a significant portion of their costs through user-fees and charges (business-type activities). The Governmental Activities reflect the village's basic services, including police, public works (including refuse hauling), parks, and administration. Shared state sales tax, utility taxes, real estate taxes, and shared state income taxes finance the majority of these services. The Business-type Activities reflect private sector type operations (Water and Sewer) where the charges for service typically cover all or most of the cost of operation, including depreciation.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the village's most significant funds rather than the village as a whole. Major Funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The funds encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. The government-wide financial statements provide a long-term view. These two perspectives can provide insight into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances are followed by statements reconciling the differences between these two perspectives.

The village adopts an annual budget for each of its governmental funds. A budgetary comparison statement has been provided in the required supplementary information section or the combining and individual fund financial statements and schedules section of this report to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

Proprietary Funds: The village maintains one proprietary fund, also referred to as an enterprise fund, to account for its water and sewer activities. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements and use the economic resources measurement focus and accrual basis of accounting, similar to private-sector businesses.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Water and Sewer Fund data, including budget compliance information, is located in the combining and individual fund financial statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 15-19 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The village maintains one fiduciary fund which accounts for the resources of the Shorewood Police Pension Fund.

The fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-66 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the village's progress in funding its obligation to employee retirement and other postemployment benefit plans. Required supplementary information can be found on pages 67-78 of this report.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 79. The last section of the report is the statistical section beginning on page 99 and includes information on government-wide revenue and expenses, property taxes, and miscellaneous statistics.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The following table presents a condensed Statement of Net Position as of March 31, 2025 compared to the prior year ended March 31, 2024.

Condensed Statement of Net Position as of March 31, 2025 (in millions)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 21.78	\$ 19.39	\$ 68.30	\$ 52.58	\$ 90.08	\$ 71.97
Capital Assets	<u>110.95</u>	<u>111.33</u>	<u>39.88</u>	<u>36.03</u>	<u>150.83</u>	<u>147.36</u>
Total Assets	132.73	130.72	108.18	88.61	240.91	219.33
Deferred Outflows of Resources	<u>2.09</u>	<u>2.15</u>	<u>0.83</u>	<u>1.01</u>	<u>2.92</u>	<u>3.16</u>
Total Assets and Deferred Outflows of Resources	134.82	132.87	109.81	89.62	243.83	222.49
Long-term Liabilities	20.63	20.88	17.22	9.56	37.86	30.44
Other Liabilities	<u>2.17</u>	<u>2.03</u>	<u>2.21</u>	<u>1.44</u>	<u>4.38</u>	<u>3.47</u>
Total Liabilities	22.80	22.91	19.44	11.00	42.24	33.91
Deferred Inflows of Resources	<u>4.36</u>	<u>4.20</u>	<u>0.03</u>	<u>0.03</u>	<u>4.40</u>	<u>4.23</u>
Total Liabilities and Deferred Inflows of Resources	27.16	27.11	19.47	11.03	46.63	38.14
Net position:						
Net investment in capital assets	97.38	97.22	27.74	27.11	125.12	124.33
Restricted	2.61	1.76	0.34	0.00	2.95	1.76
Unrestricted	<u>7.67</u>	<u>6.78</u>	<u>61.46</u>	<u>51.48</u>	<u>69.12</u>	<u>58.26</u>
Total Net Position	<u>\$107.66</u>	<u>\$105.76</u>	<u>\$ 89.54</u>	<u>\$ 78.59</u>	<u>\$197.19</u>	<u>\$ 184.35</u>

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Village of Shorewood exceeded the liabilities and deferred inflows of resources by \$197,189,879 as of March 31, 2025. Total net position increased by \$12.84M in 2025 compared to the prior year. Of this amount, Governmental activities accounted for an increase of \$1.88M while Business-type activities increased by \$10.95M.

The largest portion of net position (63%) reflects the village's net investment in capital assets (land, streets, water mains, sewers, building, bridges, machinery, and equipment) less any debt issued to acquire the capital assets. The village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position represents resources that are subject to external restrictions on how they may be used. Governmental restricted net position includes Motor Fuel Tax funds for the maintenance of roadways, building permit fees designated for park construction, real estate taxes dedicated for economic development uses in the TIF, as well as asset forfeiture funds. Restricted net position in the business-type activities is presented for future debt payments.

Changes in Net Position (from the Statement of Activities)

For the fiscal year ended March 31, 2025, revenue from all sources totaled \$45.63M. Governmental revenue accounted for \$24.63M of that total, while business-type activities accounted for \$21M. Expenses for all functions totaled \$32.53M with \$22.7M for governmental activities and \$9.83M for business-type activities.

Condensed Statement of Activities for the Year Ended March 31, 2025 (in millions)

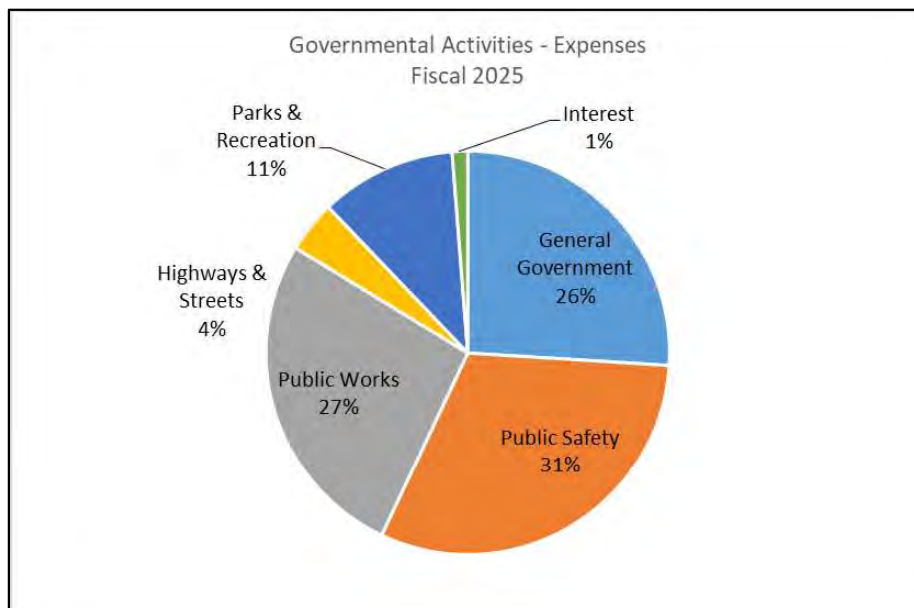
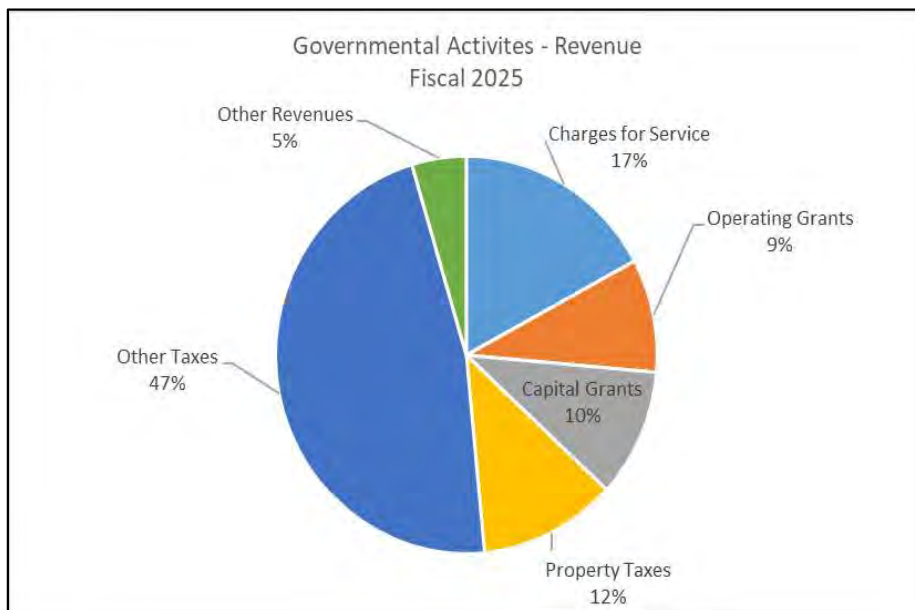
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 4.23	\$ 3.73	\$ 9.82	\$ 8.50	\$14.05	\$ 12.23
Operating grants and contributions	2.27	1.23			2.27	1.23
Capital grants and contributions	2.58	0.00	0.75	0.77	3.33	0.77
General revenues:						
Real estate taxes	2.86	2.39			2.86	2.69
Other taxes	11.56	11.94	7.85	7.08	19.41	19.02
Other	<u>1.14</u>	<u>0.76</u>	<u>2.58</u>	<u>1.94</u>	<u>3.72</u>	<u>2.70</u>
Total revenues	24.64	20.35	21.00	18.29	45.64	38.63
Expenses:						
General government	5.90	5.22	-	-	5.90	5.22
Public safety	7.05	6.61	-	-	7.05	6.61
Public works	6.06	5.97	-	-	6.06	5.97
Highways & Streets	0.94	2.89	-	-	0.94	2.89
Parks & Recreation	2.47	1.10	-	-	2.47	1.10
Interest	0.28	0.31	-	-	0.28	0.31
Water & Sewer	<u>-</u>	<u>-</u>	<u>9.83</u>	<u>8.60</u>	<u>9.83</u>	<u>8.60</u>
Total expenses	22.70	22.09	9.83	8.60	32.53	30.69
Excess (Def) before Transfers	1.94	(1.75)	11.17	9.69	13.11	7.94
Transfers	0.17	<u>0.60</u>	<u>(0.17)</u>	<u>(0.60)</u>	-	-
Change in Net Position	2.11	(1.15)	11.00	9.09	13.11	7.94
Net Position, 4/1, a Reported	105.77	106.91	78.59	69.50	184.35	176.41
Change in accounting principle	(0.23)		(0.05)		(0.28)	
Net Position, 4/1, as Restated	<u>105.54</u>		<u>78.58</u>		<u>184.07</u>	
Net position, March 31	\$ 107.65	\$ 105.77	\$ 89.53	\$ 78.59	\$ 197.18	\$ 184.35

Governmental Activities

Revenues - For the fiscal year ended March 31, 2025, governmental revenues total \$24.64M with 59% coming from taxes. Property taxes totaled \$2,864,029 of governmental revenues; an increase of 6.46% from the prior year. The increase in property tax revenue is the result of additional pension requirements and additional increment received in the TIF. Charges for service at \$4,229,940 represent 17% of total

governmental revenues. This is an increase of \$499,091 from the prior year. This revenue category includes fees, licenses, and refuse removal. A decrease in building permit revenue was offset by increases in court fines, development fees and refuse and recycling fees, leading to an overall 13% increase in this category.

Capital Grants, representing 10% of total revenues, is an additional revenue stream in the current fiscal year. The Village is always applying and competing for grants and capital contributions. With the aid of legislative officials, the Village was able to recognize two OSLAD grants for the development of a new Community Park, as well as several grants to assist in ongoing infrastructure projects in town.



Expenses - Expenses for governmental activities totaled \$22,704,182 including public safety, public works, parks and recreation, highways and streets, general government, and interest expense functions. Public safety expenses are mainly accounted for in the police department in the General Fund and totaled \$7,047,319 or 31% of total expenses. This represents an increase of \$441,189 or 7% over the

prior year. The increase is attributed to normal wage and benefit increases, along with additional grant opportunities for overtime assignments. Public works made up 27% of all governmental expenses in 2025 with \$6,060,381. Public works expenses are accounted for in the Public Works department of the General Fund and in the Capital Projects Fund. The change from the prior year is an increase of \$87,380, or 1%. Normal wage and benefit increases were offset by temporary staff vacancies as well as several one-time savings on commodities purchases. General government expenses are also accounted for in the General Fund and include the Village Board and Administration, Professional Services, Liability Insurance, Finance, and Community Development Departments. Total general government expenses were \$5,899,053 or 26%

of all governmental expenses in 2025. This is an increase of \$682,499 or 13% from the prior year. The Village added a full-time position in the administration department and recognized an increase in the cost of liability and worker’s compensation insurance. Public safety expenses and public works expenses are largely comprised of personnel services. Interest expense of \$283,227 was recorded in the Debt Service Fund and is the interest paid on outstanding debt along with the costs of maintaining debt during the current year. This represents a decrease of \$23,290 from the prior year in the typical fashion of a level debt service schedule.

Business-Type Activities

Revenue - Charges for water and sewer service rose from the prior fiscal year with a plus variance of 15.58%. Sewer rates increased with an effective date of 4/1/24, due to an increase in rates charged to the Village by the City of Joliet as well as the results of a comprehensive water and sewer rate study implemented by the Village. The following chart outlines the water rate changes, as well as the intended use for increased fees. The column for operations is the volumetric rate used to fund day to day operations of the Village’s water utility. The column for Lake Water is used to fund the Village’s connection to Lake Michigan Water and is recorded as revenue in the Sustainable Water Source sub-fund of the Water and Sewer Fund

Village of Shorewood
 Water Rate Changes

Date	Operations*	Lake Water	Total Rate per 1,000 gal	% Change per 1,000 gal
Prior to 4/1/24	\$ 4.48	\$ 1.90	\$ 6.38	
4/1/2024	4.61	3.40	8.01	25.54%
4/1/2025	4.75	4.90	9.65	20.47%
4/1/2026	4.89	6.40	11.29	16.99%

*Rates are per 1,000 gallons and do not include monthly flat fees based on residential or commercial status. For more information, visit https://shorewoodil.gov/departments/finance_department/utility_billing/index.php

The above rate changes are largely driven by the Village’s future connection to Lake Michigan Water. The Village is one of six communities that together formed the Grand Prairie Water Commission (GPWC-il.org), which was officially created in June 2024. The Commission seeks to design and construct a new water system to deliver Lake Michigan water treated by the City of Chicago to meet the demands of the participating communities now and for future decades. The total capital cost of the project is \$1.5B, of which the Village is responsible for approximately 8%. The rate increases will help fund the capital costs as well as the eventual cost of purchased water.

The Village’s sanitary sewer charges were also considered in the rate study and resulting changes were implemented during the fiscal year. The sewer rate is comprised of two components:

- Charges for operations within the Village – found in the Water and Sewer Fund programs 450 and 460
- Charges for the processing of sanitary sewer waste – found in the Water and Sewer Fund program 470. The Village does not have a sanitary sewer treatment plant and relies on an intergovernmental agreement with the City of Joliet to process solid waste.

Sanitary sewer rates are as follows:

Village of Shorewood
 Sanitary Sewer Rate Changes

Date	Operations*	Joliet	Total Rate per 1,000 gal	% Change per 1,000 gal
Prior to 4/1/24	\$ 4.11	\$ 4.76	\$ 8.87	
4/1/2024	4.36	5.09	9.45	6.54%
4/1/2025	4.62	5.44	10.06	6.46%
4/1/2026	4.89	5.82	10.71	6.46%

*Rates are per 1,000 gallons of metered water consumption and do not include monthly flat fees based on residential or commercial status. For more information, visit https://shorewoodil.gov/departments/finance_department/utility_billing/index.php

The increase in revenue is both due to the additional rate as well as increased consumption. The tax revenue recognized in business-type activities is the collection of a Home Rule sales tax. A successful home rule referendum during 2015 allowed the village to implement a Home Rule sales tax at a rate of 1.75% beginning in January 2016. The Village further increased this rate to 2.00% in July, 2024. The Home Rule sales tax is designated for the purchase of additional sewer capacity from the City of Joliet, acquisition costs of Lake Michigan water, and additional capital needs. Collections are therefore recognized in the Capital Improvement Fund and the Lake Michigan Water Fund. The 2025 fiscal total of \$7,854,267 represents nine months of additional 0.25% rate collections when compared to the prior year total of \$7,075,794. The 0.25% rate increase is intended to pay the debt service on the 2024 GO Bonds.

Expenses – The largest increase for water and sewer expenses is depreciation. Most other expense increases can be attributed to personnel, capital needs, and fees paid to the City of Joliet for sanitary sewer treatment.

General Fund Functions and Fund Balance

Revenue - The General Fund is the village's primary operating fund and the largest source of day-to-day service delivery.

**General Fund Revenues
 For the Fiscal Year Ended 3/31/2025**

	2025	2024	Variance	% Inc (Dec)
Property Taxes	\$ 2,306,084	\$ 2,211,328	\$ 94,756	4.29%
Other Taxes*	8,110,773	8,013,886	96,887	1.21%
Licenses, Permits & Fines	711,317	724,404	(13,087)	(1.81)%
Franchise Fees	292,555	327,621	(35,066)	(10.70)%
Intergovernmental*	4,050,909	3,427,773	623,136	18.18%
Charges for Service	3,173,829	3,006,445	167,384	5.57%
Investment Income	451,757	459,204	(7,447)	(1.62)%
Miscellaneous	244,898	202,910	41,988	20.69%
Total Revenue	\$ 19,342,122	\$ 18,373,571	\$ 968,551	5.27%

*Please note that following the issuance of the 2024 ACFR, the category of "Personal Property Replacement Tax" was changed from "other taxes" to "Intergovernmental Revenue". The above chart has been updated to reflect this change.

Property Taxes – Shorewood’s Equalized Assessed Valuation (EAV) increased for the eleventh consecutive year. The 2024 EAV (taxes payable in FY 2026) is \$839,709,497, which represents an increase of 9.84% from the 2023 EAV of \$764,469,498. The direct tax rate has decreased from 0.3363 in 2014 to 0.2582 in 2024 (inclusive of debt). The increase in total dollars levied for the 2024 fiscal year (collected in fiscal year 2025) was applied to the Police Pension Fund. Taxes levied are collected in the subsequent fiscal year.

Other Taxes – Sales tax revenue is the most significant revenue stream in the General Fund, making up 33% of fund revenues. The village continues to diversify its tax base. The top ten sales tax providers (see Statistical Section) contribute the majority of the total sales tax revenue emphasizing the continued need to diversify the tax base to insulate from a downturn in any one category. The village has made strides toward this goal, decreasing from 68% of total sales tax provided by the top ten sales tax providers in 2015 to 53% in the current year. Sales tax receipts increased from \$5,994,727 in the prior year to \$6,341,678, or 5.79% in the current year. This amount is only the 1% municipal tax and does not include the Village's Home Rule Sales Tax.

Licenses, Permits & Fines – Licenses, permits, and fines showed a decrease of 1.81% from the previous fiscal year. This category includes fees for building and development costs, as well as police fines and fees. Building permit revenue in the current year has decreased with residential construction slowing as the inventory of available lots has diminished. The Village is communicating with developers and land owners to encourage future residential development. As such, two residential construction developments are set to begin construction during FY 2026. This revenue decrease was partially offset by increases in police fines and fees, due to increased enforcement efforts, as well as increased development fees for commercial and residential development projects that are in the planning and review stages but had not yet generated building permit revenue.

Intergovernmental – The revenue in this category is made up of the Village's share of State Income Tax, Personal Property Replacement Tax (PPRT), and grant income. State Income Tax is distributed on a per capita basis, so it does not represent the personal or corporate income tax paid by individuals or businesses in Shorewood. This category also includes grant income. In the current year, the Village was the recipient of grants in the general fund and the grants sub-fund totaling \$853,860, an increase over the prior year total of \$351,380. These grants dedicated to public safety wages allow the Village the opportunity to enhance police services within the community.

Charges for Service – The Village of Shorewood charges residents for refuse on their monthly utility bill. Revenue for this service is recorded in the General Fund as Charges for Service. The village then pays an independent waste hauler for this service. Refuse revenue increased by \$97,832, or 4.48% during 2025. The increase can be attributed to an increase in housing counts as well as a 4% rate increase. The monthly fee changed from \$27.88 per month in FY 2024 to \$29.00 per month in FY 2025. There is a \$3.00 per month discount for seniors and disabled veterans. Refuse service and the related penalties for late payments account for 73% of the revenue in this category. Other revenue streams in this category include charges for classes and activities provided by the Parks Department, Park Pavilion rentals, lease revenue and charges for police services provided to and paid for by outside organizations.

Investment Income – Investment income of \$451,757 represents a slight decrease compared to the prior year amount of \$459,203.

Miscellaneous Revenue – Miscellaneous revenue includes employee contributions for health insurance and other nonrecurring revenue streams. Several reimbursements for damage of Village parkway trees and light poles were recorded in this account. These instances are irregular and non-recurring. A slight increase was recorded in employee insurance contributions, due to premium cost increases as well as employee benefit selections.

Expenditures – The following is a summary of General Fund expenditures for Fiscal 2025.

**General Fund Expenditures
 For the Fiscal Year Ended 3/31/2025**

	2025	2024	Variance	% Inc (Dec)
General Government	\$ 5,400,374	\$ 4,927,445	\$ 472,929	9.60%
Public Safety	7,055,474	6,277,367	778,107	12.40%
Public Works*	2,860,138	3,148,466	(288,028)	(9.15)%
Parks & Recreation	978,748	901,836	76,912	8.53%
Total Expenditures	\$ 16,294,734	\$ 15,254,814	\$ 1,039,920	6.82%

**Please note that following the issuance of the 2024 ACFR, vehicles and equipment purchased in the Major Equipment Replacement sub-fund were changed from the category of “Capital Outlay” to “Public Works”. The above chart has been updated to reflect this change.*

General Government – Expenditures in general government increased over the prior year. Increases are attributed to the addition of one full-time employee in the administration department, as well as normal wage and benefit increases. Contractual services also increased by 8% in general government department, largely driven by increases on the Village’s liability insurance, legal fees, and refuse collection. Refuse collection expenses are offset by revenue collected in Charges for Service, above. General Government capital outlay increases were attributed computer hardware expenses.

Public Safety – The police department reported a 12.40% increase in expenses over the previous year. This is attributed to normal wage and benefit increases. Overtime expenses also increased, but were able to be offset by grant revenue received. Additionally, amounts contributed to the Police Pension Fund increased. Police contractual services increased. The highest percentage of contractual services paid within the public safety category are for dispatching services paid to a third party. Police commodities expenses also increased, including the purchase of some radio equipment, which was able to be offset by grant revenue.

Public Works – The public works department reported a decrease in expenses of 9.15% from the prior year in 2025. Several categories displayed increases, including personnel services, which was made up of Wage and benefit increases in the amount of \$23,000. Contractual services also increased in total by \$60,000 from the prior year. Increases are comprised of electricity costs for street lights and a contractual sidewalk repair program. Commodities in public works decreased overall by \$10,000 from the prior year. A \$50,000 increase in vehicle and equipment parts was offset by \$30,000 in savings on roadway salt and \$40,000 in decreased building maintenance supplies. The change in day-to-day costs detailed above was offset by savings in capital equipment costs. In the previous year, replacement vehicle purchases totaled \$794,452. In the current year, that number decreased to \$450,461. The decrease is attributed to inconsistencies in the supply chain.

Parks and Recreation – The Parks and Recreation Department reported an increase of 8.53% over the prior year. Personnel expenses increased as a result of additional staff time allocated to park maintenance responsibilities. Contractual services increased as the result of emergency tree removal following summer storm damage, as well as increased electricity costs related to providing light at Village parks and baseball fields.

**Schedule of Budget vs. Actual Performance – General Fund
For the Fiscal Year Ending 3/31/2025**

	Original & Final Appropriation	Original & Final Operating Budget	Actual	Variance (Over)/Under Budget
Revenues				
Property Taxes	\$ -	\$ 2,295,891	\$ 2,306,084	\$ (10,193)
Other Taxes	-	7,817,786	8,110,773	(292,987)
Intergovernmental	-	3,172,525	4,050,909	(878,384)
Licenses, Permits & Fees	-	620,020	711,317	(91,297)
Franchise Fees	-	329,462	292,555	36,907
Charges for sales & service	-	3,191,321	3,173,829	17,492
Investment Income	-	190,000	451,757	(261,757)
Misc	-	181,835	244,898	(63,063)
Total Revenue	-	17,798,840	19,342,122	(1,543,282)
Expenditures				
Current				
General Govt	\$ 6,643,346	5,433,751	5,400,374	33,377
Public Safety	8,434,699	6,747,759	7,055,474	(307,715)
Public Works	4,398,559	3,518,847	2,860,138	658,709
Parks & Rec	1,395,946	1,116,757	978,748	138,009
Total Expenditures	\$ 20,692,550	16,817,114	16,294,734	522,380
Excess (Deficiency) of Revenues over Expenditures		981,726	3,047,388	(2,065,662)
Other Financing Sources (Uses)				
Transfers (out)	\$ (1,179,969)	(943,975)	(1,802,108)	858,133
Total Other Financing Sources (uses)		(943,975)	(1,802,108)	858,133
Net Change In Fund Balance		\$ 37,751	1,245,280	\$ (1,207,529)
Fund Balance, April 1			9,943,608	
Fund Balance, March 31			\$ 11,188,888	

General Fund Budgetary Highlights

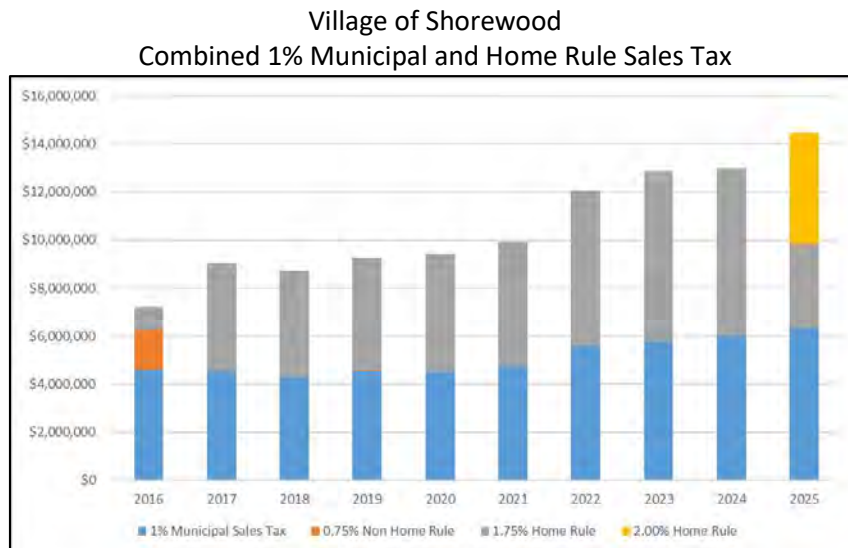
The Village General Fund in the Annual Comprehensive Financial Report is comprised of the General Operating Fund and several sub-funds including the Park Fund and the Major Equipment Replacement Fund. While the General Operating Fund has historically had a balanced budget, the Major Equipment Replacement Fund often presents an unbalanced budget, depending on the purchase plan for the year. In the 2024-25 budget, planned revenues were greater than planned expenditures. Additionally, supply chain delays in prevented the Village from making planned vehicle purchases, resulting additional spending reductions in the Major Equipment Replacement sub-fund in the current year.

Budgets are prepared on a conservative basis and sales tax, which represents over 30% of the General Fund revenue, exceeded of the budget figure by 8.76%. The following chart displays sales tax trends in the Village of Shorewood, exclusive of Non-Home Rule (fiscal years 2012-2015) and Home Rule (FY 2016-current) sales taxes.



The above chart displays the trend of sales tax revenue in the Village. The current year’s figure of \$6.3M is an increase of 5.79% from the prior year, and also represents the Village’s highest single fiscal year returns. The dramatic increase in 2022 fiscal year represents the first year of sales following Illinois Public Acts 101-31 and 101-604, which amended the Retailers' Occupation Tax and enacted the Leveling the Playing Field for Illinois Retail Act to implement a series of structural changes to the Illinois sales tax laws to require "remote retailers" to remit State and local retailers' occupation taxes beginning January 1, 2021.

Additionally, information is presented on the Village’s Home Rule Sales Tax, which is presently collected at a rate of 2.00%. Detail on the uses of this tax are included in the Business-Type Activities section of this document. The following chart illustrates the totality of sales tax collected Village-wide.



The Village's positive budget performance during the 2025 fiscal year is the result of conservative budget practices, positive revenue returns, and watchful spending. The resulting surplus in the General Fund sub-fund of \$1.17M was split between the Major Equipment Replacement sub-fund for future equipment needs and the Sustainable Water Source sub-fund for capital water connection costs.

The Village of Shorewood has chosen to operate with the appropriation ordinance as its legal spending document. The budget, which is adopted by resolution, serves as the village's operating plan and is used as the spending policy by all village programs. The utilization of the annual appropriation ordinance allows the village more flexibility in appropriating for unforeseen emergencies and contingencies. For this reason, the appropriated amounts are displayed in the above chart. Revenues are not appropriated.

Capital Projects Fund

The Capital Projects Fund is a major fund in the current year. Revenue sources in this fund include some intergovernmental grants, transfers from the Capital Improvement Fund, and a local Motor Fuel Tax in the amount of \$.05/gallon on gasoline and \$.08/gallon on diesel sold at fueling stations within the Village. Expenses in the current year are related to ongoing non-water and sewer capital projects within the Village, including:

- First of two contributions totaling \$10,000,000 (\$1,250,000 in FY 2025 and \$8,750,000 in FY 2026) to the YMCA for the construction of a new recreation facility and regional headquarters located in Shorewood.
- LED Lighting Upgrades totaling \$575,000; offset by intergovernmental grants of \$355,000
- Engineering Expense of \$18,000 for the installation of a traffic signal at Wynstone Blvd and IL Route 52
- Engineering expense of \$112,000 for the widening of Seil Rd and the related replacement of the Seil Rd Bridge over the DuPage River
- Transfer of \$500,000 to Motor Fuel Tax Fund to supplement the Village's annual Road Rehabilitation Program

The Capital Projects Fund also facilitated the Village's commitment to outdoor spaces and recreation with an increase in park construction spending, including the following:

- Reconstruction River Oaks Park
- Expense of \$980,000 invested in a new Community Park, River's Edge Park. These park expenses are offset by two back-to-back Open Space Lands Acquisition and Development (OSLAD) grants.

Business-type Activities

The Water/Sewer Fund revenue and expenses include the daily operation of the water and sewer systems and also the Capital Improvement sub-fund which is used to fund capital projects for the water and sewer system. Additionally, the Lake Michigan Water sub-fund is included in the business-type activities matrix. The following matrix details revenues and expenses for business-type activities with the Village of Shorewood for the current fiscal year and a comparison to the prior fiscal year.

**Water & Sewer Fund - Revenues & Expenses
For the Fiscal Year Ending 3/31/2025**

	2025	2024	Variance	% Inc (Dec)
Operating Revenues				
Water Sales	\$ 4,853,239	\$ 3,832,484	\$ 1,020,756	26.63%
Sewer Sales	4,970,433	4,666,910	303,523	6.50%
Misc Income	32,035	10,013	22,022	219.94%
Total Operating Revenues	9,855,708	8,509,407	1,346,301	15.82%
Non-Operating Revenues				
Interest Income	2,543,753	1,933,270	610,483	31.58%
Home Rule Sales Tax	7,854,267	7,075,794	778,473	11.00%
Total Non-Operating Revenues	10,398,020	9,009,064	1,388,956	15.42%
Capital Grants & Contributions	751,345	771,722	(20,377)	(2.64)%
Total Revenue	21,005,073	18,290,193	2,714,880	14.84%
Operating Expenses				
Water Department	3,270,597	2,907,158	363,439	12.50%
Sewer Department	4,636,859	3,912,953	723,906	18.50%
Depreciation/Amortization	1,647,390	1,645,504	1,886	0.11%
Total Operating Expenses	9,554,846	8,465,615	1,089,231	12.87%
Non-Operating Expenses				
Interest Expenses	279,608	137,152	142,456	103.87%
Total Non-Operating Expenses	279,608	137,152	142,456	103.87%
Total Expenses	9,834,454	8,602,767	1,231,687	14.32%
Transfers In	858,133	-	858,133	
Transfers Out	(1,030,196)	(600,000)	(430,196)	(71.70)%
Total Transfers	(172,063)	(600,000)	427,937	(71.70)%
Change in Net Position	10,998,556	9,087,426		
NET POSITION, APRIL 1, AS REPORTED	78,589,246	69,501,821		
Change in Accounting Principle	(48,737)			
NET POSITION, APRIL 1, AS RESTATED	78,540,509			
NET POSITION, MARCH 31	\$ 89,539,065	\$ 78,589,246		

Revenue

Water and sewer revenue increased in 2025 over 2024. Water and sewer rates increased at 4/1/2024 as the result of a water and sewer rate study. Additional information about the rates are included in the Statement of Activities section of this document. The village has a Home Rule sales tax. The rate

increased from 1.75% to 2.00% on July 1, 2024. Tax revenue increased as a result of the rate increase. The revenue generated from this tax is utilized in the following ways:

- Funding for additional sanitary sewer capacity, purchased from the City of Joliet
- Funding for the village's transition in water source from deep and shallow wells to Lake Michigan, requiring capital infrastructure additions
- The additional 0.25% resulting from the 2024 rate increase is used to support the 2024 GO Bonds.

Following the rate change from 1.75% to 2.00%, Home Rule Sales Tax is recognized in the following distribution across Village Funds:

- Capital Improvement Sub-Fund – 58.4%
- Lake Michigan Water Sub-Fund – 37.5%
- Building Sub-Fund (Police Facility) – 4.1%

Interest income increased due to favorable market conditions and available resources for placement.

Expenses

Operating expenses in the current year increased for both water and sewer.

- Water expense increases are attributed to increases in contractual services. The largest increases seen are for liability insurance, electricity needed for the water wells, and legal and engineering expenses needed for the Lake Michigan connection project.
- Sewer expenses increased which can be attributed to higher fees paid to the City of Joliet for sewer treatment.
- Interest expense increased over the prior year following the issuance of 2024 GO Bonds. Interest expense for the first payment was accrued at March 31st, following traditional level debt service schedules. Additional information on the Village's outstanding debt is available in the Long Term Debt section of this document.
- Depreciation and amortization expense increased slightly over the prior year

Non-operating expenses decreased due to the breakdown of principal and interest expenses on the Village's debt service schedules.

Transfers out are those made from the Capital Improvement sub-fund to the Capital Projects fund. The Capital Projects Fund finances non-water and sewer projects. The current year's transfer was \$579,771, which is a decrease from the prior year's amount of \$600,000. This is consistent with the fluctuation and timing of one-time capital projects.

Capital Assets

The village's capital assets are summarized in the following table:

**Village of Shorewood Capital Assets (in Millions)
For the Fiscal Year Ending 3/31/2025**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Non-Depreciable Assets						
Land	\$ 12.03	\$ 10.89	\$ 1.24	\$ 1.18	\$ 13.27	\$ 12.07
Land Right of Way	23.19	23.19	0.00	0.00	23.19	23.19
Construction in Progress	3.61	1.91	4.66	1.31	8.27	3.22
Capital Assets Being Depreciated						
Buildings & Improvements	34.67	34.14	0.00	0.00	34.67	34.14
Vehicles, Machinery & Equip	6.02	6.38	1.20	1.16	7.22	7.54
Sewage Treatment Rights	0.00	0.00	16.33	16.33	16.33	16.33
Infrastructure	118.08	118.08	50.76	48.85	168.84	166.93
Less Accumulated Depreciation	(86.65)	(83.26)	(34.29)	(32.80)	(120.94)	(116.06)
Net Capital Assets	\$110.95	\$111.34	\$ 39.90	\$36.04	\$ 150.85	\$ 147.38

The village's governmental capital assets decreased by \$0.39M and business-type assets increased by \$3.86M for a combined increase of \$3.47M after depreciation during fiscal 2025. This is consistent with the Village's substantial investment in projects related to the Lake Michigan Water Connection, including water main replacements, a transmission main, and a water receiving station. As these projects are ongoing, the largest year over year increase occurs in the CIP line in Business-type activities. CIP in Governmental Activities is comprised of several ongoing park reconstruction projects, as well as the reconstruction of an intersection at Route 52 and Wynstone Blvd.

Decreases in capital assets are attributed to the depreciation expense as well as asset disposal. Additional detail regarding Capital Assets may be seen in the Notes to the Financial Statements-Note 5, pages 34-35.

Long Term Debt

At the end of the fiscal year, the village had total debt (excluding compensated absences, net pension liabilities, the net OPEB obligation, asset retirement obligations, and unamortized bond premiums) outstanding of \$28.72M. This represents an increase from the prior year of \$6.8M, due to the issuance of new debt. None of the village's current debt is funded directly from property taxes. Funding for outstanding debt is from utility tax revenue, home rule sales tax revenue, and water/sewer tap-on fees.

As a home rule government, under Illinois law, the village does not have any established debt limits.

The following tables summarize the village's debt structure (additional detail regarding long-term debt may be seen in the Notes to the Financial Statements-Note 7, pages 36-41).

**Long Term Debt – Governmental Funds
 For the Fiscal Year Ending 3/31/2025**

Type of Bond	2021 GO Bonds	
O/S Principal, 3/31/2024	\$	13,200,000
Interest Rate		2%-4%
Principal Payments		12/15/2024
Interest Payments		6/15/2024 12/15/2024
Maturity Date		12/15/2040
O/S Principal, 3/31/2025	\$	12,600,000
Pledged Revenue	Utility Taxes	
Proceeds Purpose	Construction of a unified Public Works facility	

**Long Term Debt – Proprietary Fund
 For the Fiscal Year Ending 3/31/2025**

Type of Bond/Loan	2024 GO Bonds	IEPA Loan – Water Tower	IEPA Loan – Receiving Stn*	IEPA Loan – Trans Main*	City of Joliet Agreement
O/S Principal, 3/31/2024	\$ 0	\$ 3,020,796	\$ 0	\$ 0	\$ 5,740,127
Interest Rate	3.73%	1.995%	1.87%	1.87%	1.25%
Principal Payments		12/17/2024	-	-	4/1/2024 10/1/2024
Interest Payments		6/17/2024 12/17/2024	-	-	4/1/2024 10/1/2024
Maturity Date	12/15/2043	12/17/2035	8/9/2057	12/30/2055	10/1/2032
O/S Principal, 3/31/2025	8,220,000	2,795,629	5,310	10,426	5,134,250
Pledged Revenue	Home Rule Sales Tax	Water & Sewer Tap on Fees	Utility user revenue	Utility user revenue	Home Rule Sales Tax
Proceeds Purpose	Various Utility System Improvements	1.5M gallon aerial water tower	Lake water receiving station	Lake water transmission main	Additional sanitary sewer capacity

*During the current year, the Village was the recipient of two Illinois EPA loans. The loans have 30 year maturities that begin at the conclusion of construction. Principal amounts are distributed on an ongoing basis during construction of the project. The total loan amounts are not to exceed \$18,908,532 for the receiving station and \$4,965,010 for the transmission main. The outstanding principal amounts on this chart represent the amounts of construction costs incurred at 3/31/2025. They are expected to increase in the subsequent fiscal year.

Economic Factors

The Village of Shorewood is located in Troy Township in Will County, 40 miles southwest of downtown Chicago. Shorewood continues to diversify its sales tax base by bringing major commercial development to the municipality. The intersection of Interstate 55 and Interstate 80 is approximately one mile south of Shorewood and two other highways, U.S. 52 and Illinois State Route 59, intersect in the village. Although Shorewood continues to be a primarily residential community, commercial growth has occurred predominately on State Route 59.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the village's finances, comply with finance-related laws and regulations and demonstrate the village's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the village's Finance Director, One Towne Center Blvd., Shorewood, IL 60404 or access the village website at <http://shorewoodil.gov>

BASIC FINANCIAL STATEMENTS

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF NET POSITION

March 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,086,945	\$ 18,582,716	\$ 24,669,661
Investments	7,669,540	45,898,837	53,568,377
Restricted assets			
Cash with paying agent	-	338,453	338,453
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	3,145,475	-	3,145,475
Water customers	-	1,174,705	1,174,705
Leases	993,509	-	993,509
Interest	19,028	357,780	376,808
Other	1,619,906	52,435	1,672,341
Deposits	305,000	-	305,000
Prepaid expenses	300,847	72,721	373,568
Due from other governments	1,636,880	1,810,966	3,447,846
Capital assets not being depreciated	38,832,251	5,895,782	44,728,033
Capital assets (net of accumulated depreciation)	72,118,811	33,999,272	106,118,083
Total assets	132,728,192	108,183,667	240,911,859
DEFERRED OUTFLOWS OF RESOURCES			
Asset retirement obligation	-	589,600	589,600
Pension items	2,088,127	237,002	2,325,129
Total deferred outflows of resources	2,088,127	826,602	2,914,729
Total assets and deferred outflows of resources	134,816,319	109,010,269	243,826,588
LIABILITIES			
Accounts payable	746,793	861,720	1,608,513
Accrued payroll	180,498	33,973	214,471
Deposits payable	-	10,686	10,686
Other payables	273,480	-	273,480
Unearned revenue	99,284	-	99,284
Accrued interest payable	92,533	203,359	295,892
Noncurrent liabilities			
Due within one year	776,899	1,104,403	1,881,302
Due in more than one year	20,632,062	17,224,313	37,856,375
Total liabilities	22,801,549	19,438,454	42,240,003
DEFERRED INFLOWS OF RESOURCES			
Pension items	313,814	32,750	346,564
Deferred revenue - property taxes	3,145,475	-	3,145,475
Deferred inflows - leases	904,667	-	904,667
Total deferred inflows of resources	4,363,956	32,750	4,396,706
Total liabilities and deferred inflows of resources	27,165,505	19,471,204	46,636,709

(This statement is continued on the following page.)

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF NET POSITION (Continued)

March 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 97,384,216	\$ 27,742,236	\$ 125,126,452
Restricted for			
Parks	647,189	-	647,189
Public safety	143,163	-	143,163
Economic development	1,553,242	-	1,553,242
Capital projects	257,786	-	257,786
Debt service	-	338,453	338,453
Unrestricted	7,665,218	61,458,376	69,123,594
TOTAL NET POSITION	\$ 107,650,814	\$ 89,539,065	\$ 197,189,879

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	\$ 5,899,053	\$ 3,843,533	\$ -	\$ -
Public safety	7,047,319	308,691	853,860	-
Public works	6,060,381	-	-	-
Highways and streets	939,591	-	1,420,894	1,867,040
Parks and recreation	2,474,611	77,716	-	712,529
Interest	283,227	-	-	-
Total governmental activities	22,704,182	4,229,940	2,274,754	2,579,569
Business-Type Activities				
Water and sewer	9,834,454	9,823,673	-	751,345
Total business-type activities	9,834,454	9,823,673	-	751,345
TOTAL PRIMARY GOVERNMENT	\$ 32,538,636	\$ 14,053,613	\$ 2,274,754	\$ 3,330,914

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (2,055,520)	\$ -	\$ (2,055,520)
	(5,884,768)	-	(5,884,768)
	(6,060,381)	-	(6,060,381)
	2,348,343	-	2,348,343
	(1,684,366)	-	(1,684,366)
	(283,227)	-	(283,227)
	<u>(13,619,919)</u>	<u>-</u>	<u>(13,619,919)</u>
	-	740,564	740,564
	-	740,564	740,564
	<u>(13,619,919)</u>	<u>740,564</u>	<u>(12,879,355)</u>
General revenues			
Taxes			
Property	2,864,029	-	2,864,029
Sales	6,598,759	7,854,267	14,453,026
Simplified telecommunications	107,704	-	107,704
Utility	799,904	-	799,904
Other	861,487	-	861,487
Intergovernmental			
State shared income taxes	3,123,466	-	3,123,466
Replacement taxes	73,582	-	73,582
Investment income	540,667	2,543,753	3,084,420
Miscellaneous	245,493	32,035	277,528
Gain on sale of capital assets	349,638	-	349,638
Transfers in (out)	172,063	(172,063)	-
Total	<u>15,736,792</u>	<u>10,257,992</u>	<u>25,994,784</u>
CHANGE IN NET POSITION	<u>2,116,873</u>	<u>10,998,556</u>	<u>13,115,429</u>
NET POSITION, APRIL 1, AS REPORTED	105,765,874	78,589,246	184,355,120
Change in accounting principle	(231,933)	(48,737)	(280,670)
NET POSITION, APRIL 1, AS RESTATED	<u>105,533,941</u>	<u>78,540,509</u>	<u>184,074,450</u>
NET POSITION, MARCH 31	<u>\$ 107,650,814</u>	<u>\$ 89,539,065</u>	<u>\$ 197,189,879</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2025

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,345,303	\$ 1,521,670	\$ 219,972	\$ 6,086,945
Investments	4,858,629	-	2,810,911	7,669,540
Receivables (net, where applicable, of allowances for uncollectibles)				
Property taxes	2,493,937	-	651,538	3,145,475
Leases	993,509	-	-	993,509
Accrued interest	19,028	-	-	19,028
Other	885,753	648,670	85,483	1,619,906
Due from other governments	1,572,485	-	64,395	1,636,880
Deposits	305,000	-	-	305,000
Prepaid items	300,847	-	-	300,847
TOTAL ASSETS	<u>\$ 15,774,491</u>	<u>\$ 2,170,340</u>	<u>\$ 3,832,299</u>	<u>\$ 21,777,130</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 633,737	\$ 106,097	\$ 6,959	\$ 746,793
Accrued payroll	180,498	-	-	180,498
Other payables	273,480	-	-	273,480
Unearned revenue	99,284	-	-	99,284
Total liabilities	<u>1,186,999</u>	<u>106,097</u>	<u>6,959</u>	<u>1,300,055</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,493,937	-	651,538	3,145,475
Deferred inflows - leases	904,667	-	-	904,667
Total deferred inflows of resources	<u>3,398,604</u>	<u>-</u>	<u>651,538</u>	<u>4,050,142</u>
Total liabilities and deferred inflows of resources	<u>4,585,603</u>	<u>106,097</u>	<u>658,497</u>	<u>5,350,197</u>
FUND BALANCES				
Nonspendable - deposits	305,000	-	-	305,000
Nonspendable - prepaid items	300,847	-	-	300,847
Restricted for parks	647,189	-	-	647,189
Restricted for public safety	9,340	-	133,823	143,163
Restricted for economic development	-	-	1,553,242	1,553,242
Restricted for capital projects	-	-	257,786	257,786
Assigned for maintenance of roadways	-	-	1,228,951	1,228,951
Assigned for operating reserves	4,073,684	-	-	4,073,684
Assigned for capital projects	3,952,130	2,064,243	-	6,016,373
Unassigned	1,900,698	-	-	1,900,698
Total fund balances	<u>11,188,888</u>	<u>2,064,243</u>	<u>3,173,802</u>	<u>16,426,933</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 15,774,491</u>	<u>\$ 2,170,340</u>	<u>\$ 3,832,299</u>	<u>\$ 21,777,130</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

March 31, 2025

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 16,426,933
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	110,951,062
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	488,171
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund - SLEP are recognized as deferred outflows and inflows of resources on the statement of net position	25,475
Differences between expected and actual experiences, assumption changes and net difference between projected and actual earnings for the Police Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	1,260,667
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable	(12,600,000)
Net pension liability - IMRF	(2,081,809)
Net pension liability - IMRF SLEP	(34,453)
Net pension liability - Police Pension	(4,826,052)
Compensated absences payable	(704,269)
Premium on bonds payable	(860,749)
Accrued interest on long-term liabilities is shown as a liability on the statement of net position	(92,533)
The other postemployment benefit liability is included in the governmental activities in the statement of net position	(301,629)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 107,650,814</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended March 31, 2025

	General	(Formerly Major) Motor Fuel Tax	(Formerly Nonmajor) Capital Projects	Nonmajor Governmental	Total
REVENUES					
Property taxes	\$ 2,306,084	\$ -	\$ -	\$ 557,945	\$ 2,864,029
Other taxes	8,110,773	-	-	257,081	8,367,854
Intergovernmental	4,050,909	-	1,210,977	922,445	6,184,331
Licenses, permits and fines	711,317	-	-	-	711,317
Franchise fees	292,555	-	-	-	292,555
Charges for services	3,173,829	-	-	52,239	3,226,068
Investment income	451,757	-	-	88,910	540,667
Miscellaneous	244,898	-	-	595	245,493
Total revenues	19,342,122	-	1,210,977	1,879,215	22,432,314
EXPENDITURES					
Current					
General government	5,400,374	-	-	96,490	5,496,864
Public safety	7,055,474	-	-	7,862	7,063,336
Public works	2,860,138	-	-	-	2,860,138
Highways and streets	-	-	-	939,591	939,591
Parks and recreation	978,748	-	-	-	978,748
Capital outlay	-	-	3,335,383	850	3,336,233
Debt service					
Principal	-	-	-	600,000	600,000
Interest and fiscal charges	-	-	-	343,975	343,975
Total expenditures	16,294,734	-	3,335,383	1,988,768	21,618,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,047,388	-	(2,124,406)	(109,553)	813,429
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	579,771	1,460,728	2,040,499
Transfers (out)	(1,802,108)	-	(516,753)	-	(2,318,861)
Sale of assets	-	-	1,525,090	-	1,525,090
Total other financing sources (uses)	(1,802,108)	-	1,588,108	1,460,728	1,246,728
NET CHANGE IN FUND BALANCES	1,245,280	-	(536,298)	1,351,175	2,060,157
FUND BALANCES, APRIL 1, AS REPORTED	9,943,608	686,948	-	3,736,220	14,366,776
Change within financial reporting entity	-	(686,948)	2,600,541	(1,913,593)	-
FUND BALANCES, APRIL 1, AS RESTATED	9,943,608	-	2,600,541	1,822,627	14,366,776
FUND BALANCES, MARCH 31	\$ 11,188,888	\$ -	\$ 2,064,243	\$ 3,173,802	\$ 16,426,933

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2025

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,060,157
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	2,393,136
Capital contributions are not reported in governmental funds	1,867,040
Capital reclassifications from the business-type activities are not reported in governmental funds	450,425
Proceeds from the disposal of capital assets are recognized in governmental funds but the loss is recognized on the statement of activities	(1,175,452)
Depreciation expense does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds	(3,919,909)
The repayment of the principal portion long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	600,000
Amortization of premium on bonds is reported as interest expense on the statement of activities	53,797
The decrease in interest payable is reported as a reduction of expense on the statement of activities	6,951
The change in compensated absences is reported as an expense on the statement of activities	(10,924)
The change in the Police Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resources	179,837
The change in the Illinois Municipal Retirement Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resources	(379,225)
The change in the Illinois Municipal Retirement Fund - SLEP net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resources	(9,259)
The change in the other postemployment benefit liability is reported as an expense on the statement of activities	299
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 2,116,873

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUND

March 31, 2025

	<u>Business-Type Activities</u> <u>Water and Sewer Fund</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 18,582,716
Investments	45,898,837
Restricted assets	
Cash with paying agent	338,453
Receivables (net, where applicable, of allowances for uncollectibles)	
Water customers	1,174,705
Interest	357,780
Other	52,435
Prepaid expenses	72,721
Due from other governments	<u>1,810,966</u>
 Total current assets	 <u>68,288,613</u>
CAPITAL ASSETS	
Nondepreciable	5,895,782
Depreciable	68,287,686
Accumulated depreciation	<u>(34,288,414)</u>
 Net capital assets	 <u>39,895,054</u>
 Total assets	 <u>108,183,667</u>
DEFERRED OUTFLOWS OF RESOURCES	
Asset retirement obligation	589,600
Pension items - IMRF	<u>237,002</u>
 Total deferred outflows of resources	 <u>826,602</u>
 Total assets and deferred outflows of resources	 <u>109,010,269</u>

(This statement is continued on the following page.)

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUND

March 31, 2025

	Business-Type Activities
	Water and Sewer Fund
CURRENT LIABILITIES	
Accounts payable	\$ 861,720
Accrued payroll	33,973
Deposits payable	10,686
Interest payable	203,359
Current portion of compensated absences payable	59,304
Current portion of total OPEB liability	1,636
Current portion of IEPA loan payable	229,681
Current portion of general obligation bonds payable	200,000
Current portion of Joliet Wastewater debt payable	613,782
Total current liabilities	2,214,141
LONG-TERM LIABILITIES	
Compensated absences payable	59,303
Total OPEB Liability	43,037
IEPA loan payable	2,581,684
General obligation bonds payable	8,480,386
Joliet Wastewater debt payable	4,520,467
Net pension liability - IMRF	869,436
Asset retirement obligation	670,000
Total long-term liabilities	17,224,313
Total liabilities	19,438,454
DEFERRED INFLOWS OF RESOURCES	
Pension items - IMRF	32,750
Total deferred inflows of resources	32,750
Total liabilities and deferred inflows of resources	19,471,204
NET POSITION	
Net investment in capital assets	27,742,236
Restricted for debt service	338,453
Unrestricted	61,458,376
TOTAL NET POSITION	\$ 89,539,065

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended March 31, 2025

	<u>Business-Type Activities Water and Sewer Fund</u>
OPERATING REVENUES	
Water and sewer service	\$ 9,823,673
Miscellaneous income	32,035
Total operating revenues	<u>9,855,708</u>
OPERATING EXPENSES	
Water department	3,270,597
Sewer department	4,636,859
Depreciation and amortization	1,647,390
Total operating expenses	<u>9,554,846</u>
OPERATING INCOME	<u>300,862</u>
NON-OPERATING REVENUES (EXPENSES)	
Sales taxes	7,854,267
Investment income	2,543,753
Interest expense	(279,608)
Total non-operating revenues (expenses)	<u>10,118,412</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND TRANSFERS	<u>10,419,274</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>751,345</u>
TRANSFERS	
Transfers in	858,133
Transfers (out)	(1,030,196)
Total transfers	<u>(172,063)</u>
CHANGE IN NET POSITION	<u>10,998,556</u>
NET POSITION, APRIL 1, AS REPORTED	78,589,246
Change in accounting principle	(48,737)
NET POSITION, APRIL 1, AS RESTATED	<u>78,540,509</u>
NET POSITION, MARCH 31	<u>\$ 89,539,065</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended March 31, 2025

	Business-Type Activities
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 9,631,267
Payments to suppliers	(5,678,380)
Payments to employees	(1,928,787)
	<u>2,024,100</u>
Net cash from operating activities	<u>2,024,100</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Sales taxes	7,675,494
Transfers	278,362
	<u>7,953,856</u>
Net cash from noncapital financing activities	<u>7,953,856</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(5,705,908)
Connection and capital improvement fees	1,365,595
Bond and premium proceeds	8,680,386
IEPA loan payments	(225,167)
Joliet Agreement principal payments	(605,877)
Interest payments	(116,770)
	<u>3,392,259</u>
Net cash from capital and related financing activities	<u>3,392,259</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(10,562,079)
Sale and maturities of investments	1,760,496
Investment income	2,507,974
	<u>(6,293,609)</u>
Net cash from investing activities	<u>(6,293,609)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,076,606
CASH AND CASH EQUIVALENTS, APRIL 1	<u>11,844,563</u>
CASH AND CASH EQUIVALENTS, MARCH 31	<u>\$ 18,921,169</u>

(This statement is continued on the following page.)

VILLAGE OF SHOREWOOD, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND

For the Year Ended March 31, 2025

	Business-Type Activities
	Water and Sewer Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 300,862
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization	1,647,390
Effects of changes in operating assets and liabilities	
Water customer receivables	(187,743)
Other receivables	(36,698)
Prepaid expenses	(1,648)
Accounts payable	90,321
Deposits payable	3,609
Accrued payroll	33,973
Pension items - IMRF	158,682
Compensated absences	15,396
OPEB liability	(44)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 2,024,100</u>
NONCASH TRANSACTIONS	
Capital assets acquired through accounts payable and retainage	\$ 248,787
Capital asset transfer to Governmental Activities	(450,425)
IEPA loan receivable	15,736
IEPA loan payable	(15,736)
TOTAL NONCASH TRANSACTIONS	<u>\$ (201,638)</u>

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

March 31, 2025

	Police Pension	Custodial Fund Grand Prairie Water Commission
ASSETS		
Cash and cash equivalents	\$ 134,746	\$ -
Investments held in the Illinois Police Officers' Pension Investment Fund	25,088,315	-
Prepaid expenses	2,507	-
Total assets	25,225,568	-
LIABILITIES		
None	-	-
Total liabilities	-	-
NET POSITION		
Restricted for pensions	25,225,568	-
Restricted for Grand Prairie Water Commission	-	-
TOTAL NET POSITION	\$ 25,225,568	\$ -

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended March 31, 2025

	Police Pension	Custodial Fund Grand Prairie Water Commission
ADDITIONS		
Contributions - employer	\$ 898,845	\$ -
Contributions - plan members	330,679	-
Contributions - GPWC members	-	660,000
	1,229,524	660,000
Investment income		
Net appreciation in fair value of investments	1,235,412	-
Interest	140,613	27,968
Less investment expenses	(15,265)	-
	1,360,760	27,968
Total additions	2,590,284	687,968
DEDUCTIONS		
Benefits and refunds	711,456	-
Administrative	16,065	-
Professional services	-	1,610,369
	727,521	1,610,369
NET INCREASE (DECREASE)	1,862,763	(922,401)
NET POSITION		
April 1	23,362,805	922,401
March 31	\$ 25,225,568	\$ -

See accompanying notes to financial statements.

VILLAGE OF SHOREWOOD, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Shorewood, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles (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. The more significant of the Village's accounting policies are described below.

a. Reporting Entity

The Village, for financial statement reporting purposes, includes all of the funds relevant to the operations of the Village. The financial statements presented herein do not include agencies which have been formed under applicable state laws as separate and distinct units of government, apart from the Village.

The Village is a municipal corporation governed by an elected board. As required by GAAP, these financial statements present the Village (the primary government). Management has determined that there is one fiduciary component unit that is required to be included in the financial statements of the Village as pension trust fund.

Police Pension Employees Retirement System

The Village's police employees participate in Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Mayor, one elected by pension beneficiaries and two elected police employees constitute the pension board. The Village is obligated to fund all PPERS costs not funded by PPERS participants based upon actuarial valuations, which creates a financial burden on the Village. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels, which results in the PPERS being fiscally dependent upon the Village. PPERS is reported as a pension trust fund. PPERS does not issue a stand-alone financial report.

b. Fund Accounting

The Village uses funds to report on its financial position, changes in its financial position and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds restricted, committed or assigned for the acquisition or construction of capital assets (capital projects funds), the funds restricted, committed or assigned for the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments. The Village utilizes a pension trust fund which is generally used to account for assets that the Village holds in a fiduciary capacity and a custodial fund (Grand Prairie Water Commission Fund) which is utilized to account for assets that the Village is holding in a fiduciary capacity.

c. 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 material interfund activity has been eliminated from these statements except that interfund services provided/used, if any, are not eliminated as part of the consolidation. 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 support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program 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 standard revenues 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 instead as general revenues.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

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

The Village reports the following major governmental funds:

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those accounted for in another fund.

The Capital Projects Fund is used to account for all activities related to capital improvement expenses for the Village.

The Village reports the following major proprietary fund:

The Water and Sewer Fund is used to account for all activity necessary to provide water and sewer service to the residents of the Village including administration, operation, maintenance, financing and related debt service.

The Village reports a pension trust fund as a fiduciary component unit to account for the Police Pension Fund. Furthermore, the Village reports the following custodial fund as a fiduciary fund: Grand Prairie Water Commission Fund.

d. 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 and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

enough thereafter to be used to pay liabilities of the current period, generally within 60 days after year end. The Village recognizes property taxes when they become both measurable and available in the period intended to finance. A 90-day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the Village are also recognized as revenue. Fines, permits and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Village reports deferred/unavailable revenue and unearned revenue on its financial statements. Deferred/unavailable revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period, under the modified accrual basis of accounting. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Deferred/unavailable revenues also arise when property taxes do not meet the period intended to finance criteria under the accrual basis of accounting.

Unearned revenues also arise when resources are received by the Village before it has a legal claim to them or prior to the provision of services, 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 and deferred inflows of resource for unearned and unavailable/deferred revenue are removed from the financial statements and revenue is recognized.

e. Cash in Commingled Account

The Village uses a single money market account to process most of its operating transactions. This account is commingled in that several funds share this account and have rights to the extent of their respective equity in the aggregate balance. Accounting records are maintained to recognize each fund's share of the aggregate account balance. The General Fund, Debt Service Fund, Capital Projects Fund, Water and Sewer Fund, Asset Forfeiture Fund and Drug Prevention (DARE) Fund participate in the commingled account.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village's proprietary fund considers all highly liquid investments, with a maturity of three months or less when purchased to be cash equivalents.

g. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust fund are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

h. Restricted Assets

Certain cash and other assets in the Water and Sewer Fund are restricted for payment of debt service. These assets are reflected as restricted cash and other assets and restrictions of net position.

i. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds/advances to other funds" or "due to other funds/advances from other funds" on the financial statements.

j. Inventories

Inventories, if any, are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures and/or expenses when consumed rather than when purchased.

k. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses. Prepaid items/expenses are reported using the consumption method.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Capital Assets

Capital assets, which include property, plant, equipment, water and sewer system 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.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of buildings, equipment, water and sewer systems and vehicles is computed using the straight-line method over the following useful lives:

	Threshold	Years
Land	\$50,000	N/A
Buildings and building improvements	\$100,000	10-50
Water and sewer system	\$50,000-\$100,000	10-40
Vehicles, machinery and equipment	\$20,000-\$50,000	5-10
Infrastructure	\$50,000-\$100,000	10-40
Intangible assets	\$100,000	40

Construction and acquisition fees represent payments to the City of Joliet for rights to utilize their sewerage treatment plant and the costs associated with the connection.

m. Compensated Absences

The Village implemented GASB Statement 101, *Compensated Absences*, in 2025. Vested or accumulated vacation and sick leave that is due to employees who have retired or terminated by the end of the year is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation and sick leave of proprietary funds and governmental activities is recorded as an expense and liability of those funds as the benefits accrue to employees. The entire balance of vacation leave is recognized as a liability at year end. A liability is recognized for the portion of accumulating sick leave benefits that is estimated to be more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability is also recognized for sick leave in certain scenarios where employees have surpassed a vesting period and are entitled to a payout upon end of employment.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Compensated Absences (Continued)

As a result of the implementation of GASB Statement 101, *Compensated Absences*, beginning net position for governmental activities and business-type activities were restated. See footnotes 7 and 13 for additional information.

n. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. The unamortized loss on refunding is reported as a deferred outflow of resources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

o. Fund Balances/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or are legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities or from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board of Trustees, which is considered the Village's highest level of decision-making authority.

Formal actions include ordinances approved by the Board of Trustees. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Village Administrator and/or Finance Director as specified by the Village's fund balance reserve policy. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Fund Balances/Net Position (Continued)

The Village has established a fund balance reserve policy for its General Fund. The policy requires the Village to maintain an assigned fund balance in the General Fund equivalent to three months of operating expenditures.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned funds and then unassigned funds.

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets, less any outstanding long-term debt issued to construct or acquire the capital asset. Net position of the Village has not been restricted by enabling legislation.

p. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources.

This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

q. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The Village and pension fund categorize fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Illinois Compiled Statutes (ILCS) and the Village's investment policy authorize the Village to make deposits/invest in insured commercial banks, insured savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, short-term commercial paper rated with the highest classification by at least one standard rating service, The Illinois Funds and the Illinois Metropolitan Investment Fund (IMET).

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704.

IMET is a local government investment pool. Created in 1996 as a not-for-profit trust formed under the Intergovernmental Cooperation Act and the Illinois Municipal Code. IMET was formed to provide Illinois government agencies with safe, liquid, attractive alternatives for investing and is managed by a Board of Trustees elected from the participating members. IMET offers participants two separate vehicles to meet their investment needs. The IMET Core Fund is designed for public funds that may be invested for longer than one year. The Core Fund carries the highest rating available (AAAf/bf) from Moody's for such funds. Member withdrawals can be made from the core fund with a five day notice. The IMET Convenience Fund (CVF) is designed to accommodate funds requiring high liquidity, including short term cash management programs and temporary investment of bond proceeds. It is comprised of collateralized and FHLB LoC backed bank deposits, FDIC insured certificates of deposit and U.S. Government securities. Member withdrawals are generally on the same day as requested. Investments in IMET are valued at IMET's share price, which is the price the investment could be sold.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are safety (preservation of capital and protection of investment principal in the name of the Village), diversification, liquidity and yield.

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to it. The Village's investment policy requires the pledging of collateral of 110% of all bank balances in excess of federal depository insurance with the collateral held by the Village, or in safekeeping (held by a third party or escrow agent of the pledging institution in the name of the Village) and evidenced by a safekeeping agreement.

b. Village Investments

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed to make current operating expenditures/expenses. The Village's investment policy does not specify maximum maturity lengths of investments.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in IMET, The Illinois Funds, money market mutual funds and U.S. agency securities even though the investment policies allow other investments. For the Village's investments, IMET and The Illinois Funds are rated AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Village's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held in a custodial account with the trust department of an approved financial institution.

To limit its exposure, the Village invests in IMET and The Illinois Funds which are not subject to custodial credit risk.

Concentration of credit risk - The Village's investment policy requires diversification of the portfolio and specifies diversification targets or limits as follows:

- Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
- Commercial paper and bankers' acceptances shall not exceed 25% of the Village's investment portfolio.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

b. Village Investments (Continued)

- Investment in the public treasurer’s investment pool shall not exceed 75% of the Village’s investment portfolio.
- Certificates of deposit with savings and loan associations shall not exceed 5% of the portfolio.
- The combination of certificates of deposit, bankers’ acceptances and commercial paper shall not exceed 33% of the investment portfolio with any one financial institution.
- State and local government securities shall not exceed 25% of the investment portfolio.
- Commercial paper shall not exceed 10% of the investment portfolio with any one corporate entity.

The following table presents the investments and maturities of the Village’s debt securities as of March 31, 2025:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
IMET	\$ 4,203,429	\$ -	\$ 4,203,429	\$ -	\$ -
TOTAL	\$ 4,203,429	\$ -	\$ 4,203,429	\$ -	\$ -

3. PROPERTY TAXES

Property taxes for the 2023 levy year attach as an enforceable lien on January 1, 2023, on property value assessed as of the same date. Taxes are levied by December 31 of the same year by passage of a Tax Levy Ordinance.

Tax bills are prepared by the County and issued on or about May 1, 2024 and August 1, 2024, and are payable in two installments, on or about June 1, 2024 and September 1, 2024. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy, to reflect actual collection experience. Because the 2024 levy is intended to finance the fiscal year ended March 31, 2026, it has been offset by unavailable/deferred revenue at March 31, 2025. The 2025 tax levy, which attached as an enforceable lien on property as of January 1, 2025, has not been recorded as a receivable as of March 31, 2025 as the tax has not yet been levied by the Village and will not be levied until December 2025 and, therefore, the levy is not measurable at March 31, 2025.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. RECEIVABLES

The following receivables are included in other receivables on the statement of net position:

GOVERNMENTAL ACTIVITIES

Franchise tax	\$ 69,079
Utility tax	110,690
Local motor fuel tax	42,078
Local sales tax	77,818
Other taxes	42,006
Utility services	30,656
Grants	1,140,436
Other	<u>107,143</u>

TOTAL \$ 1,619,906

BUSINESS-TYPE ACTIVITIES

IEPA loans	\$ 15,737
Other	<u>36,698</u>

TOTAL \$ 52,435

The following receivables are included in due from other governments on the statement of net position:

GOVERNMENTAL ACTIVITIES

State sales tax	\$ 1,460,606
State use tax	27,168
Motor fuel tax	64,395
Court fines	31,070
Grants	<u>53,641</u>

TOTAL \$ 1,636,880

BUSINESS-TYPE ACTIVITIES

Municipal sales tax	<u>\$ 1,810,966</u>
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TOTAL \$ 1,810,966

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2025 was as follows:

	Balances April 1	Increases	Decreases	Reclassification	Balances March 31
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 10,891,971	\$ 1,867,040	\$ 1,175,452	\$ 450,425	\$ 12,033,984
Land right of way	23,190,735	-	-	-	23,190,735
Construction in progress	1,909,439	2,040,438	342,345	-	3,607,532
Total capital assets not being depreciated	35,992,145	3,907,478	1,517,797	450,425	38,832,251
Capital assets being depreciated					
Buildings and improvements	34,140,986	528,270	-	-	34,669,256
Vehicles, machinery and equipment	6,382,190	166,773	527,910	-	6,021,053
Infrastructure	118,075,689	-	-	-	118,075,689
Total capital assets being depreciated	158,598,865	695,043	527,910	-	158,765,998
Less accumulated depreciation for					
Buildings and improvements	9,347,865	765,815	-	-	10,113,680
Vehicles, machinery and equipment	4,827,799	354,189	527,910	-	4,654,078
Infrastructure	69,079,524	2,799,905	-	-	71,879,429
Total accumulated depreciation	83,255,188	3,919,909	527,910	-	86,647,187
Total capital assets being depreciated, net	75,343,677	(3,224,866)	-	-	72,118,811
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	\$ 111,335,822	\$ 682,612	\$ 1,517,797	\$ 450,425	\$ 110,951,062

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

GOVERNMENTAL ACTIVITIES	
General government	\$ 258,181
Public safety	100,720
Public works	3,326,140
Parks and recreation	234,868
TOTAL DEPRECIATION EXPENSE -	
GOVERNMENTAL ACTIVITIES	\$ 3,919,909

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS (Continued)

	Balances April 1	Increases	Decreases	Reclassification	Balances March 31
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated					
Land	\$ 1,183,417	\$ 503,384	\$ -	\$ (450,425)	\$ 1,236,376
Construction in progress	1,311,962	3,915,679	568,235	-	4,659,406
Total capital assets not being depreciated	2,495,379	4,419,063	568,235	(450,425)	5,895,782
Capital assets being depreciated					
Furniture and equipment	1,160,029	195,522	156,585	-	1,198,966
Sewerage treatment rights	16,331,124	-	-	-	16,331,124
Water/sewer distribution system	48,849,251	1,908,345	-	-	50,757,596
Total capital assets being depreciated	66,340,404	2,103,867	156,585	-	68,287,686
Less accumulated depreciation for					
Furniture and equipment	812,408	103,082	156,585	-	758,905
Sewerage treatment rights	5,898,136	407,351	-	-	6,305,487
Water/sewer distribution system	26,087,065	1,136,957	-	-	27,224,022
Total accumulated depreciation	32,797,609	1,647,390	156,585	-	34,288,414
Total capital assets being depreciated, net	33,542,795	456,477	-	-	33,999,272
BUSINESS-TYPE ACTIVITIES					
CAPITAL ASSETS, NET	\$ 36,038,174	\$ 4,875,540	\$ 568,235	\$ (450,425)	\$ 39,895,054

Depreciation expense was charged to functions/programs of the business-type activities as follows:

BUSINESS-TYPE ACTIVITIES

Water and sewer \$ 1,647,390

TOTAL DEPRECIATION EXPENSE -

BUSINESS-TYPE ACTIVITIES \$ 1,647,390

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; injuries to employees; and net income losses. To insure against the losses, the Village participates in the Southwest Agency for Risk Management (SWARM), a public entity risk pool with transfers of risk. The Village pays an annual premium to SWARM for property, public liability, automobile liability, crime and workers' compensation coverage. The Village purchases employee health insurance through Government Insurance Network (GIN). There has been no significant reduction in coverage the prior year. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

7. LONG-TERM DEBT

a. Changes in Long-Term Liabilities

During the year ended March 31, 2025, the following changes occurred in long-term liabilities:

	Balances April 1, Restated***	Additions	Reductions	Balances March 31	Current Portion
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 13,200,000	\$ -	\$ 600,000	\$ 12,600,000	\$ 625,000
Unamortized premium on bonds	914,546	-	53,797	860,749	-
Compensated absences**/**	693,345	10,924	-	704,269	140,854
Net pension liability - IMRF*	2,137,341	-	55,532	2,081,809	-
Net pension liability - IMRF SLEP*	44,427	-	9,974	34,453	-
Net pension liability - Police*	4,532,890	293,162	-	4,826,052	-
Other post-employment benefit liability*	301,928	-	299	301,629	11,045
TOTAL GOVERNMENTAL ACTIVITIES	\$ 21,824,477	\$ 304,086	\$ 719,602	\$ 21,408,961	\$ 776,899

*The net pension liabilities and the other postemployment benefit liability are typically paid by the General Fund.

**The amount displayed as additions or reductions represents the net change in the liability.

***Compensated absences beginning balances were restated for the implementation of GASB 101, *Compensated Absences*. See Note 13 for additional information.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

a. Changes in Long-Term Liabilities (Continued)

	Balances April 1, Restated**	Additions	Reductions	Balances March 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
General obligation bonds	\$ -	\$ 8,220,000	\$ -	\$ 8,220,000	\$ 200,000
Unamortized premium on bonds	-	460,386	-	460,386	-
IEPA loans	3,020,796	15,736	225,167	2,811,365	229,681
Joliet agreement	5,740,126	-	605,877	5,134,249	613,782
Compensated absences*/**	103,211	15,396	-	118,607	59,304
Net pension liability - IMRF	892,673	-	23,237	869,436	-
Other post-employment benefit liability	44,717	-	44	44,673	1,636
Asset retirement obligation	670,000	-	-	670,000	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 10,471,523	\$ 8,711,518	\$ 854,325	\$ 18,328,716	\$ 1,104,403

*The amount displayed as additions or reductions represents the net change in the liability.

**Compensated absences beginning balances were restated for the implementation of GASB 101, *Compensated Absences*. See Note 13 for additional information.

b. General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for only governmental activities. These bonds, therefore, are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

The Village issued the Series 2021 General Obligation Bonds to finance various capital improvements throughout the Village and to pay the costs of issuing the bonds. Repayment of the debt is funded by taxes specifically designated in the Debt Service Fund.

The Village issued the Series 2024 General Obligation Bonds to finance various water and sewer capital improvements throughout the Village and to pay the costs of issuing the bonds. Repayment of the debt is funded by taxes specifically designated in the Water and Sewer Fund.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

b. General Obligation Bonds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

General obligation bonds currently outstanding are as follows:

	Fund Debt Retired By	Balances April 1	Additions	Reductions	Balances March 31	Current Portion
\$14,200,000 General Obligation Bonds, Series 2021, dated August 11, 2021, due in annual installments plus interest at 2% to 4% through December 15, 2040	Debt Service	\$ 13,200,000	\$ -	\$ 600,000	\$ 12,600,000	\$ 625,000
\$8,220,000 General Obligation Bonds, Series 2024, dated September 17, 2024, due in annual installments plus interest at 4% to 5% through December 15, 2043	Water and Sewer	-	8,220,000	-	8,220,000	200,000
TOTAL		<u>\$ 13,200,000</u>	<u>\$ 8,220,000</u>	<u>\$ 600,000</u>	<u>\$ 20,820,000</u>	<u>\$ 825,000</u>

c. IEPA Loans

The Village enters into Illinois Environmental Protection Agency (IEPA) loans to provide funds for the acquisition of water and sewer capital projects. IEPA loans payable have been issued for proprietary activities and, therefore, proprietary liabilities are reported in proprietary funds.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

c. IEPA Loans (Continued)

IEPA loans currently outstanding are as follows:

Issue	Fund Debt Retired by	Balances January 1	Issuances	Retirements	Balances December 31	Current Portion
\$4,608,640 IEPA loan dated August 25, 2014, due in semiannual installments of \$91,863 to \$140,753 plus interest at 1.995% through December 17, 2035	Water and Sewer	\$ 3,020,796	\$	\$ 225,167	\$ 2,795,629	\$ 229,681
\$4,965,011 Illinois Environmental Protection Agency Loan, dated March 6, 2025*	Water and Sewer	-	10,426	-	10,426	-
\$18,908,532 Illinois Environmental Protection Agency Loan, dated March 12, 2025*	Water and Sewer	-	5,310	-	5,310	-
TOTAL		<u>\$ 3,020,796</u>	<u>\$ 15,736</u>	<u>\$ 225,167</u>	<u>\$ 2,811,365</u>	<u>\$ 229,681</u>

*These outstanding IEPA loans are still in the active disbursement period as of fiscal year end. As a result, the loan amortization schedules are not finalized and, therefore, are not included in the debt service to maturity schedules below.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

d. Debt Service Requirements to Maturity

Debt service requirements to maturity for long-term debt is as follows:

Fiscal Year Ending March 31,	Governmental Activities General Obligation Bonds Series 2021		Business-Type Activities General Obligation Bonds Series 2024	
	Principal	Interest	Principal	Interest
	2026	\$ 625,000	\$ 319,500	\$ 200,000
2027	645,000	294,500	295,000	348,900
2028	675,000	268,700	310,000	334,150
2029	700,000	241,700	325,000	318,650
2030	730,000	213,700	340,000	302,400
2031-2035	3,945,000	767,900	1,975,000	1,239,500
2036-2040	4,355,000	357,300	2,445,000	767,200
2041	925,000	18,500	2,330,000	237,400
TOTAL	\$ 12,600,000	\$ 2,481,800	\$ 8,220,000	\$ 3,994,831

Fiscal Year Ending March 31,	Business-Type Activities			
	Joliet/Shorewood Wastewater Agreement		IEPA Loans	
	Principal	Interest	Principal	Interest
2026	\$ 613,782	\$ 63,124	\$ 229,681	\$ 54,633
2027	621,584	55,322	234,286	50,028
2028	629,487	47,419	238,983	45,331
2029	637,377	39,529	243,775	40,539
2030	645,594	31,312	248,663	35,651
2031-2035	1,986,425	44,293	1,320,126	101,444
2036-2037	-	-	280,115	4,199
TOTAL	\$ 5,134,249	\$ 280,999	\$ 2,795,629	\$ 331,825

e. Joliet/Shorewood Wastewater Agreement

The Village has recognized a liability for construction and acquisition fee payments to the City of Joliet for rights to utilize their sewerage treatment plant and the cost to connect to it.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

f. Asset Retirement Obligation

The Village has recognized an asset retirement obligation (ARO) and related deferred outflow of resources in connection with its obligation to seal and abandon various water wells at the end of their estimated useful lives in accordance with federal, state and/or local requirements. The ARO was measured using actual historical costs for similar abandonments, adjusted for inflation through the end of the year. The estimated useful lives of the water wells is 50 years.

8. INDIVIDUAL FUND DISCLOSURES

a. Interfund Transfers

Individual fund transfers for the year ended March 31, 2025 are:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,802,108
Capital Projects Fund	579,771	516,753
Nonmajor Governmental Funds		
Motor Fuel Tax Fund	516,753	-
Debt Service Fund	943,975	-
Water and Sewer Fund	858,133	579,771
Governmental Activities	450,425	-
Business-Type Activities	-	450,425
TOTAL	\$ 3,349,057	\$ 3,349,057

The purpose of significant transfers is as follows:

- \$579,771 transferred to the Capital Projects Fund from the Water and Sewer Fund for capital projects and improvements. This transfer will not be repaid.
- \$516,753 transferred to the Motor Fuel Tax Fund (Nonmajor Governmental) from the Capital Projects Fund for budgetary purposes. This transfer will not be repaid.
- \$943,975 transferred to the Debt Service Fund (Nonmajor Governmental) from the General Fund for debt payments. This transfer will not be repaid.
- \$858,133 transferred to the Water and Sewer Fund from the General Fund for budgetary purposes. This transfer will not be repaid.
- \$450,425 transferred from the Business-Type Activities (Water and Sewer Fund) to the Governmental Activities to reclassify certain capital assets.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS

The Village contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system, the Sheriff's Law Enforcement Personnel Fund (SLEP), which is administered by IMRF and is also an agent multiple-employer public employee retirement system; and the Police Pension Plan, which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for both plans are governed by ILCS and can only be amended by the Illinois General Assembly. The Police Pension Plan does not issue a separate report. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at www.imrf.org.

The table below is a summary for all pension plans as of and for the fiscal year ended March 31, 2025:

	IMRF	IMRF SLEP	Police Pension	Total
Net pension liability	\$ 2,951,245	\$ 34,453	\$ 4,826,052	\$ 7,811,750
Deferred outflows of resources	804,087	31,533	1,489,509	2,325,129
Deferred inflows of resources	111,664	6,058	228,842	346,564
Pension expense	982,094	24,530	719,008	1,725,632

a. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Administration

All employees (other than those covered by IMRF-SLEP or the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Plan Membership

At December 31, 2024 (the measurement date), IMRF membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>49</u>
 TOTAL	 <u><u>108</u></u>

Benefits Provided

All employees (other than those covered by the Police Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

IMRF also provides death and disability benefits. These benefit provisions and all are established by state statute

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The required employer contribution for the fiscal year ended March 31, 2025 was 11.63% of covered payroll.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2024
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	2.85% to 13.75%
Interest rate	7.25%
Asset valuation method	Fair value

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108.0%) and Female (adjusted 106.4%) tables, and future mortality improvements projected using scale MP-2021. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2021.

Discount Rate

The discount rate used to measure the total pension liability at December 31, 2024, was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the IMRF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Long-Term Expected Rate of Return

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	4.35%
International equity	18.00%	5.40%
Fixed income	24.50%	5.20%
Real estate	10.50%	6.40%
Alternative investments	12.50%	4.85% to 6.25%
Cash equivalents	1.00%	3.60%
TOTAL	100.00%	

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2024	\$ 16,253,105	\$ 13,223,091	\$ 3,030,014
Changes for the period			
Service cost	331,108	-	331,108
Interest	1,168,799	-	1,168,799
Difference between expected and actual experience	(91,046)	-	(91,046)
Changes in assumptions	-	-	-
Employer contributions	-	435,445	(435,445)
Employee contributions	-	168,342	(168,342)
Net investment income	-	1,274,723	(1,274,723)
Benefit payments and refunds	(594,592)	(594,592)	-
Other (net transfer)	-	(390,880)	390,880
Net changes	814,269	893,038	(78,769)
BALANCES AT DECEMBER 31, 2024	\$ 17,067,374	\$ 14,116,129	\$ 2,951,245

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2025, the Village recognized pension expense of \$982,094.

At March 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 373,668	\$ 82,347
Changes in assumption	6,137	29,317
Net difference between projected and actual earnings on pension plan investments	303,400	-
Contributions subsequent to measurement date	120,882	-
TOTAL	<u>\$ 804,087</u>	<u>\$ 111,664</u>

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

\$120,882 reported as deferred outflows of resources related to pensions resulting from village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	
2026	\$ 289,529
2027	481,463
2028	(131,604)
2029	(67,847)
2030	-
TOTAL	<u>\$ 571,541</u>

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.25% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 5,292,316	\$ 2,951,245	\$ 1,099,988

Sheriff's Law Enforcement Personnel

Benefits Provided

SLEP members having accumulated at least 20 years of SLEP service and terminating IMRF participation or after January 1, 1988, may elect to retire at or after age 50 with no early retirement discount penalty. SLEP members meeting these two qualifications are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 2 1/2% of their final rate of earnings for each year of credited service up to 20 years, 2% of their final earnings rate for the next ten years of credited service and 1% for each year thereafter. For SLEP members retiring with less than 20 years of SLEP service, the regular IMRF pension formula applies. SLEP also provides death and disability benefits. These benefit provisions and all other requirements are established by ILCS.

Contributions

Participating members are required to contribute 7.50% of their annual salary to SLEP. The Village is required to contribute the remaining amounts necessary to fund SLEP as specified by statute. The required employer contribution for the fiscal year ended March 31, 2025, was 11.61% of covered payroll.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Plan Membership

At December 31, 2024 (most recent information available), SLEP membership consisted of:

Inactive employees or their beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1</u>
TOTAL	<u><u>1</u></u>

Actuarial Assumptions

The Village's net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial valuation date	December 31, 2024
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.25%
Salary increases	2.85% to 13.75%
Interest rate	7.25%
Asset valuation method	Fair value

For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 108.0%) and Female (adjusted 106.4%) tables and future mortality improvements projected using scale MP-2021. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2021. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2021.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, SLEP's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

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

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	4.35%
International equity	18.00%	5.40%
Fixed income	24.50%	5.20%
Real estate	10.50%	6.40%
Alternative investments	12.50%	4.85% to 6.25%
Cash equivalents	1.00%	3.60%
TOTAL	100.00%	

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Net Liability
BALANCES AT JANUARY 1, 2024	\$ 90,051	\$ 45,624	\$ 44,427
Changes for the period			
Service cost	17,310	-	17,310
Interest	7,156	-	7,156
Difference between expected and actual experience	(8,078)	-	(8,078)
Changes of assumptions	-	-	-
Employer contributions	-	16,224	(16,224)
Employee contributions	-	9,433	(9,433)
Net investment income	-	3,699	(3,699)
Benefit payments and refunds	-	-	-
Administrative expense	-	-	-
Other (net transfer)	-	(2,994)	2,994
Net changes	16,388	26,362	(9,974)
BALANCES AT DECEMBER 31, 2024	\$ 106,439	\$ 71,986	\$ 34,453

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2025, the Village recognized pension expense of \$24,530.

At March 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to SLEP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,968	\$ 6,058
Changes in assumption	312	-
Net difference between projected and actual earnings on pension plan investments	799	-
Contributions subsequent to measurement date	4,454	-
TOTAL	\$ 31,533	\$ 6,058

\$4,454 reported as deferred outflows of resources related to pensions resulting from village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SLEP will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	
2026	\$ 11,098
2027	11,100
2028	(1,263)
2029	86
2030	-
Thereafter	-
TOTAL	\$ 21,021

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Sheriff's Law Enforcement Personnel (Continued)

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 7.25% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 45,057	\$ 34,453	\$ 25,034

Police Pension Plan

Plan Administration

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active sworn police employees.

Plan Membership

At March 31, 2025, membership consisted of:

Inactive plan members currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>32</u>
TOTAL	<u><u>47</u></u>

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive 2.50% of salary for each year of service. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the greater of the average monthly salary obtaining by devising the total salary during the 48 consecutive months of service within the last of 60 months in which the total salary was the highest by the number of months in that period; or the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. The Village has adopted a policy to fund 100% of the past service costs by 2040 using the entry-age normal actuarial cost method. For the year ended March 31, 2025, the Village's contribution was 26.94% of covered payroll.

Illinois Police Officers' Pension Investment Fund

The Illinois Police Officers' Pension Investment Fund (IPOPIF) is an investment trust fund responsible for the consolidation and fiduciary management of the pension assets of Illinois suburban and downstate police pension funds. IPOPIF was created by Public Act 101-0610 and codified within the Illinois Pension Code, becoming effective January 1, 2020, to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring assets are available to fund pension benefits for the beneficiaries of the participating pension funds as defined in 40 ILCS 5/22B-105. Participation in IPOPIF by Illinois suburban and downstate police pension funds is mandatory.

Deposits with Financial Institutions

The plan retains all of its available cash with one financial institution. Available cash is determined to be that amount which is required for the current expenditures of the plan. The excess of available cash is required to be transferred to IPOPIF for purposes of the long-term investment for the plan.

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the plan's deposits may not be returned to it. The plan's investment policy requires pledging of collateral for all bank balances held in the Plan's name in excess of federal depository insurance, at amounts ranging from 110% to 115% of the fair market value of the funds secured, with the collateral held by an independent third party or the Federal Reserve Bank.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investments

Investments of the plan are combined in a commingled external investment pool and held by IPOPIF. A schedule of investment expenses is included in IPOPIF's annual comprehensive financial report. For additional information on IPOPIF's investments, please refer to their annual comprehensive financial report. A copy of that report can be obtained from IPOPIF at 456 Fulton Street, Suite 402, Peoria, IL 61602 or at www.ipopif.org.

Fair Value Measurement

The plan categorizes fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Plan held no investments subject to fair value measurement at March 31, 2025.

Net Asset Value

The Net Asset Value (NAV) of the plan's pooled investment in IPOPIF was \$25,088,315 at March 31, 2025. Investments in IPOPIF are valued at IPOPIF's share price, which is the price the investment could be sold. There are no unfunded commitments at March 31, 2025. The plan may redeem shares with a seven-calendar day notice. IPOPIF may, at its sole discretion and based on circumstances, process redemption requests with fewer than a seven-calendar day notice. Regular redemptions of the same amount on a particular day of the month may be arranged with IPOPIF.

Investment Rate of Return

For the year ended March 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT APRIL 1, 2024	\$ 27,895,695	\$ 23,362,805	\$ 4,532,890
Changes for the period			
Service cost	761,281	-	761,281
Interest	1,910,333	-	1,910,333
Difference between expected and actual experience	195,767	-	195,767
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Employer contributions	-	898,845	(898,845)
Employee contributions	-	330,679	(330,679)
Net investment income	-	1,360,760	(1,360,760)
Benefit payments and refunds	(711,456)	(711,456)	-
Administrative expense	-	(16,065)	16,065
Net changes	2,155,925	1,862,763	293,162
BALANCES AT MARCH 31, 2025	\$ 30,051,620	\$ 25,225,568	\$ 4,826,052

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Changes in the Net Pension Liability (Continued)

The funded status of the plan as of the most recent measurement date is 83.94%.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of March 31, 2025 using the following actuarial methods and assumptions.

Actuarial valuation date	March 31, 2025
Actuarial cost method	Entry-age normal
Assumptions	
Inflation	2.50%
Salary increases	Service-based
Interest rate	6.75%
Cost of living adjustments	3.00% (Tier 1) 1.25% (Tier 2)
Asset valuation method	Fair value

For active lives, mortality rates were based on PubS-2010 Employee mortality, projected five years past the valuation date with Scale MP-2021. 10% of active deaths are assumed to be in the line of duty. For inactive lives, rates were based on PubS-2010 Healthy Retiree mortality, projected five years past the valuation date with Scale MP-2021. For beneficiaries, rates were based on PubS-2010 Survivor mortality, projected five years past the valuation date with Scale MP-2021. For disabled lives, rates were based on PubS-2010 Disabled mortality, projected five years past the valuation date with Scale MP-2021.

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Village calculated using the discount rate of 6.75% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 9,762,278	\$ 4,826,052	\$ 854,489

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2025, the Village recognized pension expense of \$719,008. At March 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 623,126	\$ 157,506
Changes in assumptions	323,369	71,336
Net difference between projected and actual earnings on pension plan investments	543,014	-
TOTAL	\$ 1,489,509	\$ 228,842

Changes in the net pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the plan. Differences in projected and actual earnings over the measurement period are recognized over a five-year period.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

<u>Year Ending</u> <u>March 31,</u>	
2026	\$ 583,338
2027	397,065
2028	(66,281)
2029	181,013
2030	96,758
Thereafter	<u>68,774</u>
 TOTAL	 <u>\$ 1,260,667</u>

10. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirements under the applicable plan. Retirees participating in the group insurance plans offered by the Village are required to contribute 100% of the active premium rate for them and their covered dependents. For certain disabled public safety employees who qualify under the Public Safety Employee Benefits Act (PSEBA), the Village is required to pay 100% of the cost of basic health insurance for retirees and their dependents for their lifetime. The Village negotiates the contribution percentages between the Village and employees through the union contracts and personnel policy.

All health care benefits are provided through the Village's commercial health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the Village's plan becomes secondary.

c. Membership

At March 31, 2024 (most recent information available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>56</u>
TOTAL	<u><u>57</u></u>
Participating employers	<u><u>1</u></u>

VILLAGE OF SHREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

d. Total OPEB Liability

The Village’s total OPEB liability of \$346,302 was measured as of March 31, 2025 and was determined by an actuarial valuation as of March 31, 2024.

e. Actuarial Assumptions and Other Inputs

The total OPEB liability at March 31, 2025, as determined by an actuarial valuation as of March 31, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liability was rolled forward by the actuary using updated procedures to March 31, 2025, including updating the discount rate at March 31, 2025, as noted below:

Actuarial cost method	Entry-age normal
Actuarial value of assets	Not applicable
Inflation	2.50%
Salary increases	2.50%
Discount rate	4.55%
Healthcare cost trend rates	6.75% Initial 4.00% Ultimate

The discount rate was based on The Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody’s Aa2 and Standard & Poor’s AA.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

g. Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the Village calculated using the healthcare rate of 4.00% to 6.75% as well as what the Village’s total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (3.00% to 5.75%) or 1 percentage point higher (5.00% to 7.75%) than the current rate:

	1% Decrease (varies)	Current Healthcare Rate (varies)	1% Increase (varies)
Total OPEB liability	\$ 301,424	\$ 346,302	\$ 400,216

h. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended March 31, 2025, the Village recognized OPEB expense of \$13,988. Under GASB Statement No. 75, plans that qualify for the Alternative Measurement Method, changes to the OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense.

11. EMPLOYEE BENEFIT PLANS

The Village provides a 457 plan, a single employer defined contribution plan, to the Village Administrator, which is a single employer defined contribution plan. Due to his time as a Police Chief and participation in an Article III Pension Plan and subsequent re-employment with the Village, the Village Administrator is ineligible to participate in IMRF. Therefore, the Village will contribute an amount equal to that of the IMRF employer contribution percentage to a 457 plan. The Administrator may elect to contribute additional earnings to the plan, up to the IRS annual limit. During the fiscal year ended March 31, 2025, the contribution made by the Village was \$20,007.

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. LESSOR DISCLOSURES

In accordance with GASB Statement No. 87, *Leases*, the Village’s lessor activity is as follows:

The Village entered into two lease arrangements on October 25, 2005 and August 28, 2018, to lease cell tower property. For the first lease arrangement, payments ranging from \$2,119 to \$2,816 are due to the Village in monthly installments, through October 1, 2034. For the second lease arrangement, payments ranging from \$2,459 to \$5,302 are due to the Village in monthly installments, through February 1, 2049. Both lease arrangements are noncancelable. During the fiscal year, the Village collected \$53,929 under both arrangements and recognized a \$51,456 reduction in the related deferred inflow of resource. As of March 31, 2025, the remaining lease receivable and offsetting deferred inflow of resource for these arrangements is \$970,415 and \$882,437, respectively, and these amounts are recorded in the Village’s General Fund.

The Village entered into a lease arrangement on May 26, 2022, to lease building space. Payments of \$12,000 are due to the Village in annual installments, through May 26, 2026. The lease arrangement is noncancelable. During the fiscal year, the Village collected \$12,000 and recognized a \$11,115 reduction in the related deferred inflow of resource. As of March 31, 2025, the remaining lease receivable and offsetting deferred inflow of resource for this arrangement is \$23,094 and \$22,230, respectively, and these amounts are recorded in the Village’s General Fund.

13. FUND BALANCE AND NET POSITION RESTATEMENTS

Change in Accounting Principle

For the fiscal year ended March 31, 2025, the Village implemented GASB Statement No. 101, *Compensated Absences*. The implementation of this guidance impacted the beginning accrual balance of compensated absences, which resulted in a restatement of beginning net position. The effect of the restatements are summarized below:

	Governmental Activities	Business-Type Activities	Water and Sewer Fund
BEGINNING NET POSITION, AS PREVIOUSLY REPORTED	\$ 105,765,874	\$ 78,589,246	\$ 78,589,246
Change in accounting principle - GASB 101	(231,933)	(48,737)	(48,737)
Total net restatement	(231,933)	(48,737)	(48,737)
BEGINNING NET POSITION, AS RESTATED	\$ 105,533,941	\$ 78,540,509	\$ 78,540,509

VILLAGE OF SHOREWOOD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

13. FUND BALANCE AND NET POSITION RESTATEMENTS (Continued)

Change within Financial Reporting Entity

The Village’s beginning fund balances were adjusted due to a change within the reporting entity, in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The Motor Fuel Tax Fund was reported as major for the fiscal year ended March 31, 2024, and is reported as nonmajor for the fiscal year ended March 31, 2025. The Capital Projects Fund was reported as nonmajor for the fiscal year ended March 31, 2024, and is reported as major for the fiscal year ended March 31, 2025. The effect of this change is as follows:

	Motor Fuel Tax Fund		Capital Projects Fund	
	Major Governmental	Nonmajor Governmental	Major Governmental	Nonmajor Governmental
BEGINNING FUND BALANCE, AS PREVIOUSLY REPORTED	\$ 686,948	\$ -	\$ -	\$ 2,600,541
Change within financial reporting entity	(686,948)	686,948	2,600,541	(2,600,541)
Total net restatement	(686,948)	686,948	2,600,541	(2,600,541)
BEGINNING FUND BALANCE, AS RESTATED	\$ -	\$ 686,948	\$ 2,600,541	\$ -

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2025, and in connection with the Board of Trustees’ approved resolution authorizing and executing an agreement with the Greater Joliet YMCA (the YMCA), the Village remitted \$8,750,000 to the YMCA for the construction of a new facility in Shorewood, which will be wholly owned and operated by the YMCA.

During the fiscal year ended March 31, 2025, the Village became one of six communities that together officially formed the Grand Prairie Water Commission. Together, Channahon, Crest Hill, Joliet, Minooka, Romeoville, and Shorewood will construct a new water system and purchase Lake Michigan water directly from the City of Chicago. The total capital investment required of the commission is estimated at \$1,450,000,000. Each community is responsible for the capital costs proportional to their share of the declared 2050 Maximum Daily Demand (MDD). Shorewood represents approximately 8.7% of the total MDD, making the capital obligation to the GPWC approximately \$126M. Any community wishing to make a one-time capital contribution at the front end of the project would be able to avoid financing costs incurred for the proportionate share of their contribution. Subsequent to March 31, 2025, the Village made a \$20,000,000 capital contribution to the Grand Prairie Water Commission, avoiding an additional estimated \$22,000,000 in interest expense over the life of the project. The \$20,000,000 had been accrued from the Home Rule Sales Tax receipts set aside since January 1, 2016, combined with other operational savings set aside over the past decade.