

**VILLAGE OF LYONS, ILLINOIS  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER, 31 2012**



**Prepared by the Finance Department**



**VILLAGE OF LYONS, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

December 31, 2012

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## FINANCIAL SECTION



VILLAGE OF LYONS, ILLINOIS



## INDEPENDENT AUDITOR'S REPORT



VILLAGE OF LYONS, ILLINOIS



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## INDEPENDENT AUDITOR'S REPORT

To the Village Board  
Village of Lyons, Illinois

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 Lyons, Illinois, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Lyons Public Library, which is 100 percent of the assets, net position, and revenues of the discretely presented component unit.

### Management's Responsibility 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lyons Police Pension Trust Fund, which represent 99.98 percent, 100 percent, and 97.40 percent, respectively, of the assets, net position, and revenues of the Fiduciary (Pension Trust) Funds. Those statements and the statements of the Lyons Public Library were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Lyons Police Pension Trust Fund and the Lyons Public Library, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lyons, Illinois, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As described in Note 1 to the financial statements, in 2012 the Village adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of*

*Resources, Deferred Inflows of Resources and Net Positions* and Governmental Accounting Standards Board statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress and employer contributions on pages 3–13 and 58–64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lyons, Illinois' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*GW & Associates, P.C.*

South Chicago Heights, Illinois

May 1, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS



VILLAGE OF LYONS, ILLINOIS



**VILLAGE OF LYONS, ILLINOIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2012**

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As management of the Village of Lyons, we provide the users of the financial statements this narrative overview and analysis of the financial activities of the Village of Lyons for the fiscal year ended December 31, 2012.

**Financial Highlights**

- General Fund revenues increased by 4.9% in 2012 compared to 2011 or \$419,185. If the charges for interfund services were eliminated, the increase was \$75,000 lower or a 4.0% increase. Property taxes were limited by the state limitation law to an annual increase of 1.5%. A major portion of this increase was offset by refunds from previous year's taxes resulting in Village-wide property tax revenue remaining flat. The Village's share of municipal sales taxes and distribution of income taxes accounted for \$224,429 of the revenue increase. The balance of the revenue increase came from quarry royalties and adjudication fees resulting from enforcement of Village ordinances.
- The Village continues to exert more budgetary controls to contain spending. Overall, the Village overspent its General Fund budget by \$452,361 or almost 5%. The Police Department represented \$371,323 of the over spending or 4% of the General Fund budget. While the police personnel were reduced in 2009 along with the other departments of the Village, Police administration rehired most of the laid off personnel as well as hiring four additional officers between 2010 and 2012 increasing staffing to over thirty officers compared to historical levels of approximately twenty sworn personnel. As a result, police spending continues to exceed targeted levels in 2009. The rationale of these staffing levels is to provide appropriate services and to meet contractual arrangements with police unions to provide those services. As the result of the overspending, the Village commits to a comprehensive review of police services and spending in 2013. This information will be used to renegotiate the police contract that expires on December 31, 2013.
- In order to balance the operations of the General Fund, the Village utilized certain discretionary revenues accounted for in the capital project funds such as motor fuel taxes for current operations. While such spending is allowed by state statute, this use reduces funds for critical Village capital projects. In addition, the Village-wide reduction in equalized assessed valuation has reduced the incremental taxes from the Village's tax increment districts. These districts had committed to pay the general fund an interest subsidy related to the Village providing its general obligation borrowing authority. As a result of the lower incremental tax revenues in 2012, the reimbursement to the General Fund was \$180,000 under planned levels.
- General obligation and tax increment revenue debt including bonds and installment contracts decreased \$1,685,591 from \$25,857,182 to \$24,171,591. The Village is targeting the retirement of its existing debt by 2030. Due to reductions in the Village's Equalized Assessed Valuation, the Village's existing general obligation debt exceeds its allowable debt limit. While this situation does not invalidate existing debt, it does limit future general obligation debt issuances and

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

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requires the Village to issue revenue and alternate revenue bonds instead. The Village intends to refund certain general obligation debt by 2015 to regain general obligation debt authority.

- The Village completed the major landfill reclamation project creating additional parkland and additional commercial space adjacent to the Village Hall. The Village spent a major portion of the contingency for this project to primarily fund essential roadway and parking improvements that were the responsibility of the developer of the commercial sites created by the plan. The Village intends to recoup this investment from the ultimate sale and development of the commercial parcels.

In addition, the Village determined that the Series 2008 revenue bonds could not be repaid by the increment taxes of TIF 4. Accordingly, the Village completed a tender offer of the bonds whereby holders received \$584,000 of cash and new bonds at a substantially lower interest rate. The Village issued the bonds as general obligation debt certificates to provide additional security to the bond holders. Unfortunately, an accounting error in the 2009 financial statements that lowered funds available in TIF 4 by \$565,570 was discovered in the 2010 audit that was released after the tender offer was completed. Accordingly, the decision to complete roadway and parking improvements at the park and the cash tender offer resulted in TIF 4 having a deficit balance of \$585,926. The Village funded this shortfall through advances from the Debt Service and General Funds. To the extent feasible, the Village intends to address this deficit as it restructures the outstanding tax increment debt and restructures the General Fund, particularly the spending in the Police Department.

- The actuarial funding requirement of the Village for all pension plans was \$1,293,327. Of this amount, the Village funded \$647,270 or 50% of the actuarial funding requirements to fully fund all Village pension plans by 2040. The primary funding shortfall was in the police pension plans where 33% of the actuarial funding requirement was contributed. The Village has set forth a plan to reverse the chronic underfunding of the police pension plan for the past ten years. Specifically, the Village has committed to increasing the police pension contributions by at least \$50,000 annually until the full funding requirement is achieved. With anticipated restructuring of the police department, this full funding could be achieved by 2020.
- The Village updated its actuarial valuation of its Other Post Employment Benefits ("OPEB") during 2012. The total actuarial liability for such benefits dropped from \$2,929,836 to \$1,586,747 reflecting the Village's removal of several individuals who were receiving OPEB benefits that they were not eligible to receive. The major component of the current OPEB liability is for policemen who become disabled in the line of duty pursuant to the Public Safety Employees Benefits Act. The balance of the cost reflects stipends to retirees to partially fund medical costs from retirement until they are eligible for Medicare.
- The Village's Water and Sewer enterprise fund repaid its outstanding debt in 2011. The Village has been analyzing the system to determine infrastructure improvements to prolong the useful life of the system at a reasonable cost. The major issue that needs to be addressed is water loss that approximates 30% of all water purchased by the Village. In addition to sound conservation, controlling water loss would reduce the cost of purchase water to the Village's customers. This is even more important as the City of Chicago, the ultimate supplier of the Village's water, has increased the rate it charges the water commission that supplies the Village by 80%. The Village

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

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has not adjusted rates since there are extra funds that previously funded debt service. However, rates need to be increased to address higher water costs and future capital projects.

- The Emergency 911 Fund also has a deficit. After the remaining debt of the fund is repaid in 2013, the Village intends to use on-going revenue to repay the advances from the Capital Projects and Debt Service Funds.

### Overview of the Financial Statements

Government-wide Financial Statements that consist of Statements of Net Position and Activities found on pages 14 through 15 were developed by the Government Accounting Standards Board in an attempt to provide readers with a broad overview of the Village's financial affairs in a manner similar to a private sector business. The Statement of Net Position presents information on all the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the 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 related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both of the Government-wide Financial Statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, police, fire, public works, economic development and recreation. The business-type activities of the Village include water, sewer, sanitation, and emergency dispatch operations. The Government-wide Financial Statements include not only the Village itself (known as the primary government), but also the legally separate Lyons Library for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The Government-wide Financial Statements are rarely used by the Village and the financial community with whom we interact. Financial analysts and creditors are more concerned about the capacity of the Village to raise resources to fund current operations and repay debt. Further, the Net Position financial model does not recognize certain assets such as future TIF revenues that have been used extensively by the Village to fund economic incentives for redevelopment. Finally, the Net Position financial statement focusses on capital assets and depreciation that are sunk costs of the Village and are not the basis of lending funds in contrast to the private sector. While capital assets serve as collateral for lending in the private sector, they are rarely used for such purposes in the public finance sector.

Fund Financial Statements are a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

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local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into the following three categories:

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

The Village maintains four major categories of governmental funds:

- General
- Economic Development (four TIF Districts)
- Debt Service
- Capital Project

The Village adopts an annual budget ordinance for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this ordinance. The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

*Proprietary funds* maintained by the Village consist of the following three enterprise funds:

- Water and Sewer
- Garbage
- E-911

Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

*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 basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

The Notes to Financial Statements 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 financial statements can be found on pages 25 through 57 of this report. Other information included in this report includes certain required supplementary information concerning the Village's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 58 through 64 of this report.

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

### Statement of Net Position

The following table shows the comparison between 2011 and 2012 Statement of Net Position for both governmental and business-type activities:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
<b>Assets</b>						
Current assets	\$ 8,025,095	\$ 5,781,238	\$ 490,939	\$ 724,095	\$ 8,516,034	\$ 6,505,333
Restricted assets	2,043,338	1,700,621	-	-	2,043,338	1,700,621
Internal balances	-	426,367	-	(426,367)	-	-
Other assets	198,957	162,878	-	-	198,957	162,878
Capital assets, net of depreciation	34,842,366	35,147,691	3,834,008	3,701,617	38,676,374	38,849,308
Total assets	45,109,756	43,218,795	4,324,947	3,999,345	49,434,703	47,218,140
<b>Liabilities</b>						
Accounts payable and other liabilities	2,575,042	2,451,999	132,607	222,360	2,707,649	2,674,359
Interest payable	258,225	294,561	-	-	258,225	294,561
Current portion of long term debt	1,099,489	1,497,997	96,686	102,923	1,196,175	1,600,920
Total current liabilities	3,932,758	4,244,559	234,465	325,283	4,167,223	4,569,842
Non current liabilities	29,759,126	28,565,223	102,923	-	29,862,049	28,565,223
Total liabilities	33,691,884	32,809,782	337,388	325,283	34,029,272	33,135,065
<b>Deferred Inflows of Resources</b>	3,506,893	3,538,992	5,172	-	3,512,065	3,538,992
<b>Net Position</b>						
Invested in capital assets--net of related debt	20,428,433	20,733,759	3,634,397	3,597,692	24,062,830	24,331,451
Restricted						
Public safety	295,921	388,026	-	-	295,921	388,026
Economic development	-	416,398	-	-	-	416,398
Debt service	414,104	19,608	-	-	414,104	19,608
Capital projects	2,033,405	9,786	-	-	2,033,405	9,786
Unrestricted	(15,260,884)	(14,697,556)	347,990	76,370	(14,912,894)	(14,621,186)
Total net position	\$ 7,910,979	\$ 6,870,021	\$ 3,982,387	\$ 3,674,062	\$11,893,366	\$10,544,083

The following are the significant changes reflected in the Statement of Net Position:

- Current assets in the Governmental activities decreased as the Village spent the proceeds of debt to fund construction of Veterans Park and repaid past due bills owed vendors resulting in an offsetting decrease in accounts payable.
- Restricted assets associated with governmental activities include funds held by the Village pursuant to a court order from the refunding of revenue bonds related to TIF 3 and capitalized interest for the Series 2008 bond holders. These funds cannot be used in Village operations.
- Noncurrent liabilities increased primarily due to the underfunding of pension obligations and increases in compensated absences offset by reductions in bonded debt.
- The unrestricted deficit consists of two components: Economic Development Fund deficit and General deficit. While there is a future asset associated with TIF activity in the Economic

## VILLAGE OF LYONS, ILLINOIS

### Management's discussion and analysis December 31, 2012

Development Funds (the future incremental taxes) and they are the source of repayment and security for the bonds, GASB does not recognize them as an asset. Unfortunately, this accounting treatment distorts the reported Net Position of the Village.

- For Business-Type activities, the Village has expended accumulated cash balances based on the increase in wholesale water purchase cost that was not offset by rate increases to its customers. The Village is using the portion of the rates historically earmarked for capital outlay and debt service to offset the increase in costs of water purchases.

### Statement of Activities

As noted earlier, the Village's Statement of Activities provides a numerical analysis of the Village's financial performance during the year. Revenues are broken down between program revenues and general revenues.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,250,769	\$ 2,082,909	\$ 3,087,497	\$ 3,143,496	\$ 5,338,266	\$ 5,226,405
Operating grants and contributions	483,031	297,668	-	-	483,031	297,668
Capital grants and contributions	454,730	403,155	-	-	454,730	403,155
General revenues:						
Property taxes	3,522,475	3,508,847	7,215	4,970	3,529,690	3,513,817
Other taxes	4,048,736	4,243,300	-	-	4,048,736	4,243,300
Interest	52,741	2,297	1,114	13	53,855	2,310
Other revenues	50,013	28,772	-	-	50,013	28,772
Total revenues	<u>10,862,495</u>	<u>10,566,948</u>	<u>3,095,826</u>	<u>3,148,479</u>	<u>13,958,321</u>	<u>13,715,427</u>
<b>Expenses</b>						
General government	1,528,127	1,348,182	-	-	1,528,127	1,348,182
Building, zoning and planning	319,331	440,947	-	-	319,331	440,947
Police	5,780,561	5,814,592	-	-	5,780,561	5,814,592
Fire and ESDA	1,359,540	1,227,727	-	-	1,359,540	1,227,727
Community development	177,514	25,590	-	-	177,514	25,590
Recreation	177,252	248,014	-	-	177,252	248,014
Public works	1,436,823	1,754,019	-	-	1,436,823	1,754,019
Interest on long-term debt	1,137,134	902,416	-	-	1,137,134	902,416
Water and sewer	-	-	2,014,832	2,437,881	2,014,832	2,437,881
Garbage	-	-	658,181	658,923	658,181	658,923
Emergency 911	-	-	138,632	115,173	138,632	115,173
Total expenses	<u>11,916,282</u>	<u>11,761,487</u>	<u>2,811,645</u>	<u>3,211,977</u>	<u>14,727,927</u>	<u>14,973,464</u>
Change in net position before transfers	(1,053,787)	(1,194,539)	284,181	(63,498)	(769,606)	(1,258,037)
Transfers	400,000	250,000	(400,000)	(250,000)	-	-
Change in net position after transfers	<u>(653,787)</u>	<u>(944,539)</u>	<u>(115,819)</u>	<u>(313,498)</u>	<u>(769,606)</u>	<u>(1,258,037)</u>
<b>Net Position-</b>						
Beginning as restated	8,468,347	7,814,560	4,103,379	3,987,560	12,571,726	11,802,120
Net Position- Ending	<u>\$ 7,814,560</u>	<u>\$ 6,870,021</u>	<u>\$ 3,987,560</u>	<u>\$ 3,674,062</u>	<u>\$11,802,120</u>	<u>\$10,544,083</u>

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

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The following are the more significant changes reflected in the Statement of Activities:

- Governmental activities' charges for services increased as the Village increased the charges to the Water and Sewer Fund for support provided in the administration of the fund by employees in the General Fund. Due to the small size of the Village's water and sewer operations, there are no specific water department employees.
- Capital grants are used to improve roadways in targeted areas of the Village. Funding comes from federal, state and township sources.
- Other taxes increased to offset the reduction in property taxes. Unrestricted taxes remain flat and below highest levels recorded in 2008. This has forced the Village to look for economies as they proceed with the ongoing operations.
- Outstanding community development initiatives were effectively brought to a close with the two remaining initiatives as the completion of Veterans Park and the reclamation of the quarry along First Avenue. The latter project which will generate 48 acres of prime commercial land is seven to ten years from being ready for redevelopment.
- Business activities maintained stable operations. The Village did not increase the water rates to offset the increased rates in water purchases.

Another measure of government services is the percent of the operations that are recovered through sources other than general taxation. The following summarizes the cost recovery by the various Village departments:

	Total <u>Expenditures</u>	Offsetting <u>Revenues</u>	<u>Percent</u>
General government	\$ 1,348,182	\$ 880,750	65%
Building, zoning and planning	440,947	198,019	45%
Police	5,814,592	708,442	12%
Fire and ESDA	1,227,727	201,726	16%
Community development	25,590	-	0%
Recreation	248,014	92,483	37%
Public works	1,754,019	702,311	40%

### Traditional Fund Accounting

As stated earlier in this statement, the Village and the financial community that monitors the financial matters of the Village use the Fund Accounting Financial Statements rather than the government wide financial statements. The focus is on the generation of cash to meet on-going operations as well as debt payments and economic development.

The Village's main operating fund is its General Fund. Most activities are processed through this fund unless there was a restriction in doing so. The General Fund remains in a challenging position due to the deficit spending and borrowing of the previous Village administration. While the Village has been able

## VILLAGE OF LYONS, ILLINOIS

Management's discussion and analysis  
December 31, 2012

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to generate funds to meet current operation, the Village has established the following financial objectives to best meet the needs of its constituents:

- Increase unrestricted fund balance to 40% of annual expenditures.
- Establish a contingency/rainy day fund to address unforeseen issues.
- Improve funding of pension liabilities.
- Establish a funding program for capital equipment.

Before these financial objectives can be fully achieved, the Village needs to fully implement budgetary controls, not once a year, but for the entire year to ensure there are adequate revenues to meet expenditures. While many of the variances in 2012 were beyond the Village's control, there was not a systematic plan to address these variances to prevent significant deficit spending.

The General Fund has a diverse source of revenues as illustrated by the following chart:

	<u>Amount</u>	<u>Percent of Total</u>
Property taxes	\$2,759,628	33.51%
Sales taxes	1,215,058	14.75%
Utility taxes	857,153	10.41%
State income taxes	963,368	11.70%
Other taxes	<u>291,548</u>	<u>3.54%</u>
Subtotal	6,086,755	73.91%
Licenses and permits	36,169	0.44%
Intergovernmental	508,378	6.17%
Charges for services	489,598	5.95%
Fines and forfeits	730,685	8.87%
Investment earnings	1,590	0.02%
Quarry royalties	334,004	4.06%
Other	<u>49,016</u>	<u>0.58%</u>
	<u>\$8,236,195</u>	<u>100.00%</u>

Other taxes remain below their highest levels in 2008. As a result, the Village had to make up for these lower revenues by controlling expenses and increasing property taxes.

The Village has historically funded major equipment needs with installment purchase contracts. However, there is no dedicated revenue stream to repay such debt service. As a result, the General Fund has been the source of payments creating more pressure on funding operating expenses. A comprehensive plan to address equipment needs is needed in the future.

## **VILLAGE OF LYONS, ILLINOIS**

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Another challenge for the Village is to restore and increase pension funding particularly for the Police Pension Plan. The Village failed to increase contributions over the past ten years to meet the actuarial funding requirement as funds were diverted to pay for the increased cost of operations. In addition, recent increases in compensation further added to the future pension liabilities. As an integral cost of the police department, a funding plan needs to be developed to address pension funding.

In short, the General Fund has restored its reserve levels to historical levels. The future goal is to increase reserve levels while at the same time fund equipment and pension requirements.

### **Budgetary Control**

Pursuant to action by the Village Board in April 2009, the Village Manager is designated as Financial Officer of the Village and is responsible for the preparation of an annual budget for the Village. Upon adoption of the budget by the Village, the Village Manager has the sole responsibility for position control and spending within funds subject to certain limitations. Prior to this action, all budgetary actions were subject to Board approval.

Actual results are summarized on pages 65 to 67 and pages 68 to 72 for the General Fund. The following are the major variances noted:

- General revenues were consistent with the budget. The shortfall in fine and forfeitures resulting from lower police activity were offset by charges for other services. Rather than allocate costs, the Village will calculate a charge to charge those activities that have funding separate from general taxation.
- Total General Fund expenditures exceeded budget by \$500 thousand. The variances were noted in the Financial Highlights. The Village funded this overage through increased transfers from other funds and draw down on fund balance.

As to other funds, the two major budgetary challenges in the past related to the Economic Development Funds and the Debt Service Fund. The Economic Development Funds were able to fund their debt service as well as complete the remaining project in the economic development area. These results are noted on pages 74 to 78 of this report. The Debt Service Fund revenues including transfers and expenditures were in line with the budget as noted on page 79 of the report. Capital projects were lower since projects relied solely on Motor Fuel and Community Development Block Grant programs. See page 80 of this report.

### **Economic Development**

The Village has established a priority to address economic development along its major roadways that include Ogden Avenue, Harlem Avenue and First Avenue. Since the Village is land locked, historical efforts have been to redevelop sections of the Village to provide higher levels of property and other taxes. The main financial tool has been to utilize tax increment finance districts. These Districts incurred substantial debt as they were developed. By refunding this debt, the Village is seeking to repay all costs that have been incurred by using lower cost general obligation debt. The debt is structured to

## **VILLAGE OF LYONS, ILLINOIS**

Management's discussion and analysis  
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be repaid from the increment as well as compensating the Village for providing its general obligation support.

There are several vacant properties within the Village that are targeted for redevelopment. The most significant undertaking is the reclamation of the 48 acre quarry that borders First Avenue. This quarry accepts construction debris that is not contaminated ("Clean Construction or Demolition Debris" or CCDD). Depending on construction activity in metropolitan Chicago, this quarry will be filled within seven to twelve years. At that point, the Village becomes owner of the quarry land and can develop that land for other uses in a manner similar to the existing Village Hall and adjacent Veteran's Park.

There are other properties that the Village will work with owners to redevelop to provide new uses and property value as well as additional tax revenue to the Village.

### **Debt Service**

The Village has three types of outstanding debt to repay from numerous sources. First, the Village has \$11,568,668 of direct tax supported debt. This tax supported debt consists of General Obligation and Limited Tax Bonds with \$6,145,000 outstanding at the end of the year that has dedicated property tax levies to repay the related debt. The Village had also issued Debt Certificates of which \$5,423,668 are outstanding at the end of the year to fund various General Fund projects particularly the completion of the municipal complex. This debt is generally secured by the Village's sales taxes. As a result of these Debt Certificates and the related sales tax pledge, the Village will have fewer resources in the future available to fund general fund operations. This debt has decreased by \$344,905 in 2012, reflecting repayment of existing debt without new borrowings as noted on page 44 of this report.

The second type of debt is the Tax Increment Debt. This debt now consists of General Obligation bonds and Debt Certificates with a general obligation credit support. However, the Village has projected that Tax Increment Debt will be repaid from the tax increments depending on the future trend in assessment and tax policies. In 2012, the Village has net repayment of \$869,000 of Tax Increment Debt leaving an unpaid balance at the end of the year of \$12,500,000. The details of the Tax Increment Debt are outlined on page 45 of this report.

The last type of outstanding debt funds the enterprise fund operations of the Village particularly the water and the sewer fund. This debt has been substantially repaid with a balance of \$102,923 outstanding at the end of the year as noted on page 46 of this report. While most of this debt has general obligation pledges to support the repayment of the bonds and reduce the underlying interest rate, the Village has used the enterprise funds to make the payments instead. While the debt is substantially repaid, the Village is facing major challenges in keeping its water infrastructure up to current standards. For example, water leakage has averaged at 28% of all water purchased in the past several years. The Illinois Environmental Protection Agency target for leakage is lower than eight percent (8%). Addressing this issue would result in savings since the Village has to pass the purchase cost of the water that is lost to customers. However, compliance is more critical due to water treaties involving the use of Lake Michigan water.

## **VILLAGE OF LYONS, ILLINOIS**

Management's discussion and analysis  
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Due to decreases in Equalized Assessed Valuation, the Village's outstanding general obligation debt exceeds its debt limit as established by Illinois state law. This situation has no impact on the status of outstanding debt, but does significantly limit the Village's debt options for general obligation bonds and debt certificates. However, there is no similar impact on alternate revenue bonds and revenue bonds. The Village has approval for the issuance of alternate revenue bonds to refund outstanding debt certificates that will restore the Village's debt margin to approximately \$7 million barring any further significant reduction in equalized assessed valuation.

In February 2012, the Village's general obligation bonds were downgraded from AA- to A+ with Negative Outlook. The reason for the downgrade was the significant depletion of the Village's reserves offset by the commitment and demonstration that the Village had begun to address the ruinous financial policies under the previous Administration. The Village's debt outlook and future ratings actions are dependent on restoring financial accountability and internal controls coupled with spending constraints.

### **Capital Projects**

The Village's capital project fund has three main sources of funding. First, the Village deposits its Motor Fuel Tax allotment. While these funds had been used to fund operating costs, the Village has worked to transfer these funds to address critical street repair projects.

The second funding source is periodic grants from state and federal sources primarily the Community Development Block Grant program administered by Cook County. Again, these funds have historically funded street repairs in certain portions of the Village.

The balance of the funds has been accumulated by the Village from various other sources including previous bond issues.

Other than street repairs and the vehicle acquisition, the Village did not have any major capital acquisitions in 2012. The Veterans Park project, while funded in 2010, restarted in the summer of 2011 and was completed by May 2012.

While the current status of the Village infrastructure is in adequate condition, the need to revitalize and upgrade will increase as time transpires. The long term goal will be a capital development plan that can be implemented subject to funding.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Lyons' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Lyons Finance Department, 4200 South Lawndale, Lyons, Illinois 60534.



## **BASIC FINANCIAL STATEMENTS**



**VILLAGE OF LYONS, ILLINOIS**



**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	Primary Government			Component
	Governmental	Business-Type		Unit
	Activities	Activities	Total	Public
				Library
<b>Assets</b>				
Cash and cash equivalents	\$ 1,141,683	\$ 209,308	\$ 1,350,991	\$ 574,936
Restricted cash	1,700,621	-	1,700,621	-
Receivables	4,639,555	515,787	5,155,342	750,000
Internal balances	426,367	(426,367)	-	-
Prepaid expenses	162,878	-	162,878	12,425
Due from primary government	-	-	-	2,723
Capital assets not being depreciated				
Land	15,018,479	91,021	15,109,500	458,155
Capital assets net of accumulated depreciation				
Buildings and improvements	16,811,309	187,415	16,998,724	249,024
Vehicles and equipment	640,017	290,286	930,303	236,976
Infrastructure	2,677,887	3,131,894	5,809,781	-
Total assets	<u>43,218,795</u>	<u>3,999,345</u>	<u>47,218,140</u>	<u>2,284,239</u>
<b>Liabilities</b>				
Accounts payable and other				
current liabilities	2,446,303	222,360	2,668,663	12,189
Accrued interest payable	294,561	-	294,561	3,237
Due to pension funds	2,973	-	2,973	-
Due to component unit	2,723	-	2,723	-
Noncurrent liabilities				
Due within one year-				
Accrued compensated absences	247,659	-	247,659	-
Bonds, notes and other debts	1,250,338	102,923	1,353,261	10,000
Due in more than one year				
Net pension obligations	3,844,403	-	3,844,403	-
Other post-employment benefit obligation	911,855	-	911,855	-
Accrued compensated absences	990,637	-	990,637	-
Bonds, notes and other debts	22,818,330	-	22,818,330	230,000
Total liabilities	<u>32,809,782</u>	<u>325,283</u>	<u>33,135,065</u>	<u>255,426</u>
<b>Deferred Inflows of Resources</b>				
Unearned revenues	3,538,992	-	3,538,992	-
Total deferred inflows of resources	<u>3,538,992</u>	<u>-</u>	<u>3,538,992</u>	<u>-</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	20,733,759	3,597,692	24,331,451	704,155
Restricted for				
Public safety	388,026	-	388,026	-
Economic development	416,398	-	416,398	-
Debt service	19,608	-	19,608	-
Capital projects	9,786	-	9,786	12,064
Unrestricted	(14,697,556)	76,370	(14,621,186)	1,312,594
Total net position	<u>\$ 6,870,021</u>	<u>\$ 3,674,062</u>	<u>\$ 10,544,083</u>	<u>\$ 2,028,813</u>

**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	Program Revenues			Primary Government			Component Unit Public Library
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 1,348,182	\$ 880,750	\$ -	\$ -	\$ (467,431)	\$ -	\$ (467,431)	\$ -
Building, planning and zoning	440,947	198,019	-	-	(242,927)	-	(242,927)	-
Police protection	5,814,592	698,988	9,454	-	(5,106,150)	-	(5,106,150)	-
Fire protection and ESDA	1,227,727	201,726	-	-	(1,026,001)	-	(1,026,001)	-
Community development	25,590	-	-	-	(25,590)	-	(25,590)	-
Recreation	248,014	92,483	-	-	(155,531)	-	(155,531)	-
Public works	1,754,019	10,942	288,214	403,155	(1,051,707)	-	(1,051,707)	-
Interest and issuance costs	902,416	-	-	-	(902,416)	-	(902,416)	-
Total government activities	11,761,486	2,082,909	297,668	403,155	(8,977,754)	-	(8,977,754)	-
Business-Type Activities								
Water and Sewer	2,437,881	2,411,555	-	-	-	(26,326)	(26,326)	-
Garbage	658,922	620,191	-	-	-	(38,731)	(38,731)	-
Emergency 911	115,173	111,750	-	-	-	(3,423)	(3,423)	-
Total business-type activities	3,211,976	3,143,496	-	-	-	(68,480)	(68,480)	-
Total primary government	\$ 14,973,462	\$ 5,226,405	\$ 297,668	\$ 403,155	(8,977,754)	(68,480)	(9,046,234)	-
Component Unit - Public Library								
	\$ 607,593	\$ 28,531	\$ 14,236	\$ -				(564,826)
General Revenues and Transfers								
Property taxes					3,508,847	4,970	3,513,817	728,403
Property taxes - incremental					916,173	-	916,173	-
Sales taxes					1,215,058	-	1,215,058	-
State income tax					963,368	-	963,368	-
Utility taxes					857,152	-	857,152	-
Other taxes					291,548	-	291,548	6,727
Unrestricted investment earnings					2,297	13	2,310	744
Other income					28,772	-	28,772	2
Transfers					250,000	(250,000)	-	-
Total general revenues and transfers					8,033,216	(245,017)	7,788,199	735,876
Change in Net Position					(944,538)	(313,497)	(1,258,035)	171,050
Net Position - Beginning as Restated					7,814,559	3,987,559	11,802,118	1,857,763
Net Position - Ending					\$ 6,870,021	\$ 3,674,062	\$ 10,544,083	\$ 2,028,813

**VILLAGE OF LYONS, ILLINOIS**  
**BALANCE SHEET- GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Economic Development	Debt Service	Capital Improvement	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 712,892	\$ 417,813	\$ 10,978	\$ -	\$ 1,141,683
Cash - restricted	-	1,700,621	-	-	1,700,621
Receivables					
Property taxes	2,861,583	-	719,482	-	3,581,065
Accounts	-	-	-	43,764	43,764
Other taxes	881,421	-	-	-	881,421
Other receivables	133,305	-	-	-	133,305
Prepaid items	88,852	-	-	74,026	162,878
Advance to other funds	359,032	-	356,299	295,068	1,010,399
Total assets	<u>\$ 5,037,085</u>	<u>\$ 2,118,434</u>	<u>\$ 1,086,759</u>	<u>\$ 412,858</u>	<u>\$ 8,655,136</u>
<b>Liabilities</b>					
Accounts payable	\$ 186,987	\$ 3,309	\$ -	\$ 33,978	\$ 224,274
Accrued payroll	262,822	-	-	-	262,822
Payable to developer	-	1,700,621	-	-	1,700,621
Other liabilities	258,589	-	-	-	258,589
Due to library	2,723	-	-	-	2,723
Due to other funds	2,973	-	-	-	2,973
Advance from other funds	-	584,032	-	-	584,032
Total liabilities	<u>714,094</u>	<u>2,287,962</u>	<u>-</u>	<u>33,978</u>	<u>3,036,034</u>
<b>Deferred Inflows of Resources</b>					
Unearned revenue	2,828,140	-	710,852	-	3,538,992
Total deferred inflows of resources	<u>2,828,140</u>	<u>-</u>	<u>710,852</u>	<u>-</u>	<u>3,538,992</u>
<b>Fund Balances</b>					
Nonspendable					
Prepaid Items	88,852	-	-	74,026	162,878
Long term interfund advances	359,032	-	356,299	295,068	1,010,399
Restricted					
Public safety	388,026	-	-	-	388,026
Economic development	-	36,893	-	-	36,893
Debt service	-	780,644	19,607	-	800,251
Capital projects	-	-	-	9,786	9,786
Unassigned	658,941	(987,065)	-	-	(328,124)
Total fund balances	<u>1,494,851</u>	<u>(169,528)</u>	<u>375,907</u>	<u>378,880</u>	<u>2,080,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,037,085</u>	<u>\$ 2,118,434</u>	<u>\$ 1,086,759</u>	<u>\$ 412,858</u>	<u>\$ 8,655,136</u>

**VILLAGE OF LYONS, ILLINOIS  
RECONCILIATION OF BALANCE SHEET- GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
DECEMBER 31, 2012**

<b>Total fund balances - governmental funds</b>	\$	2,080,110
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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 funds.		35,147,692
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Tax supported debt - G.O. bonds		(6,145,000)
Tax supported debt - Debt certificate		(5,185,000)
Tax supported debt - Loans		(238,668)
TIF supported debt - Alternative revenue bonds		(1,500,000)
TIF supported debt - G.O. bonds		(11,000,000)

Interest on long-term liabilities is shown as an expenditure when paid by the funds, but accrued in the Statement of Net Position		(294,561)
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Accrued compensated absences are reported in the Statement of Net Position, but are not included in the fund financial statements		(1,238,294)
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The net pension obligation from IMRF, police and firefighters' pension funding is reported in the Statement of Net Position, but is not included in the fund financial statements.		(3,844,403)
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The net obligation for other post-retirement benefit is reported in the Statement of Net Position, but is not included in the fund financial statements.		(911,855)
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<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>6,870,021</u></b>
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**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General Fund</b>	<b>Economic Development</b>	<b>Debt Service</b>	<b>Capital Improvement</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes					
Property	\$ 2,759,628	\$ -	\$ 749,219	\$ -	\$ 3,508,847
Incremental property taxes	-	916,173	-	-	916,173
Sales	1,215,058	-	-	-	1,215,058
Utility	857,152	-	-	-	857,152
State income tax allocation	963,368	-	-	-	963,368
Other taxes	291,548	-	-	-	291,548
License and permits	508,378	-	-	-	508,378
Intergovernmental	36,169	524,500	-	261,499	822,168
Charges for service	489,598	-	-	-	489,598
Fines and forfeitures	730,685	-	-	-	730,685
Investment earnings	1,590	435	-	272	2,297
Royalties	334,004	-	-	-	334,004
Other revenue	49,016	-	-	123,655	172,671
Total revenues	<u>8,236,194</u>	<u>1,441,108</u>	<u>749,219</u>	<u>385,426</u>	<u>10,811,948</u>
<b>Expenditures</b>					
Current					
General government	1,125,557	-	-	-	1,125,557
Building, planning and zoning	440,947	-	-	-	440,947
Police protection	5,067,289	-	-	-	5,067,289
Fire protection and ESDA	1,183,214	-	-	-	1,183,214
Community development	-	25,590	-	-	25,590
Recreation	248,014	-	-	-	248,014
Public works	1,056,045	-	-	-	1,056,045
Capital outlays	-	506,740	-	717,488	1,224,228
Debt service					
Principal payments	-	2,969,000	719,905	-	3,688,905
Interest and fiscal charges	-	323,786	542,294	-	866,080
Total expenditures	<u>9,121,066</u>	<u>3,825,116</u>	<u>1,262,199</u>	<u>717,488</u>	<u>14,925,869</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(884,871)</u>	<u>(2,384,008)</u>	<u>(512,980)</u>	<u>(332,062)</u>	<u>(4,113,921)</u>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	2,100,000	-	-	2,100,000
Transfers in	1,305,516	-	474,783	-	1,780,299
Transfers out	(474,783)	(270,000)	-	(785,516)	(1,530,299)
Total other financing sources (uses)	<u>830,734</u>	<u>1,830,000</u>	<u>474,783</u>	<u>(785,516)</u>	<u>2,350,000</u>
<b>Net Change in Fund Balances</b>	<u>(54,138)</u>	<u>(554,008)</u>	<u>(38,197)</u>	<u>(1,117,578)</u>	<u>(1,763,921)</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,548,989</u>	<u>384,480</u>	<u>414,104</u>	<u>1,496,458</u>	<u>3,844,031</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,494,851</u>	<u>\$ (169,528)</u>	<u>\$ 375,907</u>	<u>\$ 378,880</u>	<u>\$ 2,080,110</u>

**VILLAGE OF LYONS, ILLINOIS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Net change in fund balances - total governmental funds</b>	\$	(1,763,921)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the costs of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$695,661 exceeded depreciation of \$ 390,337 in the current period.		305,324
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The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		
Principal Payments		3,688,905

The issuance of bonds is an other financing source providing current financial resources in governmental funds but is a liability that does not affect the Statement of Activities.		(2,100,000)
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Interest on long-tem bonds is shown as a fund expenditure when paid, but is accrued in the Statement of Net Activities.		(36,336)
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Revenues recognized in the funds in the current year after being deferred in the prior year were recognized as revenue in the government wide statements in the prior year.		(245,000)
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Changes in non-current compensated absences (\$15,378), net pension obligations (\$646,775), and other post-retirement benefits (\$131,357) are not reported as expenditures in the fund statement, but are recorded in the Statement of Net Activities.		(793,510)
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<b>Change in net position of governmental activities</b>	\$	<u><u>(944,538)</u></u>
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**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PRORIETARY FUNDS**  
**DECEMBER 31, 2012**

	Water and Sewer	Garbage	Emergency 911	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 200,972	\$ -	\$ 8,336	\$ 209,308
Accounts receivable (net of allowance)	397,912	117,875	-	515,787
Due from other funds	108,202	-	-	108,202
Total current assets	<u>707,086</u>	<u>117,875</u>	<u>8,336</u>	<u>833,297</u>
Capital assets				
Non-depreciable	91,021	-	-	91,021
Depreciable	5,757,592	-	510,190	6,267,782
Less accumulated depreciation	<u>(2,361,934)</u>	<u>-</u>	<u>(296,254)</u>	<u>(2,658,188)</u>
Total capital assets, net of accumulated depreciation	<u>3,486,679</u>	<u>-</u>	<u>213,936</u>	<u>3,700,615</u>
Total assets	<u><u>\$ 4,193,765</u></u>	<u><u>\$ 117,875</u></u>	<u><u>\$ 222,272</u></u>	<u><u>\$ 4,533,912</u></u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 193,905	\$ 22,776	\$ -	\$ 216,681
Accrued payroll	5,677	-	-	5,677
Due to other funds	-	108,202	-	108,202
Advance to other funds	-	-	426,367	426,367
Current portion of long-term debt	<u>-</u>	<u>-</u>	<u>102,923</u>	<u>102,923</u>
Total current liabilities	<u>199,582</u>	<u>130,978</u>	<u>529,290</u>	<u>859,850</u>
Noncurrent liabilities				
Long-term debt, net of current maturities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>199,582</u>	<u>130,978</u>	<u>529,290</u>	<u>859,850</u>
<b>Net Position</b>				
Investment in capital assets, net of related debt	3,486,679	-	111,013	3,597,692
Unrestricted	<u>507,504</u>	<u>(13,102)</u>	<u>(418,032)</u>	<u>76,370</u>
Total net position	<u>3,994,183</u>	<u>(13,102)</u>	<u>(307,019)</u>	<u>3,674,062</u>
Total liabilities and net position	<u><u>\$ 4,193,765</u></u>	<u><u>\$ 117,875</u></u>	<u><u>\$ 222,272</u></u>	<u><u>\$ 4,533,912</u></u>

**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Water and Sewer	Garbage	Emergency 911	Total
<b>Operating Revenues</b>				
Charges for sales and services	\$ 2,411,555	\$ 620,191	\$ 111,750	\$ 3,143,496
<b>Operating Expenses</b>				
Administration	250,000	100,000	-	350,000
Operations	2,099,092	558,922	260	2,658,274
Depreciation and amortization	88,789	-	102,038	190,827
Total operating expenses	<u>2,437,881</u>	<u>658,922</u>	<u>102,298</u>	<u>3,199,101</u>
Operating income (loss)	<u>(26,326)</u>	<u>(38,731)</u>	<u>9,452</u>	<u>(55,605)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment earnings	-	-	13	13
Property taxes	-	4,970	-	4,970
Interest expense and fiscal charges	-	-	(12,875)	(12,875)
Total nonoperating revenues (expenses)	<u>-</u>	<u>4,970</u>	<u>(12,862)</u>	<u>(7,892)</u>
<b>Income (Loss) Before Transfers</b>	<u>(26,326)</u>	<u>(33,761)</u>	<u>(3,410)</u>	<u>(63,497)</u>
<b>Interfund Transfers</b>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
<b>Change in Net Position</b>	<u>(276,326)</u>	<u>(33,761)</u>	<u>(3,410)</u>	<u>(313,497)</u>
<b>Fund Net Position- Beginning of Year</b>	<u>4,270,509</u>	<u>20,659</u>	<u>(303,609)</u>	<u>3,987,559</u>
<b>Fund Net Position- End of Year</b>	<u>\$ 3,994,183</u>	<u>\$ (13,102)</u>	<u>\$ (307,019)</u>	<u>\$ 3,674,062</u>

**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Water and Sewer	Garbage	Emergency 911	Total
<b>Cash Flows from Operating Activities</b>				
Receipt from customers and users	\$ 2,368,776	\$ 631,864	\$ 111,750	\$ 3,112,390
Payments to suppliers	(1,670,932)	(547,239)	(260)	(2,218,431)
Payments for interfund services	(600,000)	(100,000)	-	(700,000)
Payments to or on behalf of employees	1,179	(1,269)	-	(90)
Net cash provided (used) by operating activities	<u>99,023</u>	<u>(16,644)</u>	<u>111,490</u>	<u>193,869</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Change in interfund receivables/payables	(134,463)	11,617	(440)	(123,286)
Interfund transfer received	(250,000)	-	-	(250,000)
Property taxes received	-	5,027	-	5,027
Net cash provided by financing activities	<u>(384,463)</u>	<u>16,644</u>	<u>(440)</u>	<u>(368,259)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(57,435)	-	-	(57,435)
Principal paid on capital debt	-	-	(96,686)	(96,686)
Interest paid on capital debt	-	-	(12,875)	(12,875)
Net cash used by capital and related financing activities	<u>(57,435)</u>	<u>-</u>	<u>(109,561)</u>	<u>(166,996)</u>
<b>Cash Flows from Investing Activities</b>				
Interest received	-	-	13	13
<b>Net Change in Cash and Cash Equivalents</b>	<u>(342,875)</u>	<u>-</u>	<u>1,502</u>	<u>(341,373)</u>
<b>Cash and Cash Equivalents- Beginning of Year</b>	<u>543,847</u>	<u>-</u>	<u>6,834</u>	<u>550,681</u>
<b>Cash and Cash Equivalents- End of Year</b>	<u>\$ 200,972</u>	<u>\$ -</u>	<u>\$ 8,336</u>	<u>\$ 209,308</u>
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ (26,326)	\$ (38,731)	\$ 9,452	\$ (55,605)
Adjustments to reconcile operating activities to net cash provided (used) by operating activities				
Depreciation and amortization	88,789	-	102,038	190,827
Bad debt expense	(16,734)	17,238	-	504
Change in accounts receivable	(26,046)	(5,565)	-	(31,611)
Change in accounts payable	78,161	11,683	-	89,844
Change in accrued payroll	1,179	(1,269)	-	(90)
Total adjustments	<u>125,349</u>	<u>22,087</u>	<u>102,038</u>	<u>249,474</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 99,023</u>	<u>\$ (16,644)</u>	<u>\$ 111,490</u>	<u>\$ 193,869</u>

**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**DECEMBER 31, 2012**

**Assets**

Cash and cash equivalents	\$ 258,661
Interest receivable	41,514
Due from general fund	2,973
Investments, at fair value	
U.S. governmental agencies securities	2,468,211
State and local government securities	592,768
Corporate bonds	1,583,586
Mutual funds and equities	5,012,245
Total assets	<u>9,959,958</u>

<b>Net Position Held in Trust for Pension Benefits</b>	<u><u>\$ 9,959,958</u></u>
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**VILLAGE OF LYONS, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Additions**

Contributions	
Employer	\$ 356,005
Plan members	288,299
Total contributions	<u>644,304</u>
Investment Income	
Interest earned	273,640
Net appreciation in	
Fair value of investments	505,171
Less investment expense	(41,899)
Net investment earnings	<u>736,912</u>
Total additions	<u>1,381,216</u>

**Deductions**

Administration	38,879
Benefits and refunds	847,057
Total deductions	<u>885,936</u>

<b>Change in Net Position</b>	<u>495,280</u>
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**Net Position Held in Trust for Pension Benefits**

Beginning of Year	<u>9,464,678</u>
End of Year	<u><u>\$ 9,959,958</u></u>



## NOTES TO THE FINANCIAL STATEMENTS



VILLAGE OF LYONS, ILLINOIS



## **VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Lyons, 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.

#### **Reporting Entity**

The Village is a municipal corporation governed by a seven member board consisting of six trustees and the mayor.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity." The financial reporting entity is defined as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board or fiscal dependence of the component unit on the primary government, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

#### **Discretely Presented Component Unit**

The Lyon's Public Library provides services to residents of the Village. The members of the board are elected by the public. However, the Library is fiscally dependent upon the Village because the Village's board accepts the Library's budget and tax levies and must approve any debt issuances. Separate audited financial statements as of December 31, 2012 are available from the Lyons Public Library, 4209 Joliet Avenue, Lyons, Illinois 60534.

#### **Blended Component Units**

The Village reports the following two Pension Trust funds:

**Lyons Police Pension System-** The Village's sworn police employees participate in the Lyons Police Pension System (LPPS). The LPPS functions for the benefit of these employees and is governed by a five member pension board. The Village and LPPS participants are obligated to fund all LPPS costs based upon actuarial valuations. 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. The LPPS is reported as a pension trust fund. Separate annual financial statements are available from the fund.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lyons Firefighters' Pension System- The Village's former fire chief is the sole eligible participant in the Lyons Firefighters' Pension System (LFPS). The LFPS functions for the benefit of these employees and is governed by a three member pension board. The Village and LFPS participants are obligated to fund all LFPS costs based upon actuarial valuations. 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. The LFPS is reported as a pension trust fund. Separate annual financial statements are not prepared for the fund.

#### Fund Accounting

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of a Village's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the servicing of general long-term debt (Debt Service Fund), and the acquisition and construction of major capital projects (Capital Projects Fund). 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 either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the Village (Internal Service Funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Village. The pension trust funds account for the activities of the Police and Firefighters' Retirement Systems, which accumulate resources for pension benefit payments to qualified public safety employees.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, excluding certain interfund services provided and used, has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for 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.

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 fund financial statements.

The Village reports the following major governmental funds:

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

Economic Development Fund reports the activity and position of the Village of Lyons' four Tax Increment Financing Districts, including operations and Debt Service activity funded by TIF resources. This Fund includes all TIF activity which has previously been reported in separate Special Revenue and Debt Service Funds.

Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt, excluding those being financed with Tax Increment Financing Debt or Enterprise activities.

Capital Improvement Fund reports financial resources and capital expenditures for major capital projects other than those in Tax Increment Financing Districts or Enterprise activities.

The Village reports the following major proprietary funds:

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

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## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Garbage Fund accounts for Sanitation services provided to Village residents, primarily funded through user fees.

Emergency 911 Fund accounts for emergency dispatch services provided to Village residents, primarily funded through user fees.

Additionally, the Village reports the following fiduciary funds:

Pension Trust Funds are reported as fiduciary funds and account for the Police and Firefighter's retirement funding.

### 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers revenues to be available if they are collected within 90 days of the end of the current fiscal period (60 days for property taxes). Due to the State of Illinois' fiscal difficulties and the resulting delay in distributing receipts to local municipalities, the 90 day availability period for state income taxes was extended in the accompanying financial statements in order to record 12 months' worth of tax collections. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures are recorded only when payment is due.

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

The Village reports unearned revenue on its financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period.

## **VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unearned revenues also arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations.

Budgets are adopted on a basis consistent with generally accepted accounting principles, except that capital outlays are budgeted in enterprise funds, while depreciation is not budgeted. Annual appropriated budgets are adopted for governmental, proprietary, and fiduciary funds. The annual appropriated budget is legally enacted and provides for a legal level of control at the department level. All unencumbered appropriations lapse at the fiscal year end.

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments are stated at fair value in accordance with GASB Statement No. 31.

#### **Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/ from other fund" (i.e., the current portion of interfund loans) or "advances to/ from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### **Prepaid Items**

Payments to vendor for services that will benefit periods beyond the year end are reported as prepaid items.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$10,000 (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Government Activities	
Buildings and Improvements	40 years
Machinery, Vehicles and Equipment	5 - 10 years
Infrastructure	20 - 50 years
Business-type Activities	
Water and Sewer System	10 - 60 years

#### Compensated Absences

The Village's employees earn vacation leave annually either on their employment anniversary date or on a calendar year which is to be used in the following year. Generally, carryover of unused vacation days beyond a year is limited. An employee is paid for any unused vacation leave upon separation. In addition, employees earn sick hours annually. Amounts not used can be accumulated up to 920 to 1,000 hours depending on employment contract. Such amounts are payable to employees upon retirement or termination by the Village without cause. A liability has been reflected in the government-wide financial statements as accrued compensated absences. The total amount of compensated absences shown as due within one year generally relates to vacation time due to the Village policy limiting carryover of balances from year to year.

In accordance with provisions of GASB Statement No. 16, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulating rights to receive compensated absences balances.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 estimates.

**Fund Equity and Net Position**

In compliance with Governmental Accounting Standard Board's (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the fund balance section of the balance sheet of the governmental funds includes the following line items:

- a) Nonspendable fund balance is inherently nonspendable, such as portions of net resources that cannot be spent because of their form and portions of net resources that cannot be spent because they must be maintained intact.
- b) Restricted fund balance has externally enforceable limitations on use, such as limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments as well as limitations imposed by law through constitutional provision or enabling legislation.
- c) Committed fund balance has self-imposed limitations set in place prior to the end of the period. The limitations are imposed at the highest level of decision making that requires formal action at the same level to remove. For the Village, the Board is the highest level of decision making. As of December 31, 2012 the Village has not committed fund balance for any purpose.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d) Assigned fund balance has limitations resulting from intended use consisting of amounts where the intended use is established by the official designated by the Village Board for that purpose. As of December 31, 2012, the Village Board has not designated an official for that purpose. It also includes all remaining amounts that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither classified as restricted or committed.
- e) Unassigned fund balance is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance. Negative fund balances in governmental funds other than the general fund are also unassigned.

If there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the Village will consider committed fund balance to be spent first, then assigned fund balance and finally unassigned fund balance.

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

In cases where either restricted or unrestricted funds can be used to pay expenses, restricted funds will be used first until exhausted. The Unrestricted Net Position of Governmental Activities include deficits resulting from issuance of TIF Debt, as the proceeds from TIF Debt did not generally result in Capital Assets of the Village.

#### Deferred Inflows of Resources

The Village reports deferred inflows of resources on the government-wide and fund financial statements. Deferred inflows of resources are recorded when assets are acquired that apply to a future reporting period. Property taxes which have been deemed to be measurable but not available or have been levied for use in the subsequent period represent deferred inflows of resources. In addition, the fund financial statements report deferred inflows of resources for potential revenues that have not met both the "measurable" and "available" criteria for recognition in the current period.

## **VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Property Taxes**

Property taxes for 2012 are levied in December 2012 and attach as an enforceable lien on the property on January 1, 2012. Tax bills are prepared by the County and issued on or about February 1, 2013 and July 1, 2013 and are payable in two installments on or about March 1, 2013 and August 1, 2013. The county collects the taxes and remits them periodically to the Village. For governmental fund types and governmental activities, only property taxes which are intended to finance the current fiscal year and collected within 60 days subsequent to year end are recorded as revenue.

#### **Comparative Data**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations.

#### **Implementation of New Accounting Pronouncements**

The Village implemented Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources , and Net Position. This resulted in a new statement of net position which replaced the statement of net assets presented in prior years. Deferred outflows of resources and deferred inflows of resources are now reported separately from assets and liabilities. The residual measure is now entitled net position rather than net assets.

The Village also implemented Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Specifically, the Village now reports “unearned revenue – property taxes” as a deferred inflow of resources rather than as deferred revenue under liabilities. In addition, bond issuance costs capitalized in prior years are no longer to be amortized over the life of the bond. Instead, such costs should be recorded as an operating cost in the government-wide statements and any prior amounts are to be restated against net position. Implementation resulted in a restatement (i.e. reduction) of net position in the governmental activities of \$96,425.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 2 – LEGAL COMPLIANCE AND ACCOUNTABILITY

#### Deficit Fund Balance

As of December 31, 2012, the following funds had deficit fund balances:

	<u>Deficit</u>
Proprietary Fund- Emergency 911	\$ 307,019
Economic Development	169,528
Proprietary Fund - Garbage	13,102

The following is the Village's explanation of and plan to address the above deficit balances:

The 911 Fund accounts for the surcharge from the emergency surcharge on telephone bills. The revenue was earmarked to construct the new dispatch center. However, the revenues were not sufficient to repay the lease costs. The Village has funded this deficit with advances from the Debt Service and Capital Projects funds with a corresponding reservation of fund balance in each of those funds. After the lease obligation is repaid, the Village intends to repay the advances before undertaking any additional work in the dispatch center unless circumstances warrant a different approach.

The Economic Development Fund deficit is primarily the result of the TIF 4 fund. The Village had borrowed funds to repay all outstanding bills and complete the TIF 4 project including a contingency of \$700,000. Based on the contingency, the Village allocated \$584,000 as a cash payment in the repayment of the Series 2008 Revenue Bond. However, it turned out that the liability for unpaid bills was misstated in the 2010 audit by approximately \$565,000. This was not discovered until the 2010 audit was completed in January 2013. Had the Village been aware of this fund shortage, it would not have offered the Series 2008 bond holders cash as part of the tender and exchange. The Village has funded this deficit with advances from the General Fund and the Debt Service Fund with a corresponding reservation of fund balance in each of those funds. The Village will address this deficit when it restructures the debt service on the Series 2010 and Series 2012 Debt Certificates and from future increment from TIF 3 that can fund costs of TIF 4 since they are adjacent.

The Garbage Fund deficit will be reduced through future reductions in waste collection fees in 2013 and fee increases.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes authorize the Village to make deposits/investments in obligations of the U.S. Treasury and certain of its Agencies, federally insured commercial banks, insured credit unions located within the State, repurchase agreements, short-term obligations (180 days) of corporations organized in the U.S. with assets exceeding \$500 million and rated within the three highest classifications by at least two standard rating services at the time of purchase, a Public Treasurer's Investment Pool created under Section 17 of the State Treasurer Act, a fund managed, operated and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company, obligations of the State of Illinois and its political subdivisions and money market mutual funds registered under the Investment Company Act of 1940, provided the portfolio of such funds is limited to obligations described above. Pension funds may also invest in certain non-U.S. obligations and Illinois life insurance company general and separate accounts and domestic equities.

The Illinois Funds Money Market Fund is an external investment pool developed and implemented in 1975 by the Illinois General Assembly under the jurisdiction of the Treasurer, who has regulatory oversight for the pool. The Fund is not registered with the SEC and has an affirmed AAA standard & Poor's credit quality rating. The fair value of the positions of this pool is the same as the value of the pool shares. The yield on the Illinois Funds Money Market Fund was .073% at December 31, 2012. The Fund issues a publicly available financial report. That report may be obtained by writing to the Offices of the State Treasurer, Illinois Funds Administrative Office, 300 W. Jefferson Street, Springfield, Illinois 62702. At December 31, 2012, the Village held \$499,580 in Illinois Fund accounts.

The Illinois Metropolitan Investment Convenience Fund is a depository vehicle that is 110% collateralized with obligations of the United States Treasury and its agencies. All collateral securities are held in the name of the Illinois Metropolitan Investment Fund at the Federal Reserve Bank of New York. The IMET Board provides oversight for IMET and is responsible for policy formulation, as well as policy and administrative oversight. The fair value of the position in the pool is that same as the value of the pool shares. The Fund has received a rating of AAA from Standard & Poor's. The yield on the IMET Convenience Fund was .38% at December 31, 2012. IMET issues a publicly available financial report that may be obtained at [www.investimet.com](http://www.investimet.com) or by writing to IMET, 1220 Oak Brook Road, Oak Brook, Illinois 60523. At December 31, 2012, the Village held \$8,104 in an IMET account.

At the direction of the Village, the deposits in the bond trust accounts at Amalgamated Bank are invested in Goldman Financial Square Money Market accounts (rated AAA by Standard & Poor's) consisting of United States Government Securities. The balance in these accounts was \$477,385 at December 31, 2012.

## VILLAGE OF LYONS, ILLINOIS

### Notes to financial statements December 31, 2012

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#### NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The Village's cash and cash equivalents were invested as follows at December 31, 2012:

Cash on Hand	\$ 4,516
Bank Accounts	2,321,583
Money Market Funds	
Illinois Funds	499,581
IMET	8,104
Goldman Financial Square	<u>477,385</u>
 Total Money Market Funds	 <u>985,070</u>
 Total Cash and Cash Equivalent	 <u>\$ 3,311,169</u>

At year end the carrying amount of the Village's deposits totaled \$3,311,169 and the bank balance was \$3,573,539. All but \$1,700,621 was secured either by Federal Deposit Insurance Corporation insurance or securities pledged by the banks in a separate trust account for the benefit of the Village.

At December 31, 2012, the Lyons Public Library's deposits totaled \$574,936, and the bank balance was \$584,158.

At December 31, 2012, the Village's Police Pension Fund investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>
U.S. Treasury Notes	\$ 515,239	-	515,239	-	-
U.S. Treasury Stripes	212,677	-	154,157	58,520	-
Federal Home Loan Bank	630,625	-	260,981	320,100	49,544
Federal Home Loan Mortgage Corp.	301,791	-	-	301,791	-
Federal Farm Credit Bank	746,776	141,481	290,552	221,614	93,129
Government National Mortgage Association	61,103	-	-	38,667	22,436
Corporate Bonds	1,583,586	191,306	655,950	736,330	-
State and Local Obligations	592,768	-	79,374	342,955	170,439
	<u>\$ 4,644,565</u>	<u>332,787</u>	<u>1,956,253</u>	<u>2,019,977</u>	<u>335,548</u>

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments in securities of U.S. Government agencies were rated AAA or better by Standard & Poor's, or Aaa by Moody's Investor Services. For the corporate bonds, 4% were rated AAA, 7% were rated AA+, 6% were rated AA-, 7% were rated A+, 49% were rated A, 22% were rated A-, and 5% were rated BBB+. For the State and Local Obligations, 39% were rated AA+, 13% were rated AA, 12% were rated Aa2, 16% were rated Aa3, and 20% were rated A1.

*Credit Risk – Concentration* - The Village's investment policy does not limit the amount it may invest in any one issuer.

The Pension Board has diversified its equity mutual fund holdings as follows:

Equity Mutual Funds	Fair Value	Percentage
Mid-Cap Equity Funds	\$479,662	10%
Small-Cap Equity Funds	32,247	1%
International Equity Funds	444,533	9%
MB Financial Trust Account	1,300,640	26%
Schwab One Trust Account	<u>2,755,163</u>	55%
	<u>\$ 5,012,245</u>	

*Interest Rate Risk* - As a means of limiting its exposure to fair value losses arising from interest rates, the Village's investment policy limits the average weighted life of the Governmental and Business-type Activities' portfolio to 84 months. The Village assumes that its callable investments will not be called.

*Custodial Credit Risk* - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits would not be returned to it. The Village has adopted a policy which limits deposits to those that are federally insured, collateralized or backed by the United States of America. The Finance Director continually evaluates financial health of each depository, and the Board of Trustees approves depositories. Not more than 50% of the total portfolio may be maintained in a single institution. For the Police Pension Fund, the U.S. Government Securities are categorized as uninsured and unregistered for which the securities are held by the counterparty.

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 4- CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2012 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 14,594,058	424,421	-	15,018,479
Construction in Progress	2,125,360	-	2,125,360	-
Total Capital Assets Not Being Depreciated	16,719,418	424,421	2,125,360	15,018,479
Capital Assets Being Depreciated				
Buildings and Improvements	15,737,470	2,167,291	-	17,904,761
Vehicles and Equipment	2,390,139	95,756	-	2,485,895
Infrastructure	3,774,072	133,553	-	3,907,625
Total Capital Assets Being Depreciated	21,901,681	2,396,600	-	24,298,281
Less Accumulated Depreciation for				
Buildings And Improvements	884,330	209,122	-	1,093,452
Vehicles and Equipment	1,709,229	136,649	-	1,845,878
Infrastructure	1,185,174	44,564	-	1,229,738
Total Accumulated Depreciation	3,778,733	390,335	-	4,169,068
Total Capital Assets Being Depreciated, Net	18,122,948	2,006,265	-	20,129,213
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 34,842,366	2,430,686	2,125,360	35,147,692

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

General Government	\$ 193,680
Police Protection	101,077
Fire Protection and ESDA	26,716
Public Works	68,862
	<u>\$ 390,335</u>

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 4- CAPITAL ASSETS (Continued)**

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 91,021	-	-	91,021
Capital Assets Being Depreciated				
Buildings and Improvements	280,609	-	-	280,609
Vehicles and Equipment	642,989	57,435	-	700,424
Infrastructure	5,286,749	-	-	5,286,749
Total Capital Assets Being Depreciated	6,210,347	57,435	-	6,267,782
Less Accumulated Depreciation for				
Buildings And Improvements	88,517	4,677	-	93,194
Vehicles and Equipment	295,336	114,802	-	410,138
Infrastructure	2,083,507	71,348	-	2,154,855
Total Accumulated Depreciation	2,467,360	190,827	-	2,658,187
Total Capital Assets Being Depreciated, Net	3,742,987	(133,392)	-	3,609,595
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 3,834,008	(133,392)	-	3,700,616

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

Water and Sewer	\$ 88,789
Emergency 911	102,038
	<u>\$ 190,827</u>

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

**NOTE 4- CAPITAL ASSETS (Continued)**

COMPONENT UNIT - PUBLIC LIBRARY	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 458,155	-	-	458,155
	<u>\$ 458,155</u>	<u>-</u>	<u>-</u>	<u>458,155</u>
Capital Assets Being Depreciated				
Buildings and Improvements	337,074	8,557	-	345,631
Furniture and Equipment	253,163	-	-	253,163
Equipment	168,748	9,669	-	178,417
Library Collection	301,153	61,930	50,838	312,245
Total Capital Assets Being Depreciated	<u>1,060,138</u>	<u>80,156</u>	<u>50,838</u>	<u>1,089,456</u>
Less Accumulated Depreciation for				
Buildings And Improvements	73,258	23,349	-	96,607
Furniture and Equipment	244,792	3,873	-	248,665
Equipment	120,355	16,115	-	136,470
Library Collection	112,323	60,229	50,838	121,714
Total Accumulated Depreciation	<u>550,728</u>	<u>103,566</u>	<u>50,838</u>	<u>603,456</u>
Total Capital Assets Being Depreciated, Net	<u>509,410</u>	<u>(23,410)</u>	<u>-</u>	<u>486,000</u>
COMPONENT UNIT - PUBLIC LIBRARY CAPITAL ASSETS, NET	<u>\$ 967,565</u>	<u>(23,410)</u>	<u>-</u>	<u>944,155</u>

**NOTE 5 – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, natural disasters; and injuries to the Village's employees. These risks are provided for through private insurance coverage. Covered risks included medical, dental, life and other. Premiums have been displayed as expenditures/expenses in appropriate funds. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years. Further, the Village expects current claims not to exceed insurance coverage.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 6 - INTERFUND DISCLOSURES

#### Due to/from Other Funds

Interfund balances at December 31, 2012 consist of the following:

<u>Due to/from Other Funds</u>		
Receivable Fund	Payable Fund	Amount
Police Pension	General	<u>\$ 2,973</u>
Water and Sewer	Garbage	<u>\$ 108,202</u>

Interfund balances represent short-term borrowings among funds, or payments from one fund on behalf of another, to be paid as cash is available in the fund owing the balance. In addition, \$2,723 is owed by the Village to the Library at December 31, 2012.

#### Advances

Advances represent long-term borrowings among funds, or payments from one fund on behalf of another, to be paid as cash is available in the fund owing the balance.

<u>Advance to/from Other Funds</u>		
Receivable Fund	Payable Fund	Amount
General	Economic Development	\$ 359,032
Debt Service	Economic Development	225,000
Debt Service	Emergency 911	131,299
Capital Improvement	Emergency 911	<u>295,068</u>
		<u>\$ 1,010,399</u>

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 6 - INTERFUND DISCLOSURES (Continued)****Transfers:**

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Economic Development	\$ 270,000
	Capital Improvements	785,516
	Water	<u>250,000</u>
		1,305,516
Economic Development	Economic Development	350,000
Debt Service	General	<u>474,783</u>
		<u><u>\$2,130,299</u></u>

Transfers to the General Fund from the Economic Development Fund consist of the following:

TIF District #1	\$ 125,000
TIF District #2	20,000
TIF District #3	<u>125,000</u>
	<u><u>\$ 270,000</u></u>

Within the Economic Development Fund, \$350,000 was transferred from TIF District #3 to TIF District #4 to fund the deficit in District #4 as they are coterminous TIFs. The transfers from the Economic Development Fund to the General Fund are for reimbursement of administrative costs and a reimbursement to the General Fund of the interest rate differential for the general obligation guarantee of TIF related debt. The transfer from the Water Fund to the General Fund is the final reimbursement of the interest subsidy for general obligation bonds that funded water system improvements. The transfer from the General Fund to the Debt Service fund is sales tax collected in the General Fund to be used to pay debt service per bond ordinances.

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 7- LONG-TERM DEBT****Long-Term Debt Summary**

The changes in the Village's long-term debt are summarized as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities					
Tax Support Debt	\$ 12,288,573	-	719,905	11,568,668	740,338
Tax Increment Debt	13,369,000	2,100,000	2,969,000	12,500,000	510,000
Net Pension Obligations	3,197,628	646,776		3,844,404	-
Compensated Absences	1,222,918	15,378	-	1,238,296	247,659
Other Post-Employment Benefits Obligation	780,498	131,357	-	911,855	-
	<u>30,858,617</u>	<u>2,893,511</u>	<u>3,688,905</u>	<u>30,063,223</u>	<u>1,497,997</u>
Business-type Activities					
Revenue Supported Debt	<u>199,609</u>	<u>-</u>	<u>96,686</u>	<u>102,923</u>	<u>102,923</u>
	<u>199,609</u>	<u>-</u>	<u>96,686</u>	<u>102,923</u>	<u>102,923</u>
Component Unit - Public Library					
General Fund Debt	<u>250,000</u>	<u>-</u>	<u>10,000</u>	<u>240,000</u>	<u>10,000</u>
	<u>\$ 31,308,226</u>	<u>2,893,511</u>	<u>3,795,591</u>	<u>30,406,146</u>	<u>1,610,920</u>

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 7- LONG-TERM DEBT (Continued)****Tax Supported Debt**

These are bond issues and installment contracts where the Village has pledged its full faith and credit to support the bonds and intends to repay them from any and all sources available.

	Beginning Balances	Issuance	Retirements	Ending Balances	Due Within One Year
General Obligation Bonds of 2005, due in annual installments of \$250,000 to \$500,000 plus interest at 3.4% to 5.625% through December 15, 2026.	\$ 5,685,000	-	280,000	5,405,000	290,000
General Obligation Bonds of 2009A, due in annual installments of \$90,000 to \$115,000 plus interest at 2.20% to 4.00% through December 15, 2019.	835,000	-	95,000	740,000	95,000
Debt Certificates of 2007, due in annual installments of \$155,000 to \$310,000 plus interest at 3.85% to 5.00% through January 1, 2027.	3,685,000	-	170,000	3,515,000	175,000
Debt Certificates of 2009B, due in annual installments of \$70,000 to \$140,000 plus interest at 1.85% to 4.85% through December 15, 2028.	1,745,000	-	75,000	1,670,000	75,000
Land Loan of 2007, due in monthly installments of \$3,178 including principal and interest at 6.25% through January 1, 2015.	106,550	-	32,297	74,253	34,422
Fire Truck Loan of 2007, due in quarterly installments of \$19,373 including principal and interest at 4.70% through February 8, 2015.	232,023	-	67,608	164,415	70,916
	<u>\$12,288,573</u>	<u>-</u>	<u>719,905</u>	<u>11,568,668</u>	<u>740,338</u>

# VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

## NOTE 7- LONG-TERM DEBT (Continued)

### TIF Supported Debt

	Funding Source	Beginning Balances	Issuance	Retirements	Ending Balances	Due Within One Year
Alternative Revenue Bonds of 2003, due in annual installments of \$15,000 to \$95,000 plus interest at 3.85% to 5.00% through January 1,	TIF #1	\$ 710,000	-	110,000	600,000	-
General Obligation Debt Certificates of 2012, due in annual installments from \$70,000 to \$165,000, plus interest at 2.19% through January 31, 2031	TIF #4	-	2,100,000	-	2,100,000	70,000
Alternative Revenue Bonds of 2002, due in annual installments of \$55,000 to \$150,000 plus interest at 3.00% to 4.85% through January 1,	TIF #2	975,000	-	75,000	900,000	-
Senior Lien Revenue Bonds of 2008, due as incremental taxes are received plus interest at 7.25% through December 31, 2016.	TIF #4	2,684,000	-	2,684,000	-	-
General Obligation Debt Certificates of 2010, due in annual installments of from \$100,000 to \$915,000, plus interest at 2.75% through January 1, 2027.	TIF #1	2,550,000	-	-	2,550,000	160,000
	TIF #2	450,000	-	-	450,000	-
	TIF #3	3,050,000	-	50,000	3,000,000	165,000
	TIF #4	2,950,000	-	50,000	2,900,000	115,000
		\$ 13,369,000	2,100,000	2,969,000	12,500,000	510,000

On March 1, 2012, the Village exchanged \$2,100,000 of General Obligation Debt Certificates, Series 2012 with an interest rate of 2.19% and cash of \$584,000 for the outstanding Senior Lien Bonds of 2008 of \$2,684,000. The Village entered into the exchange to lower interest costs from 7.25% and eliminate potential constraints associated with the Series 2008 Bonds.

# VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

## NOTE 7- LONG-TERM DEBT (Continued)

### Business-type Activity – Revenue Supported Debt

Debt that relates to the Village's business-type activities are reflected in the fund statements of each enterprise. All revenue supported debt is also a general obligation of the Village. Any shortage of funds needs to be made up from other Village sources.

	Beginning Balances	Issuance	Retirements	Ending Balances	Due Within One Year
E-911 Equipment Loan of 2009, due in annual installments of \$109,561 including interest at 6.45% through December 1, 2013.	199,609	-	96,686	102,923	102,923
	<u>\$ 199,609</u>	<u>-</u>	<u>96,686</u>	<u>102,923</u>	<u>102,923</u>

### Future Debt Maturities

The aggregate principal and interest requirements for the Village debt by type is as follows:

	Governmental Activities				Business-Type		Total	
	Tax Supported Debt		TIF Supported Debt		Activities			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 740,339	782,101	510,000	352,878	102,923	6,639	1,353,262	1,141,618
2014	771,024	480,656	565,000	338,488	-	-	1,336,024	819,144
2015	707,305	451,622	745,000	320,048	-	-	1,452,305	771,670
2016	700,000	425,146	790,000	297,463	-	-	1,490,000	722,609
2017	735,000	397,325	825,000	273,582	-	-	1,560,000	670,907
2018-2022	3,735,000	1,522,205	4,595,000	964,431	-	-	8,330,000	2,486,636
2023-2027	4,040,000	581,680	3,850,000	297,460	-	-	7,890,000	879,140
2028-2031	140,000	6,790	620,000	34,712	-	-	760,000	41,502
	\$ 11,568,668	4,647,525	12,500,000	2,879,062	102,923	6,639	24,171,591	7,533,226

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 7- LONG-TERM DEBT (Continued)

#### Legal Debt Margin

Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes provides "...no municipality having a population of less than 500,000 shall become indebted in any manner or for any purpose, to an amount, including existing indebtedness in the aggregate exceeding 8.625% on the value of the taxable property therein (equalized assessed valuation or EAV), to be ascertained by the last assessment for state and county purposes, previous to the incurring of the indebtedness ...." The following details the Village's debt margin based on EAV used to extend taxes in 2012 (2011 EAV) and the most recently available EAV:

	<u>2011 EAV</u>	<u>2012 EAV</u>
EAV per County Tax Levy	\$ 191,576,580	\$ 177,174,010
Add EAV Exemptions from Tax Extension	21,907,274	24,046,604
Add EAV Associated with TIF Districts	11,096,255	7,989,377
Total Village Equalized Assessed Valuation	<u>\$ 224,580,109</u>	<u>\$ 209,209,991</u>
 Legal Debt Limit - 8.625% of Assessed Value	 \$ 19,370,034	 \$ 18,044,362
 Amount of Debt Application to Limit		
General Obligation Bonds and Debt Certificates	<u>21,288,573</u>	<u>22,671,591</u>
 Legal Debt Margin	 <u>\$ (1,918,539)</u>	 <u>\$ (4,627,229)</u>

The Village's Legal Debt Margin decreased due to reduction in equalized assessed valuation after the issuance of debt. This condition does not affect the validity of outstanding debt. However, the Village currently cannot issue any debt subject to the debt limitation.

The Village has authorized a \$13 million alternate bond issue to refund certain outstanding debt to lock in record low interest rates. This bond issuance will also restore the Village's debt margin to approximately \$6 million. The proposed issue has passed all legal approvals including the back door referendum and will be issued in 2014.

## **VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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### **NOTE 8- COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

### **NOTE 9- DEFERRED COMPENSATION PLAN**

The Village offers its employees a deferred compensation plan created with Internal Revenue Code Section 457. The plan, available to all governmental employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of participants and their beneficiaries. It is the opinion of the Village's legal counsel that the Village has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Since amounts held in trust are for the exclusive benefit of all participants, the Village does not maintain the assets on the balance sheet.

### **NOTE 10- EMPLOYEE RETIREMENT SYSTEMS**

#### **Illinois Municipal Retirement Fund**

The Village's defined pension benefit plan for regular employees provides retirement and disability benefits, post-retirement increases and death benefits to plan members and beneficiaries. The employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at [www.imrf.org/pubs/pubs.homepage](http://www.imrf.org/pubs/pubs.homepage) or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

As set by statute, employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate used by the Village for calendar year 2012 was 13.6% of covered payroll. The employer annual required contribution for calendar year 2012 was 13.9%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution requirements for disability and death benefits are established and may be amended by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

**NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)**

For December 31, 2012, the Village's annual required contribution was \$276,296, and the actual contribution was \$282,390. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4% a year attributable to inflation, (c) additional projected salary increases ranging from .4% to 10% per year depending on age and service attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll over an open 30 year basis.

As of December 31, 2012, the most recent actuarial valuation date, the plan was 79.75% funded. The actuarial accrued liability for benefits was \$5,750,537 and the actuarial value of assets was \$4,586,303, resulting in an underfunded actuarial liability (UAAL) of \$1,164,234. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$2,031,586 and the ratio of the UAAL to the covered payroll was 57%.

**Sheriff's Law Enforcement Personnel**

The Village's defined benefit pension plan for Sheriff's Law Enforcement Personnel employee provides retirements and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Village's plan is affiliated with the Illinois Municipal Retirement Fund, an agent multi-employer plan.

As set by state statute, Sheriff's Law Enforcement Personnel plan members are required to contribute 7.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2012 was 14.92%. The employer also contributes to disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

The required contribution for 2012 was \$14,960. The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of employer Sheriff's Law Enforcement Personnel plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)

The employer Sheriff's Law Enforcement Personnel plan's overfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

As of December 31, 2012, the most recent actuarial valuation date, the plan was 174.54% funded. The actuarial accrued liability for benefits was \$30,597 and the actuarial value of assets was \$53,404, resulting in an overfunded actuarial accrued liability (UAAL) of \$22,807. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$100,266. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

#### Police Pension

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer 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 (Chapter 40- Article 5/3) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. The pension trust fund does issue separate financial statements. The Village payroll for employees covered by the Police Pension Plan for the year ended December 31, 2012 was \$2,273,161. At December 31, 2012, the Police Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	16
Current Active Members - Vested	24
Current Active Members - Nonvested	<u>4</u>
	<u>44</u>

The following is a summary of the Police Pension Plan as provided for in Illinois Compiled Statutes:

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 and attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2 ½% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)

The monthly pension of a police officer hired on or after January 1, 2011 shall be increased annually, following the later of the first anniversary date or the month following the attainment of age 60, but the lesser of 3% or one-half of the consumer price index. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required 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 as actuarially determined by an enrolled actuary. By the year 2040, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

#### Firefighters' Pension

The retired fire chief is covered by the Firefighters' Pension Plan which is a defined benefit single-employer 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 (Chapter 40- Article 5/4) and may be amended only by the Illinois legislature. The Village accounts for the plan as a pension trust fund. The pension trust fund does not issue separate financial statements. The Village payroll for employees covered by the Firefighters' Pension Plan for the year ended December 31, 2012 was \$0. Since firefighters are either contract employees of a private company or paid on call at less than full time, there are no current active members of this plan. At December 31, 2012, the Firefighters' Pension Plan membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	1
Current Active Members	<u>0</u>
	<u>1</u>

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois Compiled Statutes. The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in fire service at the date of retirement. The pension shall be increased by one-twelfth of 2.5 % of such monthly salary for each additional month of service over 20 years of service through 30 years of service to a maximum of 75% of such monthly salary. Employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 at January 1, 2011. The maximum cap increases each year thereafter.

**NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Surviving spouses receive 100% of the final salary for fatalities resulting from an act of duty, or otherwise the greater of 54% of final salary or the monthly retirement pension that the firefighter was receiving at the time of death. Surviving children receive 12% of final salary. The maximum family survivor benefit is 75% of final salary. Employees disabled in the line of duty receive 65% of final salary.

The monthly pension of a firefighter hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a firefighter hired on or after January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and paid upon reaching at least the age 55, by 3% of the original pension and 3% annually thereafter. Employees with at least 10 year but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without interest. The Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the Village's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded by the year 2040.

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. Employer contributions are reported when due, in accordance with specific tax levies. Employee contributions are recognized as revenues in accordance with statutory requirements, generally at the time payroll withholding occurs. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

**Methods Used to Value Investments**

Fixed-income and equity securities are valued at the last reported trade date on national markets. For actuarial values, a "smoothing" method is used to negate random, short-term fluctuations in market value.

**Significant Investments/ Related Party Transactions**

The Village has no investments (other than U.S. government and U.S. government-guaranteed obligations) in any one organization that represents 5% or more of net assets available for benefits. There are no securities of the Village or any other related parties included in plan assets, including any loans.

The Village generally pays administrative costs for the firefighters' pension plan; the police pension plan pays all administrative costs including investment-related expenses.

**VILLAGE OF LYONS, ILLINOIS**

Notes to financial statements  
December 31, 2012

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**NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)****Contributions**

Village contributions are determined annually by an actuarial study prepared by the Illinois Department of Insurance using the entry age normal cost method, amortized over a level percentage of payroll. The valuation for fiscal 2012 were prepared as of December 31, 2011. Significant assumptions used in the calculations include a) a 7.00% return on investment, b) projected salary increases of 5.5% per year, c) RP-2000 Combined Healthy Mortality Table, and e) 28 year (closed period) level dollar amortization of unfunded liability.

For the year ended December 31, 2012, Village contributions were as follows:

	Police	IMRF	SLEP	Firefighters
Annual Required Contributions	\$ 829,111	\$ 282,390	\$14,960	\$ 55,000
Interest on Net Pension Obligations(Asset)	177,296	2,520	-	2,007
Adjustment to Annual Required Contribution	(67,437)	(1,802)	-	-
Annual Pension Cost	938,970	283,108	14,960	57,007
Contributions Made	308,582	276,296	14,960	47,432
Change in Net Pension Obligation (Asset)	630,388	6,812	-	9,575
Net Pension Obligation (Asset), Beginning	3,123,869	33,606	-	40,153
Net Pension Obligation (Asset), Ending	\$ 3,754,257	\$ 40,418	\$ -	\$ 49,728

# VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

## NOTE 10- EMPLOYEE RETIREMENT SYSTEMS (Continued)

### Trend Information

	Year	Illinois Municipal Retirement	SLEP	Police Pension	Firefighters' Pension
Annual Pension Cost	2012	\$ 282,390	14,960	938,970	57,007
	2011	259,996	12,465	938,970	243,918
	2010	247,323	9,906	805,640	13,529
Actual Contribution	2012	276,296	14,960	308,582	47,432
	2011	246,223	12,465	301,077	36,437
	2010	227,489	9,906	201,169	35,435
Percent Contributed	2012	98.0%	100.0%	32.86%	83.20%
	2011	95.0%	100.0%	32.06%	14.94%
	2010	92.0%	100.0%	24.97%	261.31%
Net Pension Obligation (Asset)	2012	40,419	-	3,754,257	49,728
	2011	33,606	-	3,123,869	40,153
	2010	19,834	-	2,485,976	(167,328)

See pages 60-62 for Schedules of Funding Progress.

### Funded Status

At December 31, 2012 (latest actuarial valuation date), the funded status was as follows:

	Police Pension	Firefighters' Pension	IMRF	SLEP
Actuarial Value of Assets	\$ 9,501,659	1,585	4,586,303	53,404
Actuarial Accrued Liability	20,816,235	365,397	5,750,537	30,597
Unfunded Actuarial Liability	11,314,576	363,892	1,164,234	(22,807)
Funded Ratio	45.65%	0.50%	79.75%	174.54%
Covered Payroll	2,273,161	N/A	2,031,586	100,266
Unfunded Liability as a Percent of Covered Payroll	497.75%	N/A	57.31%	0%

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 11- OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, the Village provides post-employment health care benefits (OPEB) to certain retirees through a single-employer retiree benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village under its personnel manual and union contracts. To be eligible, employees must be enrolled in the Village's healthcare plan at time of retirement, and receive a pension from either the IMRF, or the Police or Firefighters' Pension Funds. The Village provides an explicit premium subsidy to certain retirees who meet eligibility conditions, and healthcare access to other retired members provided the member pays 100% of the blended premium. Police officers or firefighters who become disabled in the line of duty during an emergency receive continuation of healthcare benefits at no cost to the member.

All healthcare benefits are provided through the Village's health plan. The benefit levels are similar to those afforded to active employees. Benefits include general in-patient and out-patient medical services, dental care, and prescriptions. Except for certain grandfathered retirees, upon a participant reaching the age of 65, Medicare becomes the sole insurer and the Village's plan is no longer provided.

#### Membership

At December 31, 2012, the membership consists of the following:

Retirees and Beneficiaries Currently Receiving Benefits	12
Active Non-vested Members	<u>62</u>
Total Membership	<u><u>74</u></u>

#### Funding Policy

The Village does not have a funding policy for OPEB, and records contributions as retiree benefits are paid.

## VILLAGE OF LYONS, ILLINOIS

Notes to financial statements  
December 31, 2012

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### NOTE 11- OTHER POST EMPLOYMENT BENEFITS (Continued)

#### Annual OPEB Costs and Net OPEB Obligations

The Village had an actuarial valuation performed for the plan as of December 31, 2012, to determine the funding status of the plan at that date, as well as the Village's annual required contributions (ARC) for the fiscal year ended December 31, 2012. The Village's OPEB cost, the percentage of OPEB cost contributed to the plan, and net OPEB obligation are as follows:

##### Annual OPEB Cost -

Annual Required Contribution (ARC)	\$ 188,674
Adjustment to ARC	(48,355)
Interest Cost	<u>39,026</u>
Total OPEB Cost	179,345
Employer Contributions Made	<u>(47,988)</u>
Increase in Net OPEB Obligation	131,357
Net OPEB Obligation, January 1, 2012	<u>780,498</u>
Net OPEB Obligation, December 31, 2012	<u><u>\$ 911,855</u></u>

##### Funded Status and Funding Progress -

Actuarial Accrued Liability (AAL)	\$1,586,747
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$1,586,747
Funded Ratio	0%
Covered Payroll	<u>\$3,801,857</u>
UAAL as a Percentage of Covered Payroll	<u><u>41.74%</u></u>

**NOTE 11- OTHER POST EMPLOYMENT BENEFITS (Continued)**

The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples of these estimates include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the plan's funded status and ARC of the employer are subject to continual revision as actual results are compared to prior projections and new estimates are made about the future.

In the December 31, 2012 actuarial valuation, the entry age normal cost method was applied. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially, reduced to an ultimate rate of 5% after five years. Rates include a 2.5% general inflation assumption. The Unfunded Accrued Actuarial Liability is being amortized as a level dollar amount over 30 years.

**NOTE 12- SUBSEQUENT EVENTS**

On January 2, 2013, the Village sold \$750,000 of Tax Anticipation Warrants (TAW's) for cash flow purposes maturing in November 2013. The Warrants were repaid and cancelled. On January 2, 2014, the Village sold \$1,500,000 of TAW's that mature on December 15, 2014. The warrants replaced the Village's previous line of credit that provided additional liquidity for the Village.



## REQUIRED SUPPLEMENTARY INFORMATION



VILLAGE OF LYONS, ILLINOIS



**VILLAGE OF LYONS, ILLINOIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual
<b>Revenues</b>			
Taxes	\$ 6,365,242	\$ 6,365,242	\$ 6,086,755
Intergovernmental	250,000	250,000	36,169
License, fees and permits	502,000	502,000	508,378
Charges for service	1,260,500	1,260,500	1,189,598
Fines and forfeitures	797,250	797,250	730,685
Investment earnings	3,500	3,500	1,590
Quarry Revenues	320,000	320,000	334,004
Miscellaneous	146,000	146,000	49,016
Total revenues	<u>9,644,492</u>	<u>9,644,492</u>	<u>8,936,194</u>
<b>Expenditures</b>			
Current			
General government	1,433,545	1,433,545	1,475,557
Building, planning and zoning	371,223	371,223	440,947
Police protection	4,695,966	4,695,966	5,067,289
Fire protection and ESDA	1,141,106	1,141,106	1,183,214
Recreation	254,487	254,487	248,014
Public works	1,355,203	1,355,203	1,406,045
Capital outlays	35,300	35,300	-
Total expenditures	<u>9,286,830</u>	<u>9,286,830</u>	<u>9,821,066</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>357,662</u>	<u>357,662</u>	<u>(884,871)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	354,000	354,000	1,305,515
Transfers out	(590,413)	(590,413)	(474,783)
Total other financing sources (uses)	<u>(236,413)</u>	<u>(236,413)</u>	<u>830,733</u>
<b>Net Change in Fund Balance</b>	<u>121,249</u>	<u>121,249</u>	<u>(54,139)</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,548,989</u>	<u>1,548,989</u>	<u>1,548,989</u>
<b>Fund Balances - End of Year</b>	<u>\$ 1,670,238</u>	<u>\$ 1,670,238</u>	<u>\$ 1,494,850</u>

**VILLAGE OF LYONS, ILLINOIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues</b>			
Incremental property taxes	\$ 902,300	\$ 902,300	\$ 916,173
Investment earnings	-	-	435
Intergovernmental grants	618,000	618,000	524,500
Total revenues	<u>1,520,300</u>	<u>1,520,300</u>	<u>1,441,108</u>
<b>Expenditures</b>			
Community development	5,000	5,000	25,590
Capital outlays	450,000	450,000	506,740
Debt service			
Principal retirement	100,000	100,000	2,969,000
Interest and fiscal charges	338,307	338,307	323,786
Issuance charges	50,000	50,000	-
Total expenditures	<u>943,307</u>	<u>943,307</u>	<u>3,825,115</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>576,993</u>	<u>576,993</u>	<u>(2,384,007)</u>
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	-	2,100,000
Transfers in	175,000	175,000	350,000
Transfers out	(530,000)	(530,000)	(620,000)
Total other financing sources (uses)	<u>(355,000)</u>	<u>(355,000)</u>	<u>1,830,000</u>
<b>Net Change in Fund Balance</b>	<u>221,993</u>	<u>221,993</u>	<u>(554,007)</u>
<b>Fund Balances - Beginning of Year</b>	<u>384,480</u>	<u>384,480</u>	<u>384,480</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 606,473</u></u>	<u><u>\$ 606,473</u></u>	<u><u>\$ (169,527)</u></u>

**VILLAGE OF LYONS, ILLINOIS**

Required supplementary information  
December 31, 2012

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**Schedule of Funding Progress**  
**Illinois Municipal Retirement Fund**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	4,586,303	5,750,537	1,164,234	79.75%	2,031,586	57.31%
12/31/2011	4,168,010	6,164,163	1,996,153	67.62%	1,992,100	100.20%
12/31/2010	4,123,685	6,075,644	1,951,959	67.87%	2,023,923	96.44%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$4,754,177. On a market basis, the funded ratio would be 82.67%.

**Schedule of Funding Progress**  
**Sheriff's Law Enforcement Personnel Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	53,404	30,597	(22,807)	174.54%	100,266	0.00%
12/31/2011	34,089	8,910	(25,179)	382.59%	96,550	0.00%
12/31/2010	14,346	(9,560)	(23,906)	-150.06%	76,731	0.00%

**VILLAGE OF LYONS, ILLINOIS**

Required supplementary information  
December 31, 2012

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**Schedule of Funding Progress  
Police Pension Fund**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	9,501,659	20,816,235	11,314,576	45.65%	2,273,161	497.75%
12/31/2009	8,946,430	18,366,632	9,420,202	48.71%	2,099,595	448.67%
12/31/2008	8,053,269	18,294,913	10,241,644	44.02%	2,099,595	487.79%

**Schedule of Funding Progress  
Firefighters Pension Fund**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability Entry Age Normal Cost (b)	Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll ( c)	Liability as a Percentage of Covered Payroll ((b-1)/c)
12/31/2011	9,604	310,347	300,743	3.09%	N/A	N/A
12/31/2009	19,450	288,090	268,640	6.75%	N/A	N/A
12/31/2008	22,109	297,921	275,812	7.42%	N/A	N/A

N/A – The Plan has no active participating members.

**VILLAGE OF LYONS, ILLINOIS**

Required supplementary information  
December 31, 2012

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**Schedule of Funding Progress**  
**Other Post Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability Entry Age Normal Cost (b)	Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll ( c)	Liability as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	-	1,586,747	1,586,747	0.00%	3,801,857	41.74%
12/31/2011	-	2,929,836	2,929,836	0.00%	4,361,811	67.17%
12/31/2010	-	2,256,805	2,256,805	0.00%	N/A	N/A

**Actuarial Assumptions**

Actuarial Cost Method	Entry Age
Amortization Period	Level Percentage of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market
Investment Rate of Return	5.00%
Projected Salary Increases	3.5%
Healthcare Inflation Rate	9.0% initial reducing 1% per year until 5%
Percentage of Active Employees Assumed to Elect Benefits	100.00%

**A. BUDGETS**

All departments of the Village submit requests for appropriations to the Village Manager so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

The Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at year end.

**B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGET**

For the year ended December 31, 2012, expenditures exceeded budget, exclusive of depreciation, in the following funds:

General Fund	\$ 534,236
Economic Development Fund	2,881,809
Debt Service Fund	5,730
Capital Improvement Fund	121,489
Water Fund	340,881
Garbage Fund	68,594

The following explains the budget variances in each fund:

The majority of the General Fund budget overrun relates to the police department. The two major factors were significant increases in workers compensation premiums due to the unfavorable experience in prior years and additional costs associated with the Illinois Public Employee Disability Act or PEDA and the Public Safety Employee Benefits Act or PSEBA over additional amounts included in the budget. The Village is locked into current higher costs including staffing mandates through the end of December 31, 2013 when the current police contract expires. The Village is attempting to contain costs until more realistic terms can be achieved in the next contract.

## VILLAGE OF LYONS, ILLINOIS

Notes to the required supplementary information  
December 31, 2012

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### B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGET (Continued)

The budget variance in the Economic Development Fund is a result of the Village tendering to exchange \$2,684,000 of its Series 2008 Revenue Bonds for its \$584,000 in cash and Series 2012 Debt Certificates to lower debt service costs. While the ordinance provides budgetary authority for the expenditure, the Village's budget was not amended. In addition, the Village optionally redeemed \$160,000 of the Series 2002 and Series 2003A bonds with corresponding revenues restricted to make debt service payments. The balance of the overage relates to final spending related to the Veteran's Park project.

The budget variance in the Debt Service Fund is due to the fact that the Village did not budget for paying agency fees associated with general obligation debt that previously were paid in the General Fund.

The Village received a grant in the Capital Improvement Fund after the budget was completed for which the budget was not amended.

The Village Water Fund did not budget for the major Chicago water rate increase as well as increased leakage of water.

Increased administrative costs and increased disposal costs (both collection and tipping) were not fully added into the budget amount of the Garbage Fund.

### C. RECONCILIATION OF BUDGETARY TO GAAP REPORTING – GENERAL FUND

#### Revenues

Charges for services (budgetary)	\$1,189,598
Less reimbursements	<u>(700,000)</u>
Charges for services (GAAP)	489,598

#### Expenditures

	<u>Gen Govt</u>	<u>Public Works</u>
Budgetary basis	1,475,558	1,406,045
Less reimbursements	<u>(350,000)</u>	<u>(350,000)</u>
GAAP basis	1,125,558	1,056,045



**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**



**VILLAGE OF LYONS, ILLINOIS**



**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
<b>Taxes</b>			
Property Taxes			
General/corporate	\$ 496,420	\$ 483,073	\$ 490,430
IMRF	158,204	151,950	153,982
Street and bridge	49,824	47,915	48,471
Fire protection	426,588	409,614	415,185
Police protection	666,977	640,429	648,373
Social security	106,840	102,543	103,941
Auditing	16,693	16,035	16,220
Police pension	305,593	308,582	301,077
Fire pension	36,983	35,374	36,437
Liability insurance	246,809	236,967	240,247
Ambulance service	303,310	291,407	295,145
Road and bridge	45,000	35,739	41,614
Total property taxes	<u>2,859,242</u>	<u>2,759,628</u>	<u>2,791,122</u>
Other Taxes			
Replacement	62,000	51,519	59,100
Municipal sales	1,250,000	1,215,058	1,118,951
Income tax - municipal share	975,000	963,368	835,046
Telecommunication utility	390,000	345,003	360,146
Cable Television utility	115,000	108,876	111,600
Electric utility	290,000	293,790	274,145
Natural gas utility	175,000	109,484	149,372
Local use	175,000	167,546	154,857
Hotel/motel	70,000	59,937	62,269
Foreign fire	4,000	12,546	5,661
Total other taxes	<u>3,506,000</u>	<u>3,327,127</u>	<u>3,131,146</u>
Total taxes	<u>6,365,242</u>	<u>6,086,755</u>	<u>5,922,268</u>
<b>Intergovernmental</b>			
Justice assistance grant	-	-	36,708
Public safety grant and reimbursement	-	9,454	21,519
Street grant and reimbursement	-	-	78,558
Other grants and reimbursements	250,000	26,715	87,577
Total intergovernmental	<u>250,000</u>	<u>36,169</u>	<u>224,363</u>
<b>Licenses and Permits</b>			
Riverside lawn fire district fees	2,000	2,000	2,000
Liquor licenses	50,000	25,880	40,830

**VILLAGE OF LYONS, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Licenses and Permits (cont.)</b>			
Vehicle licenses	\$ 200,000	\$ 175,447	\$ 188,046
Garage sales permits	-	2,120	867
Property maintenance inspections	-	47,747	28,830
Building permits	125,000	96,633	52,721
Plumbing permits	-	9,838	4,520
HVAC permits	-	5,286	3,067
Electrical permits	-	9,305	2,219
Contractor licenses	-	28,200	22,525
Zoning hearings/maps/codes	-	1,010	3,000
Business licenses	125,000	104,911	102,359
Total licenses and permits	<u>502,000</u>	<u>508,378</u>	<u>452,995</u>
<b>Charges for Services</b>			
Antenna agreements	255,000	191,500	189,371
Advertising for Village property	6,000	5,889	5,609
Police and fire reports	3,500	2,745	4,133
Ambulance service fees	225,000	196,981	165,972
Collection agency revenue	1,000	-	-
Movie tickets	-	-	1,960
Recreation fees	75,000	92,483	51,162
Interfund charges			
Water and sewer public works reimbursement	350,000	350,000	225,000
Water and sewer administration	250,000	250,000	125,000
Garbage administration	95,000	100,000	75,000
Total charges for services	<u>1,260,500</u>	<u>1,189,598</u>	<u>843,206</u>
<b>Fines and Fees</b>			
Liquor fines	1,000	2,650	-
Nuisance and abatement and adjudication	40,000	49,642	62,925
State y-tickets	275,000	280,604	250,263
Parking p-tickets	175,000	159,651	171,602
DUI fines	4,000	4,703	2,522
Towing fees	70,000	87,750	63,470
Sex offender fees	-	1,920	1,090
Red light photo enforcement	8,000	4,000	7,000
Alarm board fees	12,500	7,840	7,939
NSF fees	-	275	887
State seizure revenue	175,000	73,618	67,595
Federal seizure revenue	35,000	29,260	25,672
Other	1,750	28,772	-
Total fines and fees	<u>797,250</u>	<u>730,685</u>	<u>660,965</u>

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Investment Income - Interest</b>			
Interest	\$ 3,500	\$ 1,590	\$ 6,443
<b>Royalties</b>			
Quarry revenues	320,000	334,004	258,625
<b>Miscellaneous</b>			
Sale of Village property	-	-	6,217
Rent of Village assets	-	300	100
Special events	2,500	-	700
Insurance and damage recovery	50,000	4,794	25,283
Overtime reimbursement	25,000	2,500	-
Refunds and rebates	30,000	28,294	65,634
Senior taxi donation	2,500	2,185	1,000
Other donations	5,000	-	-
Miscellaneous	31,000	10,942	49,210
Total miscellaneous	146,000	49,016	148,144
 Total revenues	 \$ 9,644,492	 \$ 8,936,194	 \$ 8,517,009

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>General Government</b>			
Administration			
Salaries and benefits	\$ 443,645	\$ 473,429	\$ 238,697
Professional services	40,000	54,458	16,342
Communications	25,000	108,715	140,350
Professional development	10,000	18,915	17,127
Operations	30,000	53,634	25,216
Other	50,150	6,373	18,903
Total administration	<u>598,795</u>	<u>715,523</u>	<u>456,635</u>
Legal Services			
Professional services	<u>250,000</u>	<u>161,769</u>	<u>351,447</u>
Finance			
Salaries and benefits	-	-	93,434
Professional services	201,000	274,413	141,459
Other	-	5,934	3,467
Total finance	<u>201,000</u>	<u>280,347</u>	<u>238,360</u>
Human Resources			
Salaries and benefits	-	7,796	61,870
Professional services	-	345	690
Communications	-	12,134	-
Operations	-	4,425	1,574
Total human resources	<u>-</u>	<u>24,700</u>	<u>64,134</u>
Risk Management			
Professional services	220,000	157,223	193,860
Other expenditures	<u>1,500</u>	<u>-</u>	<u>-</u>
Total risk management	<u>221,500</u>	<u>157,223</u>	<u>193,860</u>
Information Technology			
Professional services	95,000	82,597	69,688
Communications	1,250	-	1,123
Operations	28,000	19,618	32,126
Other	<u>38,000</u>	<u>30,000</u>	<u>13,940</u>
Total information technology	<u>162,250</u>	<u>132,214</u>	<u>116,877</u>

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>General Government (cont.)</b>			
Police and fire commission			
Professional development	\$ -	\$ 3,781	\$ -
Total police and fire commission	-	3,781	-
 Total general government	 1,433,545	 1,475,557	 1,421,313
<b>Building, Planning and Zoning</b>			
Building			
Salaries and benefits	331,913	361,998	251,503
Professional services	17,500	11,155	14,879
Communications	3,610	6,126	4,246
Professional development	400	2,629	9,084
Operations	16,300	35,807	36,446
Other expenses	-	19,563	-
Total building	369,723	437,278	316,158
 Planning and Zoning			
Professional services	500	3,257	1,144
Communications	1,000	412	2,028
Total planning and zoning	1,500	3,669	3,172
 Total building, planning and zoning	 371,223	 440,947	 319,331
<b>Public Safety</b>			
Police			
Administration			
Salaries and benefits	1,022,102	1,067,703	372,160
Pensions	300,000	308,582	301,077
PEDA expenditures	50,000	65,039	58,550
Communications	10,875	11,244	21,095
Professional development	33,200	8,005	18,134
Operations	198,500	307,369	219,712
Professional services	-	115,558	-
Other expenditures	74,000	2,446	131,702
Total administration	1,688,677	1,885,946	1,122,430

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
Police (cont.)			
Investigations			
Salaries and benefits	\$ 282,149	\$ 450,307	\$ 312,507
Communications	1,600	35	826
Communications	2,500	750	2,023
Operations	500	358	10,501
Total investigations	<u>286,749</u>	<u>451,451</u>	<u>325,856</u>
Patrol Operations			
Salaries and benefits	1,921,335	1,953,209	2,523,720
Professional services	-	7,872	6,866
Communications	1,000	503	2,879
Operations	47,000	37,343	93,521
Communications	-	2,960	-
Other expenditures	30,000	-	28,261
Total patrol operations	<u>1,999,335</u>	<u>2,001,887</u>	<u>2,655,248</u>
Dispatch Operations			
Salaries and benefits	703,505	706,279	673,179
Communications	-	11,552	-
Professional development	100	120	300
Operations	17,600	10,055	25,286
Total dispatch operations	<u>721,205</u>	<u>728,006</u>	<u>698,765</u>
Total police	<u>4,695,966</u>	<u>5,067,289</u>	<u>4,802,299</u>
Fire Protection and ESDA			
Operations			
Salaries and benefits	601,756	569,625	564,586
Fire pension	-	47,423	36,437
Communications	13,150	15,548	13,371
Professional development	16,250	10,983	11,293
Operations	85,950	114,450	66,357
Other	-	-	6,445
Total operations	<u>717,106</u>	<u>758,029</u>	<u>698,490</u>
Emergency Medical Services (EMS)			
Professional services	419,000	410,496	420,494
Operations	5,000	14,688	6,196
Total emergency medical services (EMS)	<u>424,000</u>	<u>425,184</u>	<u>426,691</u>

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
Fire Protection and ESDA (cont.)			
Emergency Services and Disaster Agency (ESDA)			
Operations	\$ -	\$ -	\$ 612
Total ESDA	-	-	612
Total fire protection and ESDA	1,141,106	1,183,214	1,125,793
<b>Recreation</b>			
Recreation department			
Salaries and benefits	76,063	52,840	27,764
Professional services	64,500	1,970	62,133
Communications	10,240	11,745	1,385
Professional development	3,870	-	-
Operations	7,500	101,173	1,707
Total recreation	162,173	167,728	92,988
Community Events			
Salaries and benefits	11,714	10,456	12,175
Communications	3,500	-	-
Operations	11,000	9,441	10,354
Other expenditures	3,000	-	137
Total community events	29,214	19,897	22,666
Hotel/Motel Events			
Salaries and benefits	-	-	4,233
Communications	2,000	-	12,294
Operations	11,100	-	-
Other expenditures	50,000	60,389	45,071
Total hotel/motel events	63,100	60,389	61,598
Total recreation	254,487	248,014	177,251
<b>Public Works</b>			
Administration			
Salaries and benefits	245,864	185,061	95,625
Professional services	1,500	-	-
Communications	4,300	6,518	4,197
Professional development	-	-	350
Operations	61,500	49,283	33,346
Total administration	313,164	240,861	133,518

**VILLAGE OF LYONS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Public Works (cont.)</b>			
Streets and Forestry			
Salaries and benefits	\$ 673,258	\$ 646,303	\$ 507,427
Professional services	-	-	72,489
Professional development	-	355	-
Operations	161,400	300,627	196,490
Other expenditures	-	-	4,839
Total streets and forestry	<u>834,658</u>	<u>947,286</u>	<u>781,245</u>
Buildings and Grounds			
Salaries and benefits	-	-	106,128
Professional services	28,000	24,120	27,800
Operations	60,000	88,523	67,980
Total buildings and grounds	<u>88,000</u>	<u>112,643</u>	<u>201,908</u>
Village Garage			
Salaries and benefits	104,381	100,781	107,039
Operations	15,000	4,475	23,138
Total village garage	<u>119,381</u>	<u>105,255</u>	<u>130,177</u>
Total public works	<u>1,355,203</u>	<u>1,406,045</u>	<u>1,246,848</u>
<b>Capital Outlays</b>	<u>35,300</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 9,286,830</u>	<u>\$ 9,821,066</u>	<u>\$ 9,092,836</u>

**VILLAGE OF LYONS, ILLINOIS**  
**COMBINING BALANCE SHEET**  
**ECONOMIC DEVELOPMENT (TIF FUNDS)**  
**DECEMBER 31, 2012**

	<b>TIF District # 1</b>	<b>TIF District # 2</b>	<b>TIF District # 3</b>	<b>TIF District # 4</b>	<b>Totals</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 275,110	\$ 42,706	\$ 99,997	\$ -	\$ 417,813
Cash - restricted	-	-	1,700,621	-	1,700,621
Total assets	<u>\$ 275,110</u>	<u>\$ 42,706</u>	<u>\$ 1,800,618</u>	<u>\$ -</u>	<u>\$ 2,118,434</u>
<b>Liabilities</b>					
Accounts payable	\$ 390	\$ 292	\$ 732	\$ 1,895	\$ 3,309
Payable to developer	-	-	1,700,621	-	1,700,621
Advance from other funds	-	-	-	584,032	584,032
Total liabilities	<u>390</u>	<u>292</u>	<u>1,701,353</u>	<u>585,927</u>	<u>2,287,962</u>
<b>Fund Balances</b>					
Restricted					
Economic development	36,893	-	-	-	36,893
Debt service	237,827	65,702	206,250	270,865	780,644
Unassigned	-	(23,288)	(106,985)	(856,792)	(987,065)
Total fund balances	<u>274,720</u>	<u>42,414</u>	<u>99,265</u>	<u>(585,927)</u>	<u>(169,528)</u>
Total liabilities and fund balances	<u>\$ 275,110</u>	<u>\$ 42,706</u>	<u>\$ 1,800,618</u>	<u>\$ -</u>	<u>\$ 2,118,434</u>

**VILLAGE OF LYONS, ILLINOIS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ECONOMIC DEVELOPMENT (TIF FUNDS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>TIF District # 1</b>	<b>TIF District # 2</b>	<b>TIF District # 3</b>	<b>TIF District # 4</b>	<b>Totals</b>
<b>Revenues</b>					
Incremental property taxes	\$ 283,420	\$ 172,839	\$ 439,583	\$ 20,331	\$ 916,173
Investment earnings	13	8	33	381	435
Intergovernmental grants	-	-	-	524,500	524,500
Total revenues	<u>283,433</u>	<u>172,847</u>	<u>439,616</u>	<u>545,212</u>	<u>1,441,108</u>
<b>Expenditures</b>					
Community development	390	293	731	24,176	25,590
Capital outlays	-	-	-	506,740	506,740
Debt service					
Principal retirement	110,000	75,000	50,000	2,734,000	2,969,000
Interest and fiscal charges	103,956	56,107	83,187	80,536	323,786
Total expenditures	<u>214,346</u>	<u>131,400</u>	<u>133,918</u>	<u>3,345,452</u>	<u>3,825,116</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>69,087</u>	<u>41,447</u>	<u>305,698</u>	<u>(2,800,240)</u>	<u>(2,384,008)</u>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	2,100,000	2,100,000
Transfers in	-	-	-	350,000	350,000
Transfers out	(125,000)	(20,000)	(475,000)	-	(620,000)
Total other financing sources (uses)	<u>(125,000)</u>	<u>(20,000)</u>	<u>(475,000)</u>	<u>2,450,000</u>	<u>1,830,000</u>
<b>Net Change in Fund Balances</b>	<u>(55,913)</u>	<u>21,447</u>	<u>(169,302)</u>	<u>(350,240)</u>	<u>(554,008)</u>
<b>Fund Balances - Beginning of Year</b>	<u>330,633</u>	<u>20,967</u>	<u>268,567</u>	<u>(235,687)</u>	<u>384,480</u>
<b>Fund Balances - End of Year</b>	<u>\$ 274,720</u>	<u>\$ 42,414</u>	<u>\$ 99,265</u>	<u>\$ (585,927)</u>	<u>\$ (169,528)</u>

**VILLAGE OF LYONS, ILLINOIS**  
**TIF #1 OPERATIONS FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Incremental property taxes	\$ 320,000	\$ 283,420	\$ 324,061
Investment income	-	13	65
Total revenues	<u>320,000</u>	<u>283,433</u>	<u>324,126</u>
<b>Expenditures</b>			
Community development	-	390	5,700
Debt service			
Principal retirement	50,000	110,000	333,686
Interest and fiscal charges	70,125	103,956	104,969
Issuance costs	-	-	-
Total expenditures	<u>120,125</u>	<u>214,346</u>	<u>444,355</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>199,875</u>	<u>69,087</u>	<u>(120,229)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in			385,529
Transfers out	<u>(130,000)</u>	<u>(125,000)</u>	<u>(136,275)</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(125,000)</u>	<u>249,254</u>
<b>Net Change in Fund Balance</b>	<u>\$ 69,875</u>	<u>(55,913)</u>	<u>129,025</u>
<b>Fund Balance - Beginning of Year</b>		<u>330,633</u>	<u>201,608</u>
<b>Fund Balance - End of Year</b>		<u>\$ 274,720</u>	<u>\$ 330,633</u>

**VILLAGE OF LYONS, ILLINOIS**  
**TIF #2 OPERATIONS FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Incremental property taxes	\$ 130,000	\$ 172,839	\$ 142,718
Investment income	-	8	858
Total revenues	<u>130,000</u>	<u>172,847</u>	<u>143,577</u>
<b>Expenditures</b>			
Community development	-	293	250
Debt service			
Principal retirement	-	75,000	185,000
Interest and fiscal charges	<u>65,000</u>	<u>56,107</u>	<u>57,661</u>
Total expenditures	<u>65,000</u>	<u>131,400</u>	<u>242,911</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>65,000</u>	<u>41,447</u>	<u>(99,334)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	262,069
Transfers out	<u>(50,000)</u>	<u>(20,000)</u>	<u>(64,425)</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(20,000)</u>	<u>197,644</u>
<b>Net Change in Fund Balance</b>	<u>\$ 15,000</u>	<u>21,447</u>	<u>98,310</u>
<b>Fund Balance - Beginning of Year</b>		<u>20,967</u>	<u>(77,343)</u>
<b>Fund Balance - End of Year</b>		<u>\$ 42,414</u>	<u>\$ 20,967</u>

**VILLAGE OF LYONS, ILLINOIS**  
**TIF #3 OPERATIONS FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Incremental property taxes	\$ 440,000	\$ 439,583	\$ 448,778
Investment income	-	33	126
Total revenues	<u>440,000</u>	<u>439,616</u>	<u>448,904</u>
<b>Expenditures</b>			
Community development	5,000	731	19,217
Debt service			
Principal retirement	50,000	50,000	-
Interest and fiscal charges	<u>83,182</u>	<u>83,187</u>	<u>59,644</u>
Total expenditures	<u>138,182</u>	<u>133,918</u>	<u>78,861</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>301,818</u>	<u>305,698</u>	<u>370,043</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(300,000)</u>	<u>(475,000)</u>	<u>(294,125)</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(475,000)</u>	<u>(294,125)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 1,818</u>	<u>(169,302)</u>	<u>75,918</u>
<b>Fund Balance - Beginning of Year</b>		<u>268,567</u>	<u>192,649</u>
<b>Fund Balance - End of Year</b>		<u>\$ 99,265</u>	<u>\$ 268,567</u>

**VILLAGE OF LYONS, ILLINOIS**  
**TIF #4 OPERATIONS FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Incremental property taxes	\$ 12,300	\$ 20,331	\$ 7,694
Investment income	-	381	45,038
Intergovernmental grant	618,000	524,500	105,500
Total revenues	<u>630,300</u>	<u>545,212</u>	<u>158,232</u>
<b>Expenditures</b>			
Community development	-	24,176	11,781
Capital outlay	450,000	506,740	1,936,023
Debt service			
Principal retirement	-	2,734,000	-
Interest and fiscal charges	120,000	80,536	252,613
Issuance costs	50,000	-	-
Total expenditures	<u>620,000</u>	<u>3,345,452</u>	<u>2,200,417</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>10,300</u>	<u>(2,800,240)</u>	<u>(2,042,185)</u>
<b>Other Financing Sources (Uses)</b>			
Bond proceeds	-	2,100,000	-
Transfers In	175,000	350,000	169,000
Transfers out	(50,000)	-	(110,875)
Total other financing sources (uses)	<u>125,000</u>	<u>2,450,000</u>	<u>58,125</u>
<b>Net Change in Fund Balance</b>	<u>\$ 135,300</u>	<u>(350,240)</u>	<u>(1,984,060)</u>
<b>Fund Balance - Beginning of Year</b>		<u>(235,687)</u>	<u>1,748,373</u>
<b>Fund Balance - End of Year</b>		<u>\$ (585,927)</u>	<u>\$ (235,687)</u>

**VILLAGE OF LYONS, ILLINOIS**  
**GENERAL DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Property taxes	\$ 666,056	\$ 749,219	\$ 731,353
Total revenues	<u>666,056</u>	<u>749,219</u>	<u>731,353</u>
<b>Expenditures</b>			
Debt service			
Principal retirement	719,905	719,905	684,840
Interest and fiscal charges	<u>536,564</u>	<u>542,294</u>	<u>564,139</u>
Total expenditures	<u>1,256,469</u>	<u>1,262,199</u>	<u>1,248,979</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(590,413)</u>	<u>(512,980)</u>	<u>(517,627)</u>
<b>Other Financing Sources</b>			
Transfers In	<u>590,413</u>	<u>474,783</u>	<u>604,369</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>(38,197)</u>	<u>86,743</u>
<b>Fund Balance - Beginning of Year</b>		<u>414,104</u>	<u>327,361</u>
<b>Fund Balance - End of Year</b>		<u>\$ 375,907</u>	<u>\$ 414,104</u>

**VILLAGE OF LYONS, ILLINOIS**  
**CAPITAL IMPROVEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenues</b>			
Intergovernmental	\$ 475,000	\$ 261,499	\$ 262,971
Investment income	100	272	211
Grant revenue	-	123,655	-
Miscellaneous	13,700	-	33,125
Total revenues	<u>488,800</u>	<u>385,426</u>	<u>296,307</u>
<b>Expenditures</b>			
Capital outlay	596,000	717,488	311,387
Miscellaneous	-	-	18,516
Total expenditures	<u>596,000</u>	<u>717,488</u>	<u>329,903</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(107,200)</u>	<u>(332,062)</u>	<u>(33,596)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(785,516)	-
<b>Net Change in Fund Balance</b>	<u>\$ (107,200)</u>	<u>(1,117,578)</u>	<u>(33,596)</u>
<b>Fund Balance - Beginning of Year</b>		<u>1,496,458</u>	<u>1,530,054</u>
<b>Fund Balance - End of Year</b>		<u>\$ 378,880</u>	<u>\$ 1,496,458</u>

**VILLAGE OF LYONS, ILLINOIS**  
**WATER FUND SCHEDULE OF OPERATING REVENUES-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<u><b>Final Budget</b></u>	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Revenues</b>			
Water sales	\$ 2,350,000	\$ 2,246,552	\$ 2,182,861
Sewer charges	-	107,017	105,735
Water tap charges	-	5,166	3,245
Late penalties	-	43,710	46,747
Water turn-on fees	-	7,250	6,600
Meter sales	-	1,860	2,183
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total operating revenues	<u><u>\$ 2,350,000</u></u>	<u><u>\$ 2,411,555</u></u>	<u><u>\$ 2,347,371</u></u>

**VILLAGE OF LYONS, ILLINOIS**  
**WATER FUND SCHEDULE OF OPERATING EXPENSES-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Administration</b>			
Salaries and benefits	\$ -	\$ -	\$ 32,744.00
Professional services	-	-	175
Communications	-	-	131
General fund administration charges	350,000	250,000	125,000
Total administration	350,000	250,000	158,050
<b>Operations</b>			
Water department			
Salaries and benefits	-	-	71,150
Professional services	-	2,000	22,541
Communications	15,000	17,654	11,853
Operations	1,239,000	1,622,737	1,309,602
Bad debt expense	-	-	75,370
General fund public works reimbursement	250,000	350,000	225,000
Total water department	1,504,000	1,992,391	1,715,516
Sewer department			
Professional services	85,000	86,001	14,754
Operations	15,000	20,700	-
Total sewer department	100,000	106,701	14,754
Total operations	1,604,000	2,099,092	1,730,269
<b>Capital Outlay</b>			
Water department	-	-	19,519
Sewer department	-	-	5,015
Total capital outlay	-	-	24,534
<b>Depreciation and Amortization</b>	143,000	88,789	90,812
<b>Transfer to General Fund</b>	-	250,000	400,000
<b>Debt Service</b>			
Principal and retirement	-	-	670,000
Interest and fiscal charges	-	-	11,167
Total debt service	-	-	681,167
<b>Less Non-Operating Items</b>			
Transfer to general fund	-	(250,000)	(400,000)
Debt service	-	-	(681,167)
Net non-operating items	-	(250,000)	(1,081,167)
<b>Total operating expenses</b>	<b>\$ 2,097,000</b>	<b>\$ 2,437,881</b>	<b>\$ 2,003,665</b>

**VILLAGE OF LYONS, ILLINOIS**  
**GARBAGE FUND SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET**  
**POSITION- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Operating Revenues</b>			
Garbage collection	\$ 650,560	\$ 602,664	\$ 623,333
Late penalties	-	14,268	14,539
Toters	-	1,935	1,715
Garbage stickers	-	1,325	1,945
Total operating revenues	<u>650,560</u>	<u>620,191</u>	<u>641,532</u>
<b>Operating Expenses</b>			
Administration			
Salaries and benefits	-	-	26,360
Professional services	<u>40,000</u>	<u>100,000</u>	<u>75,000</u>
Total administration	<u>40,000</u>	<u>100,000</u>	<u>101,360</u>
Operations			
Professional services	<u>550,328</u>	<u>558,922</u>	<u>556,821</u>
Total operations	<u>550,328</u>	<u>558,922</u>	<u>556,821</u>
Total operating expenses	<u>590,328</u>	<u>658,922</u>	<u>658,181</u>
<b>Operating Income (Loss)</b>	<u>60,232</u>	<u>(38,731)</u>	<u>(16,650)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property taxes	<u>5,060</u>	<u>4,970</u>	<u>7,215</u>
Total non-operating revenues (expenses)	<u>5,060</u>	<u>4,970</u>	<u>7,215</u>
<b>Change in Net Position</b>	<u>\$ 65,292</u>	<u>(33,761)</u>	<u>(9,435)</u>
<b>Net Position</b>			
Beginning of Year		<u>20,659</u>	<u>30,094</u>
End of Year		<u>\$ (13,102)</u>	<u>\$ 20,659</u>

**VILLAGE OF LYONS, ILLINOIS**  
**911 FUND SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET**  
**POSITION-BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>		<b>2011</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Operating Revenues</b>			
Charges for service			
E-911 surcharge	\$ 115,000	\$ 111,750	\$ 98,594
<b>Operating Expenses</b>			
Communications	-	-	10,786
Operations	23,000	260	7,075
Depreciation	93,000	102,038	102,038
Total operating expenses	116,000	102,298	119,899
<b>Operating Income (Loss)</b>	(1,000)	9,452	(21,304)
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	-	13	1,114
Interest and fiscal charges	(12,845)	(12,875)	(18,733)
Net non-operating revenues (expenses)	(12,845)	(12,862)	(17,619)
<b>Income (Loss) before Transfer</b>	(13,845)	(3,410)	(38,924)
<b>Other Financing Sources (Uses)</b>			
Transfers In	14,000	-	-
Total other financing sources (uses)	14,000	-	-
<b>Change in Net Position</b>	\$ 155	(3,410)	(38,924)
<b>Net Position</b>			
Beginning of Year		(303,609)	(264,685)
End of Year		\$ (307,019)	\$ (303,609)

**VILLAGE OF LYONS, ILLINOIS**  
**PENSION TRUST FUNDS COMBINING SCHEDULE OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2012**

	<b>Police Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 257,076	\$ 1,585	\$ 258,661
Interest receivable	41,514	-	41,514
Due from general fund	2,973	-	2,973
Investments, at fair value			
U.S. governmental agencies securities	2,468,211	-	2,468,211
State and local government securities	592,768	-	592,768
Corporate bonds	1,583,586	-	1,583,586
Mutual funds and equities	5,012,245	-	5,012,245
	<u>9,958,373</u>	<u>1,585</u>	<u>9,959,958</u>
Total assets			
	<u>9,958,373</u>	<u>1,585</u>	<u>9,959,958</u>
 <b>Net Position Held in Trust for Pension Benefits</b>	 <u><u>\$ 9,958,373</u></u>	 <u><u>\$ 1,585</u></u>	 <u><u>\$ 9,959,958</u></u>

**VILLAGE OF LYONS, ILLINOIS**  
**PENSION TRUST FUNDS COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Police Pension Fund	Firefighters' Pension Fund	Total
<b>Additions</b>			
Contributions			
Employer	\$ 308,582	\$ 47,423	\$ 356,005
Plan members	288,299	-	288,299
Total contributions	<u>596,881</u>	<u>47,423</u>	<u>644,304</u>
Investment Earnings			
Interest and dividends	273,631	9	273,640
Net increase (decrease) in fair value of investments	<u>505,171</u>	<u>-</u>	<u>505,171</u>
Total investment earnings	778,802	9	778,811
Less investment expense	<u>(41,899)</u>	<u>-</u>	<u>(41,899)</u>
Net investment earnings	736,903	9	736,912
Total additions	<u>1,333,784</u>	<u>47,432</u>	<u>1,381,216</u>
<b>Deductions</b>			
Administration	38,879	-	38,879
Benefits and refunds	<u>795,332</u>	<u>51,725</u>	<u>847,057</u>
Total deductions	<u>834,211</u>	<u>51,725</u>	<u>885,936</u>
<b>Change in Net Position</b>	<u>499,573</u>	<u>(4,293)</u>	<u>495,280</u>
<b>Net Position Held in Trust for Pension Benefits</b>			
Beginning of Year	<u>9,458,800</u>	<u>5,878</u>	<u>9,464,678</u>
End of Year	<u><u>\$ 9,958,373</u></u>	<u><u>\$ 1,585</u></u>	<u><u>\$ 9,959,958</u></u>

**VILLAGE OF LYONS, ILLINOIS**  
**POLICE PENSION FUND SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION-**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Final Budget</u>	<u>Actual</u>
<b>Additions</b>		
Contributions		
Employer	\$ 325,000	\$ 308,582
Plan members	210,000	288,299
Total contributions	<u>535,000</u>	<u>596,881</u>
Investment Earnings		
Interest and dividends	200,000	273,631
Net increase in fair value of investments	<u>500,000</u>	<u>505,171</u>
Total investment earnings	700,000	778,802
Less investment expense	<u>(20,000)</u>	<u>(41,899)</u>
Net investment earnings	<u>680,000</u>	<u>736,903</u>
Total additions	<u>1,215,000</u>	<u>1,333,784</u>
<b>Deductions</b>		
Administration	20,000	38,879
Benefits and refunds	<u>800,000</u>	<u>795,332</u>
Total deductions	<u>820,000</u>	<u>834,211</u>
<b>Change in Net Position</b>	<u>395,000</u>	<u>499,573</u>
<b>Net Position Held in Trust for Pension Benefits</b>		
Beginning of Year	<u>9,458,800</u>	<u>9,458,800</u>
End of Year	<u><u>\$ 9,853,800</u></u>	<u><u>\$ 9,958,373</u></u>

**VILLAGE OF LYONS, ILLINOIS**  
**FIRE PENSION FUND SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION-**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Final Budget</u>	<u>Actual</u>
<b>Additions</b>		
Contributions		
Employer	<u>\$     40,000</u>	<u>\$     47,423</u>
Investment earnings		
Interest and dividends	10	9
Less investment expense	<u>-</u>	<u>-</u>
Net investment earnings	<u>10</u>	<u>9</u>
Total additions	<u>40,010</u>	<u>47,432</u>
<b>Deductions</b>		
Benefits and refunds	<u>45,000</u>	<u>51,725</u>
<b>Change in Net Position</b>	<u>(4,990)</u>	<u>(4,293)</u>
<b>Net Position Held in Trust for Pension Benefits</b>		
Beginning of Year	<u>9,610</u>	<u>5,878</u>
End of Year	<u><u>\$     4,620</u></u>	<u><u>\$     1,585</u></u>