

Village of Glencoe

Citizen's Annual Financial Report
For the Fiscal Year Ended February 28, 2015



VILLAGE OF GLENCOE
675 Village Court
Glencoe, Illinois 60022

www.villageofglencoe.org

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Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Village of Glencoe
Illinois**

For its Annual
Financial Report
for the Fiscal Year Ended

February 28, 2014

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emmer'.

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Village of Glencoe for its Popular Annual Financial Report for the fiscal year ended February 29, 2014. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for award consideration.

LETTER FROM CHIEF FINANCIAL OFFICER

Dear Citizens of Glencoe,

The Village of Glencoe is pleased to present the Citizen's Annual Financial Report (PAFR) for the Fiscal Year ended February 28, 2015. This report provides a brief analysis of where the Village's revenue comes from and where dollars are spent, as well as trends in the local economy. This report is designed to present an understandable, comparative and easy-to-read financial analysis. More information regarding the Village and its financial condition is available on the Village's website at www.villageofglencoe.org. Specifically, you can access the most recent Comprehensive Annual Financial Reports (CAFR) and annual budgets by clicking on the Finance Department tab located on the homepage of the website. Village Board approval of the Fiscal Year 2015 annual audit will be announced in the November 2015 Glencoe Quarterly mailed to all Glencoe homeowners. *The CAFR and the PAFR were posted on the Village website as of August 31, 2015. The website is an excellent source of available financial information. Requests for additional financial information can be sent to finance@villageofglencoe.org.*

This report is a condensed summary of the annual CAFR. The data for this report was taken from the audited CAFR for the fiscal year ending February 28, 2015. The CAFR, however, is much more detailed than this report. The financial data presented in this report is derived from the CAFR and is consistent with generally accepted accounting principles (GAAP). The Glencoe Library is a component unit of the Village and is included in the Village's CAFR, but will not be discussed in this report since the Library is governed by a separate board and has a separate annual financial report.

During Fiscal Year (FY) 2015, the Village received the following awards for its financial reporting from the Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting (29 consecutive years)
- Award for Distinguished Budget Presentation (15 of last 16 years)
- Award for Outstanding Achievement in Popular Financial Reporting (6th consecutive year)

We hope that upon reading this report, you will have greater insight into the Village's financial condition. If you have any questions or comments regarding information in this document, please do not hesitate to contact me at (847) 835-4113 or at davec@villageofglencoe.org.

Sincerely,



David A. Clark,
Director of Finance (Chief Financial Officer)
And Treasurer

ABOUT GLENCOE

The Village of Glencoe (a non-home rule community) was incorporated in 1869 and is located next to Lake Michigan. Its accessibility to Chicago has attracted a mainly residential population. Village per capita income and median income figures are among the highest in the country; the Village is virtually fully developed and its tax base, which is primarily comprised of highly valued residential properties, has historically shown growth in value.

GLENCOE AT A GLANCE		
	FY 2014	FY 2015
Total Property Tax Rate	8.0610	9.1530
Equalized Assessed Value	875,187,894	787,716,085
Village Portion of Tax bill	14.8%	14.7%
Retail Sales Tax Revenue	1,942,829	2,090,867
Bond Rating	AAA	AAA
Total Village Debt	14,450,000	13,225,000
Village Net Position	80,241,094	80,758,503

Village Government

Glencoe operates within a Council-Manager form of government. The Village has operated under this form of government since 1914 and was the first government in Illinois to do so.

The President and six Village Board members are responsible for establishing Village policy and providing direction to the Village Manager. Village Board members are elected at-large and serve staggered four-year terms. The President presides at both the Village Board meetings that are held monthly, and any workshop meetings scheduled for discussion only.

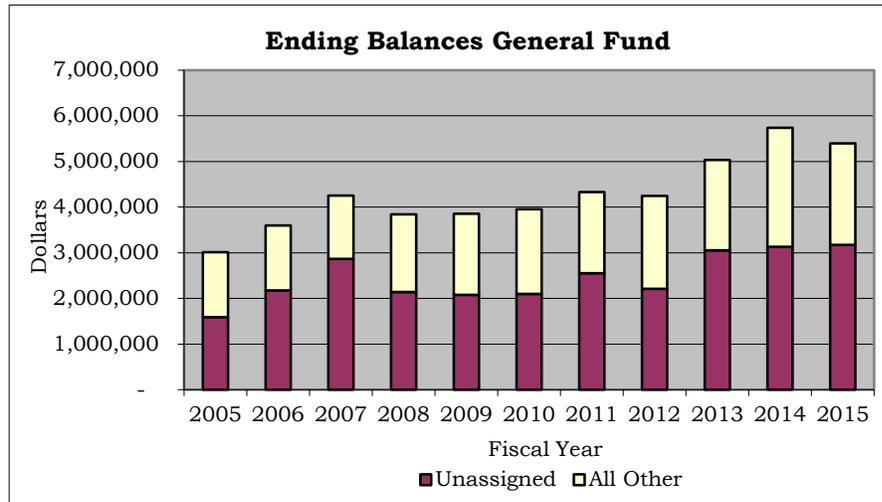
Glencoe's mission is to continue a commitment to preserving and enhancing this desirable and attractive community by emphasizing the small-town character of Glencoe as a safe, uncrowded and pleasant village that encourages religious, racial, and ethnic diversity. Services provided are responsive to the needs of the citizens and businesses and are reliable, efficient and fiscally responsible.

The Village has been rated AAA by Standard and Poor's. Such a rating reflects their view of the Village's:

- Very strong economy,
- Strong management with good financial policies and practices,
- Strong budgetary performance,
- Strong budgetary flexibility,
- Strong liquidity, and
- Strong institutional framework score.

About Village Services

The Village provides a full range of services. These services include: Police, fire and paramedic services via a single cross-trained department; public works services (infrastructure maintenance, forestry and tree replacement, garbage collection, curbside recycling and yard waste collection, vacuum collection of leaves at curbside, a handyman services; water production and distribution service; an 18-hole public golf course; planning and zoning, code enforcement, financial and general administrative services.



Goals, Objectives and Budgeted Capital Projects/Improvements

Beyond the completion of Fiscal Year 2015, the following major budget items, projects and programs are included in the Fiscal Year 2016 Budget:

- E911 System Equipment Phase I & Phase II (\$66,000 – E911 Fund);
- E911 Room Upgrades (\$32,000 – E911 Fund);
- Brush Chipper #10 (\$44,000 – General Fund);
- Pickup Truck #35 (\$35,500 – General Fund);
- Public Works Administrative Vehicle #610 (\$30,000 - General Fund);
- Restoration of Ravine Bluff Monuments Phase III (\$30,000 – General Fund);
- Mechanical Lift (\$18,000 – General Fund);
- Public Safety Vehicle Replacements (2) (\$100,000 – General Fund);
- Sewer Camera Truck #22 (\$33,000 – General Fund);
- Green Bay Rd., Roadway Improvement (\$360,000 – MFT);
- Water Main Replacement (\$100,000 – Water);
- Turbidimeter Unit Replacement (\$32,000 – Water);
- High Lift Emergency Pump (\$50,000 – Water);
- Replace Filter Controls (\$60,000 – Water); and
- IT Strategic Plan Projects year 4 (\$138,400, General Fund)

Local Economy

The Village has a vibrant and attractive business community which provides convenient goods and services valued by the community. The Village has two business district areas within its corporate limits. One is predominantly retail (downtown and Hubbard Woods) and the other includes the auto dealerships adjacent to the Eden's Expressway.

VILLAGE FINANCIAL INFORMATION

The Village maintains six governmental funds (General Fund, Garbage Fund, Motor Fuel Tax Fund, Enhanced 911 Fund, Debt Service Fund and Capital Projects Fund). The General Fund is the general operating fund that is used for all financial activity except activity specified in another fund.

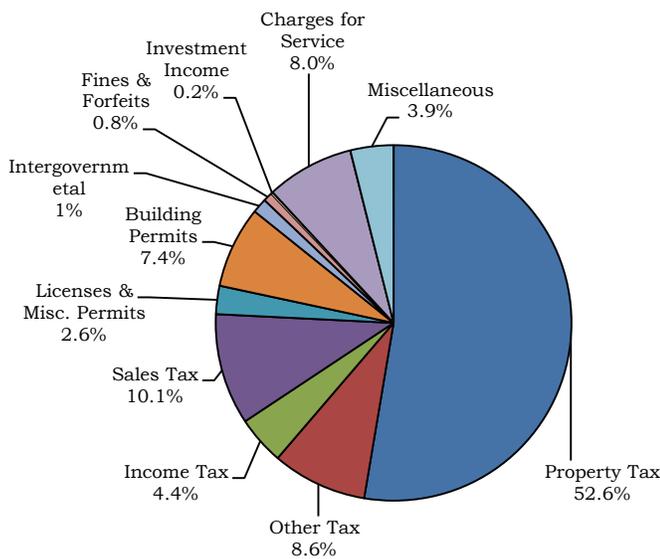
The governmental funds account for the Village’s basic services, including public safety (police, fire, and paramedic), public works (garbage collection, sewers, forestry, street maintenance, and street lighting) and general governmental administration. The majority of Village services are funded through property taxes, sales tax, utility tax and state shared income tax. The General Fund, the Debt Service Fund, the Garbage Fund and the Capital Projects fund are considered “major” funds and are reported in greater detail in the comprehensive annual financial report. The Village manages the water utility and municipal golf course as “business-type’ activities, therefore, reports them separately as proprietary funds (and not as “governmental activities”). Revenue and expenditure information included in this report are from the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds in the Fiscal Year 2015 CAFR.

REVENUES/RESOURCES

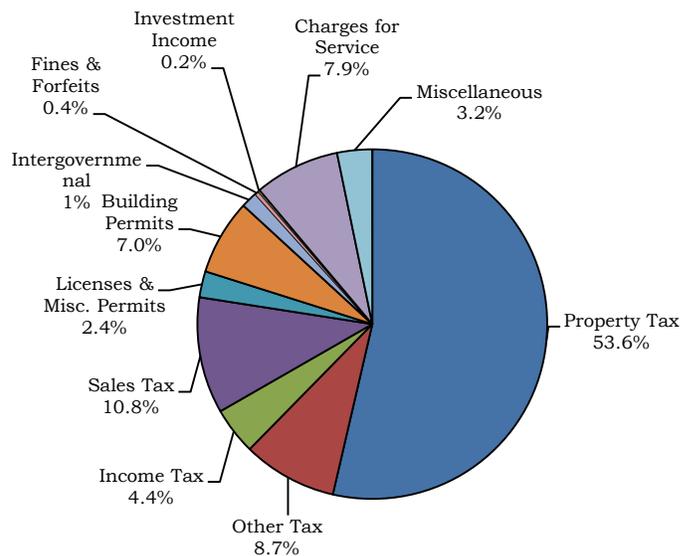
For the fiscal year ended February 28, 2015, the governmental funds totaled over \$19.4 Million in revenue compared to nearly \$19.2 Million the prior year. The General Fund revenue represented nearly \$16.5 Million of that amount compared to nearly \$16.4 Million the prior year. The four largest sources of revenue are property tax, sales tax, utility tax and state shared income tax. A substantial portion of the Village’s revenue (22.1% in FY 2015) comes from sources subject to economic conditions beyond the Village’s control (i.e. sales tax – including use tax, income tax, building permits).

The General Fund finished Fiscal Year 2015 with a total fund balance of \$5,396,107 (\$3,173,210 unassigned) as compared to the prior year ending total balance of \$5,738,267 (\$3,130,595 unassigned). The unassigned fund balance in the General Fund is accessible to the Village in order to provide services to the residents of Glencoe if there are no additional revenues or resources available.

FY 2014 Revenue



FY 2015 Revenue



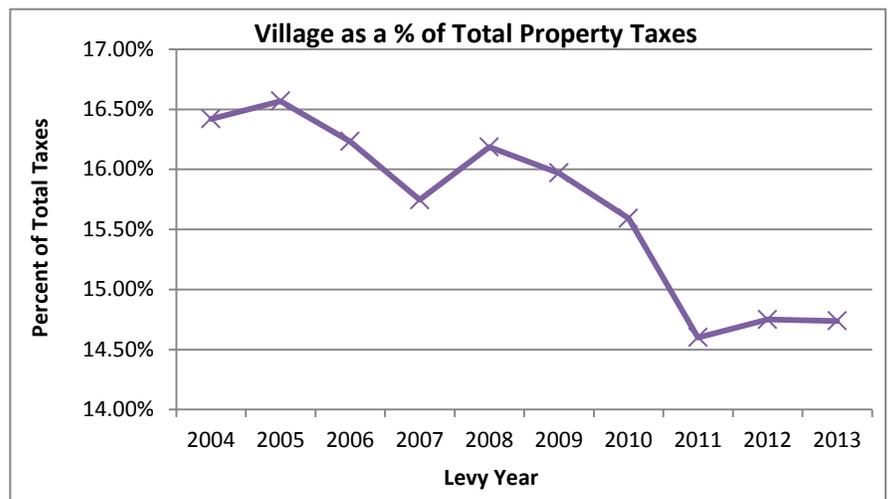
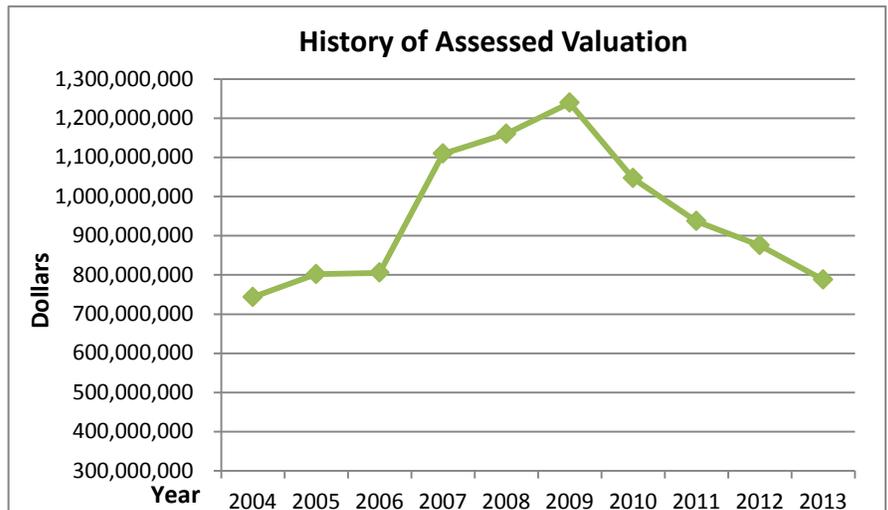
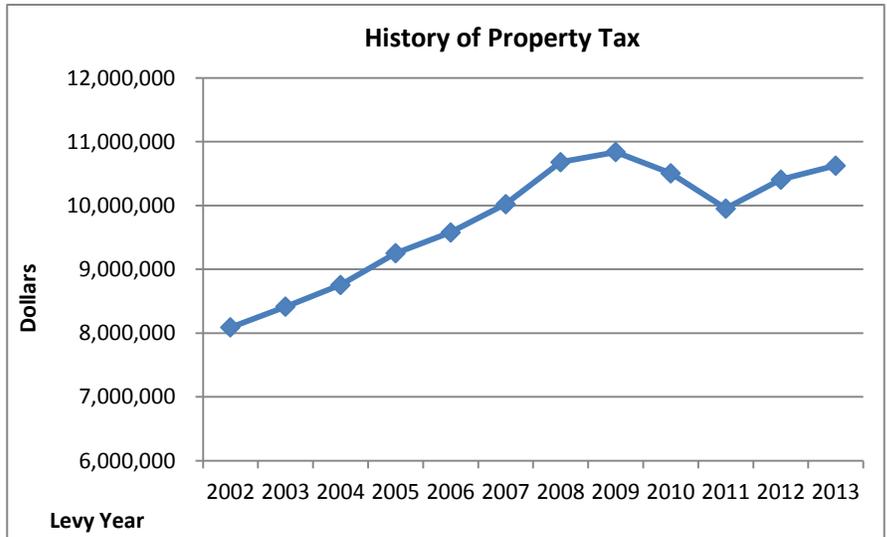
Property Value and Property Taxes

The single largest revenue source for the Village is property taxes. During Fiscal Year 2006 (Levy Year 2004), property taxes represented \$8.7 Million.

During Fiscal Year 2015 (Levy Year 2013), property taxes were \$10.4 Million of the total governmental revenue of nearly \$19.4 or 53.6%. However, over the last 10 years the percentage that the Village represents of the total property taxes collected has declined. During tax year 2004, the Village represented 16.4% of the total tax bill, but during tax year 2013 (collected during Fiscal Year 2015) the Village represented 14.7% of the total tax bill.

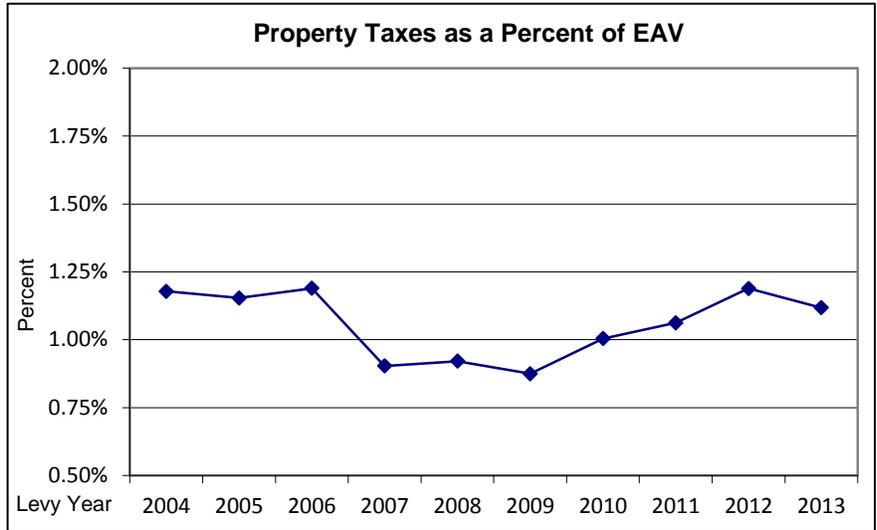
Since 2004, Glencoe’s assessed value of property has grown by 6% from \$743 Million to \$787 Million. The average annual increase during that time has been 2.5%. During that period of time, the Village portion of property taxes has increased on average 2.4% annually from \$8.7 Million (levied in 2004) to \$10.6 million (levied in 2013). In 2004, property taxes levied represented 1.18% of the assessed value. As of the 2013 tax levy, taxes represented 1.12% of assessed value. Since 2009, the EAV has decreased from \$1.2 Billion to \$787 Million in 2013. That represents a \$451 Million reduction in EAV since 2009. The EAV has declined in each of the last 4 years.

Due to the lack of home rule status, the Village is subject to the Property Tax Extension Limitation Law (PTELL), otherwise known as the “tax cap” law, which limits the annual increase in property tax extensions to the lesser of the increase in the U.S. CPI-U or 5%. Since tax caps are a percentage limitation on the taxes extended, and not a percentage limitation on the rate of increase, the decline in EAV has not impacted property tax revenue.



Property Value and Property Taxes Continued:

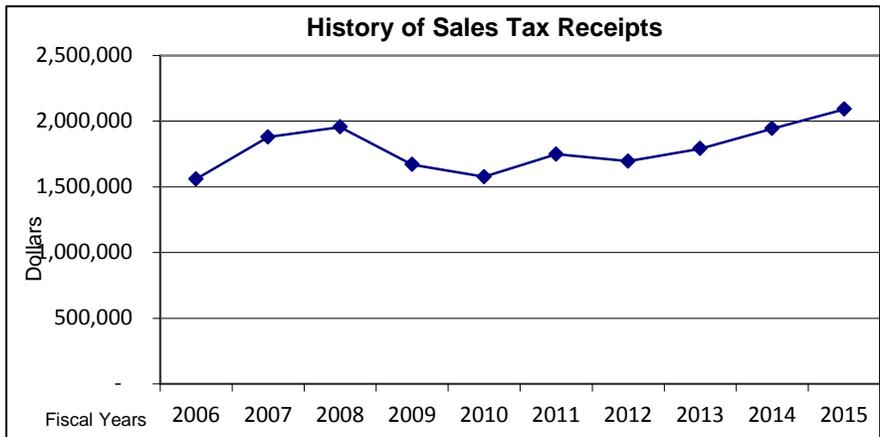
The decline in the EAV is related to the valuation of property county-wide by the Cook County Assessor’s Office as opposed to an adverse change in property condition and value in Glencoe specifically.



Sales Tax and Use Tax

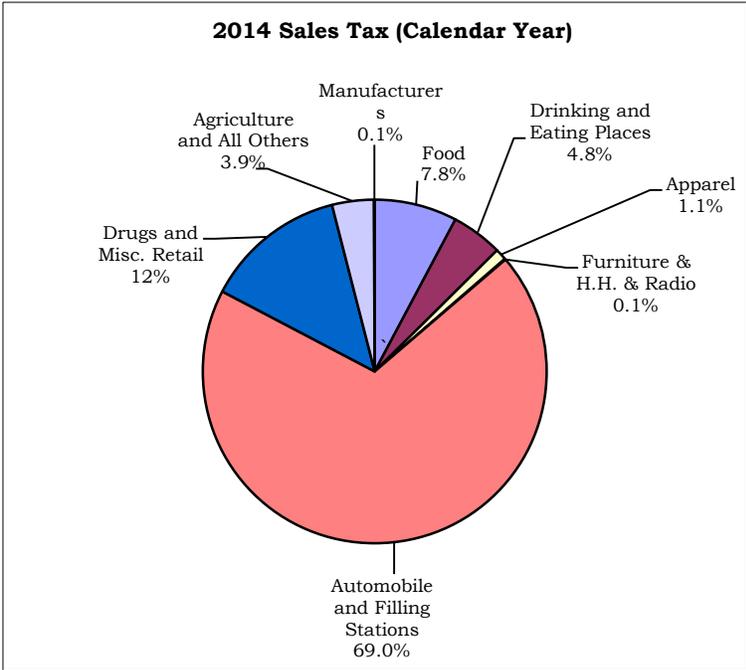
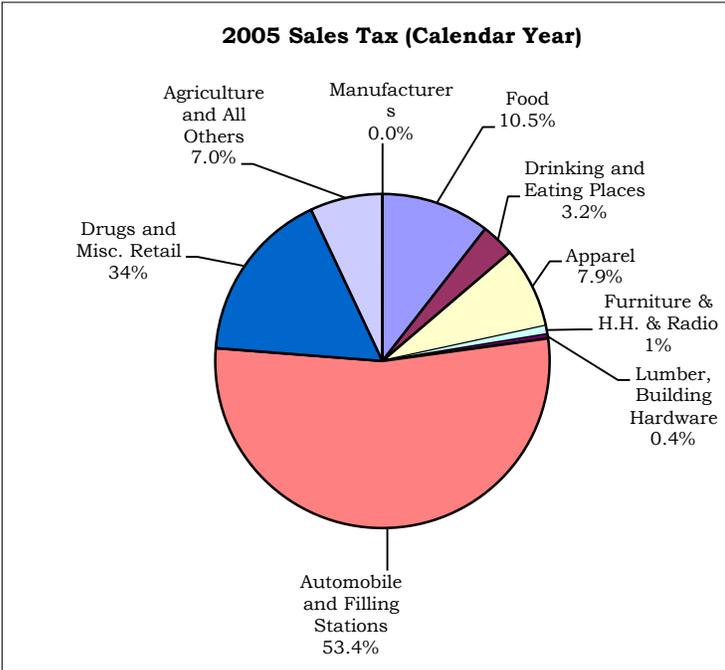
The State of Illinois collects sales tax and local use tax on behalf of local municipalities. The state levies a retail sales tax on all retail sales. Most services are exempt; food and drugs are not exempt from sales tax. The Village receives one percent of the tax that is collected by the state on eligible sales within the Village. This source of revenue has grown in recent years with the addition of the three car dealerships on the Village’s western boundary.

The Village maintains a central business district that provides a high level of goods and services. Even though it is small in size, the business activity occurring in the Village translates well to services provided in surrounding communities.



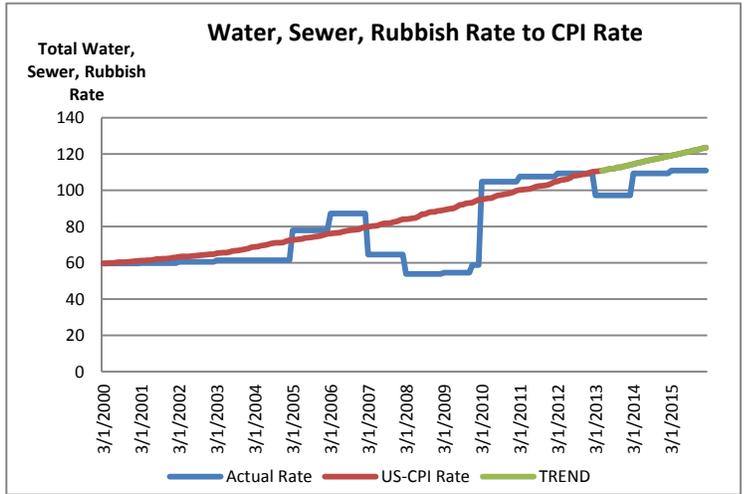
Over the last ten years, the Village has seen tremendous growth in sales tax primarily due to the addition of three car dealerships along the Eden’s Expressway. In Calendar Year 2005, sales tax from the category of automobiles (mainly service) represented 53.4% of the total sales tax collected. In Calendar Year 2014, sales tax from automobiles (mostly sales) represented 69.0% of the total sales tax collected. In Calendar Year 2005, the Village collected \$1,357,071 in sales tax compared to \$1,915,116 in Calendar Year 2014.

Village of Glencoe Schedule of Sales Tax Rates on General Merchandise				
	<u>2005</u>	<u>2014</u>	<u>% Chng</u>	<u>% of Total</u>
State Rate	6.25%	6.25%	0.00%	78.13%
County Rate	0.00%	0.00%	n/a	n/a
Local Rate	0.00%	0.00%	n/a	n/a
County Home Rule	0.75%	0.75%	0.00%	9.38%
Regional Transportation	0.75%	1.00%	33.33%	12.50%
Total Sales Tax Rate	7.75%	8.00%	3.23%	100.00%



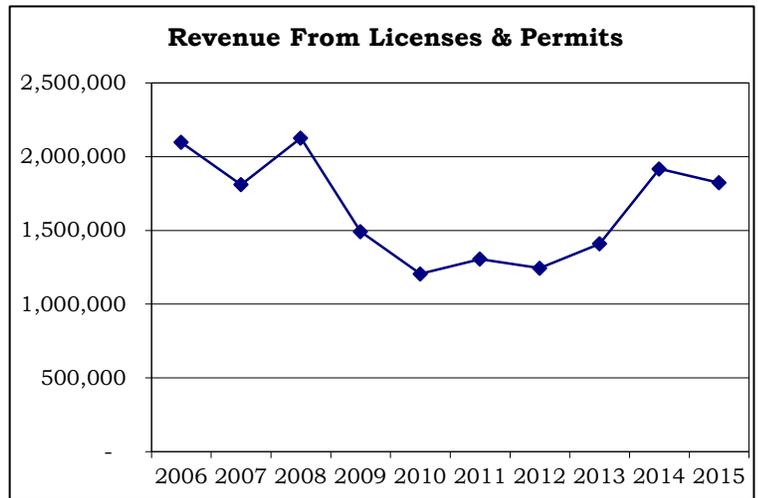
Charges for Service

Charges for service included in the governmental funds consist primarily of garbage and recycling fees, sewer fees and ambulance fees. Fees are controlled by the Village Board. Through the long-range financial planning process, the Village Board attempts to identify long-range issues to minimize major fluctuations in fee rates. Beginning March 1, 2008, the Village Board eliminated the base fee for garbage collection to reflect modification in service levels. The garbage service fees were later reinstated and maintained with increases to support operations in a similar fashion to property tax increases allowable under property tax extension limitation law (PTELL). PTELL increases are limited to the annual change in consumer price index or 5%, whichever is less. Beginning March 1, 2015 the Village increased its charge for garbage services from \$49.57 per quarter to \$50.31 per quarter. This fee was for garbage collection and disposal service and yard waste collection service.



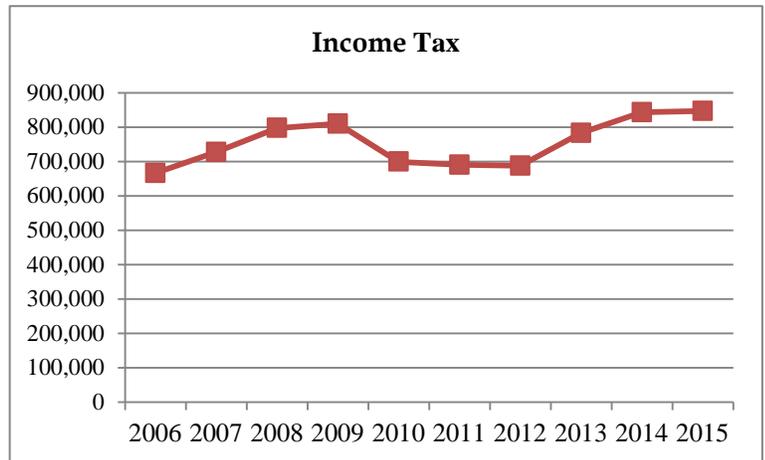
Licenses, Permits and Fees

Revenues in this category are generally collected to recover the cost of administrative services related to regulatory activity or other services provided by the Village. This revenue source has grown over the years but is subject to economic factors beyond the Village’s control. Fiscal Year 2015 represented the seventh consecutive year permit that revenue was less than the Fiscal Year 2008 level of \$2.1 Million. However, the levels are again approaching the levels seen in 2008, as the Village received over \$1.8 Million during Fiscal Year 2015. Fiscal Year 2015 revenue is at the highest level since Fiscal Year 2015 primarily due to a second consecutive year of sustained building activity throughout the community.



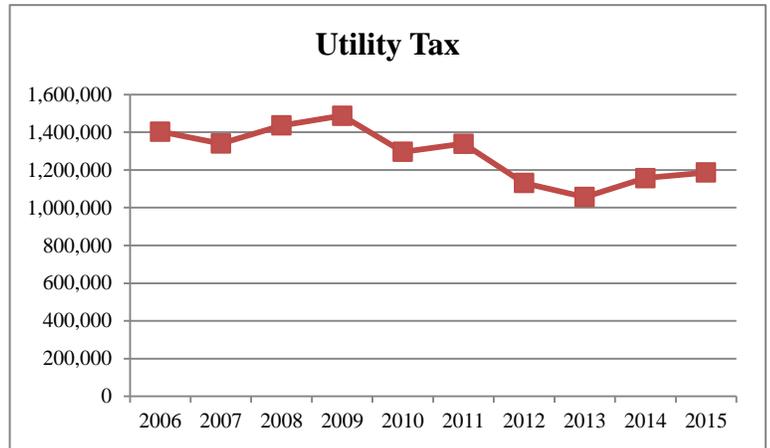
State Income Tax

The Village receives a portion of state income tax receipts on a state-wide per-capita basis. Of the \$847,050 in income tax revenue recorded during Fiscal Year 2015, \$177,077 was still receivable from the State of Illinois as of February 28, 2015. The corporate and individual income tax rates were decreased by the State of Illinois effective January 1, 2015. The average income tax since Fiscal Year 2006 has been \$755,357.



Utility Taxes (Included in Other Taxes)

This revenue source includes taxes on electricity, natural gas and telecommunications. During Fiscal Year 2010 the Village received \$1.29 Million in utility tax. During Fiscal Year 2015 the Village received \$1.18 Million. Consumption patterns, weather and rates have an impact on this revenue source. The average utility tax since Fiscal Year 2006 has been \$1.28 Million.



Intergovernmental Resources

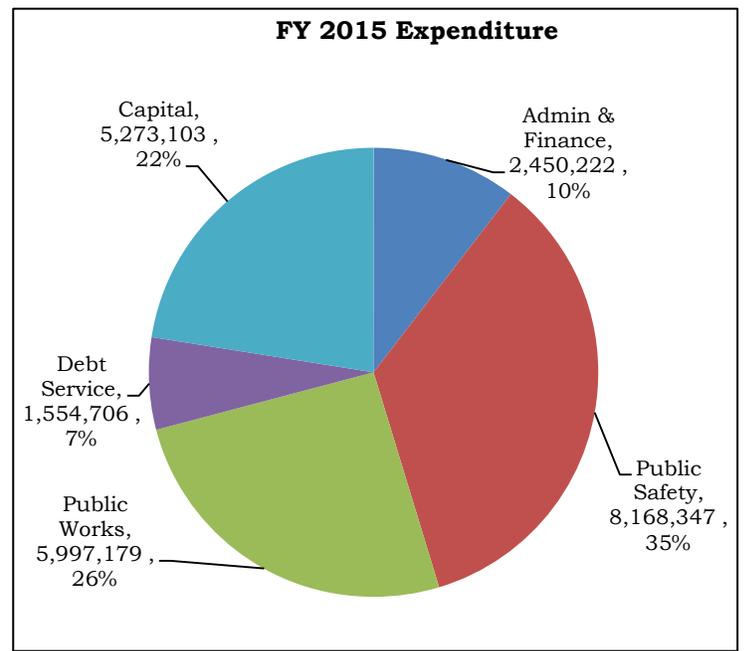
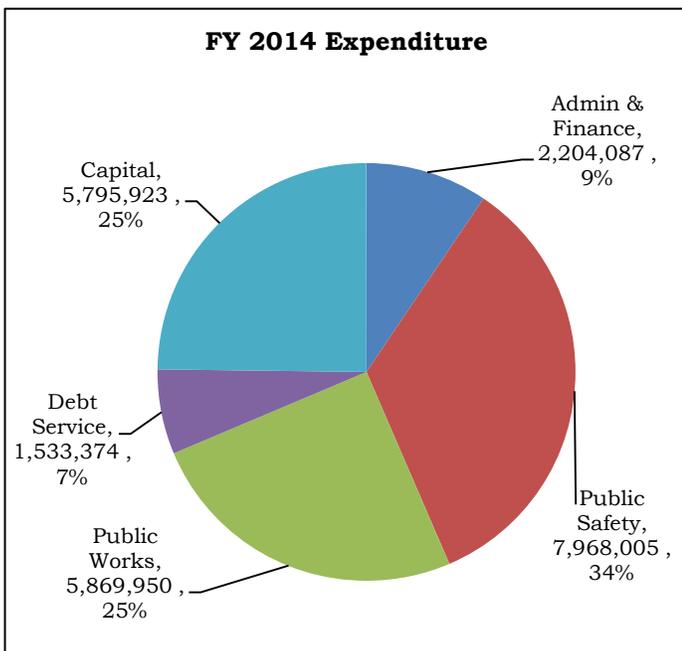
This revenue source includes resources received from other governments in the form of shared revenue (i.e., motor fuel tax that is state-shared revenue based on gallons of fuel dispensed).

Other Revenue

Other revenue includes revenue received that does not fall into designated categories, such as grants, reimbursements, and lease of village property for cellular-type antenna facilities.

Governmental Expenditures/Services Provided

For the Fiscal Year ended February 28, 2015, \$23.4 Million was expended from the governmental funds compared to \$23.3 Million during the prior year. In FY 2015, expenditures from governmental funds exceeded revenue by \$4,004,923 due to capital expenditures which utilized bond sale proceeds to fund various projects approved by voters in the 2012 referendum.



Administration and Finance

Expenditures in this category reflect the cost for the administrative and finance functions of the Village, including the Village Manager's office, legal, community services, boards and commissions, finance administration, support services, risk management and the issuance of long-term debt. Historically, certain public works functions related to garbage collection have been included in this category of expense.

Public Safety

Expenditures in this category reflect the cost of fire protection, police protection and paramedic services through the Public Safety Department. Both police and fire functions are nationally accredited. Expenditures in this category include the Village's contribution towards Police Pension Obligations.

Public Works

Expenditures in this category reflect the general operating cost of public works administration, streets, sewers, forestry, building maintenance, street maintenance, street lighting, parking and traffic control, municipal garage functions and maintenance and community development. The expenses of certain garbage collection activities previously reported as administration and finance expenses are now in the public works category.

Capital

Expenditures in this category reflect investment in the Village's capital equipment and infrastructure, including improvement to buildings and facilities, street resurfacing, sewer improvements, and vehicle and equipment replacement.

OTHER BUSINESS-TYPE SERVICES

Certain services provided by the Village are classified as "business-type" services and are reported as "enterprise funds", which are intended to be financially self-supporting as independent entities. Glencoe's water utility (Water Fund) and its municipal golf club are reported in this fashion.

Water Services

The Village's water plant was built in 1928. The water plant provides water for use by residences and businesses in Glencoe. The Village does not sell water to other communities for daily consumption or other non-system maintenance reasons. The integrity of the Village's water system is very important and the Village meets or exceeds all required state and national regulations. Over the last twenty fiscal years, the Village has produced an average of 617 million gallons of water ranging from a low of 520 million gallons in Fiscal Year 2010 to a high of 712 million gallons in Fiscal Year 2006. The 587 Million gallons produced during Fiscal Year 2015 was 30 Million gallons less than the twenty year average. The volume of water pumped annually depends upon demand and the demand is often influenced by weather conditions. Total water fund operating revenues for Fiscal Year 2015 were \$1,897,860 as compared to \$2,170,586 during Fiscal Year 2014. Currently, the Village is reviewing options for replacement of the water plant.

As of March 1, 2015, the water rate was \$3.454 per 100 cubic feet, a 1.5% increase from the Fiscal Year 2015 rate. During review of the Village's long range financial plan, with development of the Fiscal Year 2016 Budget, it was anticipated that an increase was necessary for Fiscal Year 2016.

Glencoe Golf Club

In 1921, a group of Glencoe residents originated the Glencoe Golf Club, one of the first municipal golf courses in the Chicago area. The first nine holes were open for play in 1922 and the second nine holes opened in 1925. The course occupies 126 acres (60 owned by the Village and 66 owned by the Cook County Forest Preserve District).

In recent years, the Glencoe Golf Club has faced challenges caused by aging infrastructure and an increasingly competitive environment for attracting golfers.

During Fiscal Year 1994, the Glencoe Golf Club assumed operations of a pro shop. During Fiscal Year 2007, the food service operation was outsourced to a concessionaire. During Fiscal Year 2013, the Glencoe Golf Club established its own teaching academy with expanded training opportunities.

The Glencoe Golf Club continues to be a course with its own unique charm. During the 2014 year of play, 32,171 rounds of golf were played, as compared to 33,122 rounds in 2013 and 33,657 rounds in 2012. The Glencoe Golf Club strives to be one of the best and most attractive courses in the Chicago area

The primary mission of the Glencoe Golf Club is to provide a quality golf experience while returning to self-sufficiency. Resources not used to pay for operations are invested back into the courses and facilities. As of February 28, 2015, the Glencoe Golf Club owes the Village nearly \$1.65 Million in cash advances, deferred management fees and interest-on-amount owed. The Village reviews the condition of the Glencoe Golf Club each year as part of the budget process and determines whether or not the club has the ability to begin to repay its obligation to the Village. To date, there have been other pressing issues at the club (i.e. maintaining an aging infrastructure) that have precluded any repayment to the Village. Currently, the replacements of the clubhouse and maintenance facilities are under review.

LONG-TERM OBLIGATIONS

In addition to providing resources for quality services on an annual basis, the Village Board annually reviews plans to meet long-term obligations that include capital improvements and pension obligations.

Capital Improvements

Annually, the Village Board reviews and updates the 10-year inventory of planned capital projects. The 2025 Capital Improvement Program (CIP) was completed prior to development of the Fiscal Year 2016 Budget. The estimated total cost of the projects identified in the 2025 CIP totaled \$33.8 Million. The 2023 CIP included \$12.3 million for infrastructure (including streets, sewers, sidewalks and water main), \$6.5 million for vehicle replacement, and \$3.5 million for buildings and equipment.

On April 7, 2015, Village voters approved two referendum questions authorizing issuance of \$10,000,000 in general obligations bonds and that resulted in the issuance of \$5,000,000 of those general obligation bonds in July of 2015. The 2015 Bond Improvement Program includes:

- \$6,000,000 Million in storm sewer improvements,
- \$2,500,000 Million in Village Hall heating and ventilation system improvements,
- \$ 900,000 in street resurfacing projects,
- \$ 500,000 in sanitary sewer rehabilitation through segment lining,
- \$ 100,000 in sidewalk repairs

Continuing to fund needed capital improvements is a Village priority in order to control maintenance costs and to reduce future capital improvement costs that would result from any significant deferral of capital projects. This commitment has become a greater challenge for the Village given the continued downturn in economic conditions.

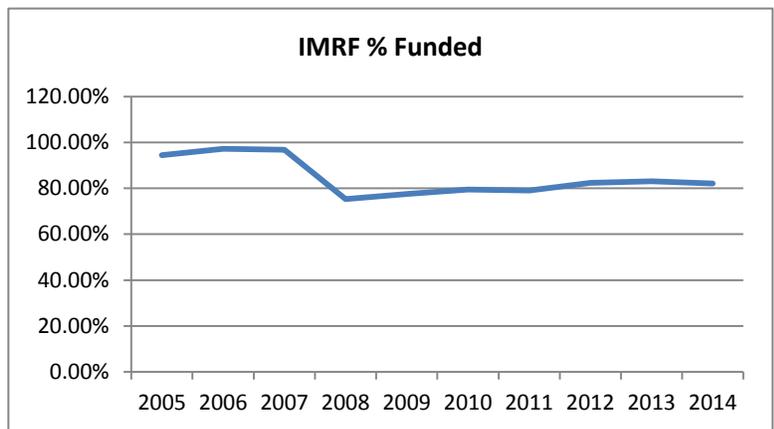
Pension Obligations

Village employees participate in one of two Illinois statutory pension plans, depending on their position. Pension obligations to employees and eligibility requirements are imposed entirely by state law, but the state provides no resources to the Village to meet those obligations. The pension plans are the Illinois Municipal Retirement Fund (IMRF) and the Police Pension Fund.

VILLAGE CONTRIBUTION SUMMARY			
Fiscal Year	2011	2015	% Chng
IMRF	760,052	755,232	-0.6%
Police Pension	1,740,339	1,482,314	-14.8%
Total	2,500,391	2,237,546	-10.5%

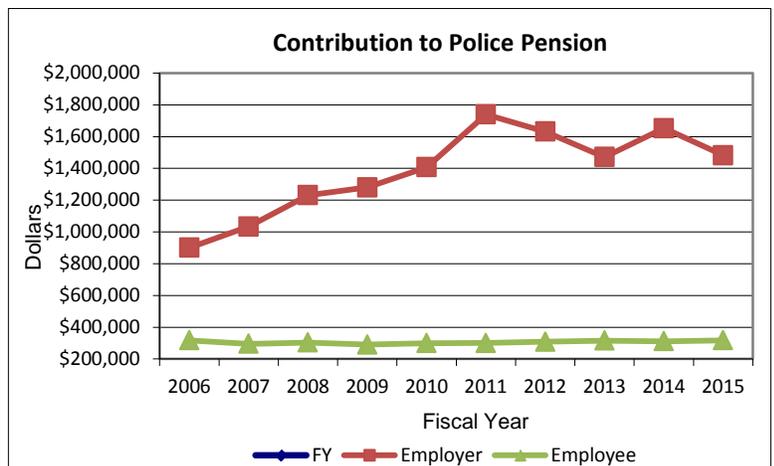
Illinois Municipal Retirement Fund (IMRF)

Village employees (who work more than 1,000 hours per year and are non-sworn employees) participate in IMRF. From the calendar year ended December 31, 2013 to 2014, IMRF plan assets increased from \$18.3 Million to \$19.6 Million. Since year-end 2009, the IMRF plan’s funded ratio increased from 77.5% to 82.1%. Between 2007 and 2008 the funded ratio decreased from 96.8% to 75.3%. As of December 31, 2014 the funded ratio was 82.1%. Since 2009 the unfunded liabilities have decreased from \$4.3 Million to \$4.2 Million in 2014. Employees contribute 4.5% of pay and the Village contributes based upon a rate calculated by IMRF. Effective January 1, 2011 a second tier of benefits were created for employees hired after that date. The benefit level for those employees is less than tier one benefits. During Fiscal Year 2010, the Village contributed \$516,717 based on 8.9% of pay. During Fiscal Year 2015, the Village contributed \$755,232 based on 11.9% of pay. Historically, there is movement in the rate paid by the Village. The rate adjusts according to the number of participants, the number of years an employee has participated in IMRF and market conditions.

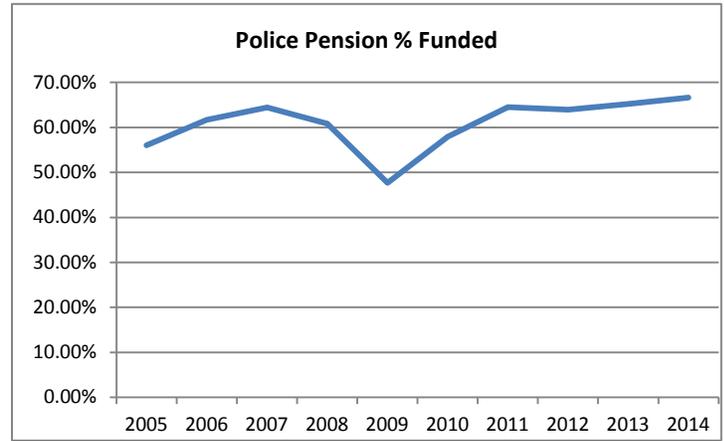
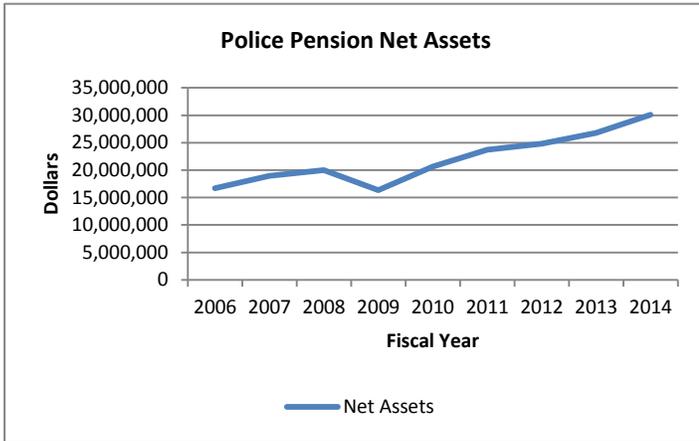


Police Pension Fund

Sworn public safety personnel participate in the Police Pension Plan. The Police Pension Plan is a defined benefit plan mandated by the State of Illinois. Beginning January 1, 2011, the State of Illinois established a second tier of benefits for employees hired after that date. As of the most recent audit for the year ended February 28, 2015, the Police Pension Plan has \$32.1 Million, an increase of \$2.0 Million or 6.8% from 2014. Since 2009, the assets of the Police Pension Fund have increased from \$16.3 Million to \$32.1 Million, while the unfunded liabilities have decreased from \$17.9 Million to \$17.8 Million. Employees contribute 9.91% of pay and the Village contributes based upon actuarial tax levy estimates from an independent actuary.



During Fiscal Year 2011, the Village contributed \$1,740,339 and employees contributed \$300,868. During Fiscal Year 2015, the Village contributed \$1,482,314 and employees contributed \$317,645. **Since Fiscal Year 2006, Village contributions to the Police Pension Fund have been \$3.9 Million in excess of the annual required contribution (ARC) and have averaged 135.11% of the ARC annually.**

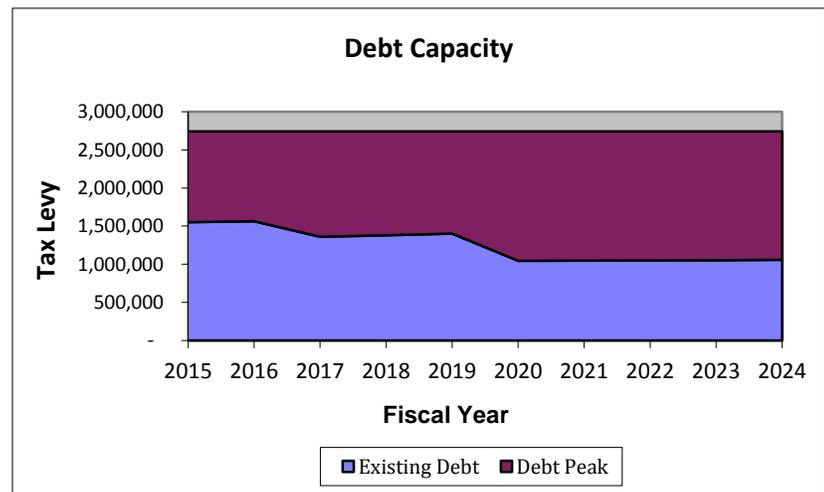


Funding pension obligations is a priority of the Village Board. The growth in the cost of funding pensions has outpaced the ability of property taxes as a sole source of funding due to property tax extension limitation law. Therefore, funding at required levels comes from Village revenues that might otherwise be used for capital improvements or other operating costs. The continuing economic and state-level political uncertainty will further stress the pension system because of the actuarial loss on the value of investments that must be recovered. The recovery seen since 2010 and the Village’s policy to provide resources at a level greater than required by the State of Illinois allowed the Police Pension Fund to recover assets lost during the recent economic downturn. The Village is basically paying extra “principal” towards its pension “mortgage” each year.

Police Pension Fund Percent ARC Contributed	
Fiscal Year	%
2008	135.08%
2009	140.57%
2010	135.67%
2011	129.60%
2012	134.23%
2013	147.41%
2014	160.93%
2015	133.01%

DEBT REPAYMENT OBLIGATION

The Village makes principal and interest payments on bonds issued for approved projects. During Fiscal Year 2010, the Village paid \$2.7 Million in debt service on general obligation debt. Between Fiscal Year 2015 and Fiscal Year 2024 payments will range from \$1.551 Million in Fiscal Year 2015 to less than \$1.045 Million in Fiscal Year 2020. This excludes debt service for the bonds issued on July 30, 2015.



The Village’s debt limit is defined as 10% of the total assessed value of the Village. The Village has a legal debt limit of \$78.7 Million with outstanding debt as of the end of Fiscal Year 2015 of \$13.2 Million or 16.7% of the total debt limit. Ten years ago, the Village had a legal debt limit of \$74.3 Million with \$13.8 Million outstanding or 18.5% of the total debt limit

STATEMENT OF NET POSITION

The statement of net position included in this report is a condensed view of the Village's assets and liabilities for all funds as of February 28, 2015. Governmental activities are reported separately from business-type activities (i.e., Water Fund and Glencoe Golf Club). During Fiscal Year 2015, net position of the total primary government increased \$517,409. The net position of the governmental funds increased by \$288,715, and the business type net position increased by \$228,694.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	2014	2015	2014	2015	2014	2015
<i>Current and other assets</i>	\$ 25,778,744	\$ 22,139,000	\$ 1,727,749	\$ 1,775,034	\$ 27,506,493	\$ 23,914,034
<i>Capital Assets</i>	78,002,524	80,660,329	6,753,508	6,750,347	84,756,032	87,410,676
Total Assets	103,781,268	102,799,329	8,481,257	8,525,381	112,262,525	111,324,710
<i>\$ Change</i>	\$ 375,654	\$ (981,939)	300,510	44,124	676,164	(937,815)
<i>% Change</i>	0.4%	-0.9%	3.7%	0.5%	0.6%	-0.8%
<i>Non-Current</i>	14,472,710	13,224,126	3,033,199	2,865,675	17,505,909	16,089,801
<i>Other Liabilities</i>	14,038,937	14,016,867	476,585	459,539	14,515,522	14,476,406
Total Liabilities/Def. Inflows	28,511,647	27,240,993	3,509,784	3,325,214	32,021,431	30,566,207
<i>\$ Change</i>	\$ (547,024)	\$ (1,270,654)	(395,165)	(184,570)	(942,189)	(1,455,224)
<i>% Change</i>	-1.9%	-4.5%	-10.1%	-5.3%	-2.9%	-4.5%
<i>Net Assets:</i>						
<i>Net investment in capital assets</i>	67,541,888	67,499,293	3,807,766	3,942,874	71,349,654	71,442,167
<i>Restricted</i>	1,276,556	1,326,659	-	-	1,276,556	1,326,659
<i>Unrestricted</i>	6,451,177	6,732,384	1,163,707	1,257,293	7,614,884	7,989,677
Total Net Position	75,269,621	75,558,336	4,971,473	5,200,167	80,241,094	80,758,503
<i>\$ Change</i>	\$ 922,678	\$ 288,715	695,675	228,694	1,618,353	517,409
<i>% Change</i>	1.2%	0.4%	16.3%	4.6%	2.1%	0.7%

During Fiscal Year 2015, the net position of the Water Fund decreased by \$46,914 and the net position of the Glencoe Golf Club increased by \$275,608.

	<i>Water Activities</i>		<i>Golf Activities</i>		<i>Total Business-Type Activities</i>	
	2014	2015	2014	2015	2014	2015
<i>Current and other assets</i>	\$ 2,151,240	\$ 2,011,828	\$ 1,185,208	\$ 1,414,824	\$ 3,336,448	\$ 3,426,652
<i>Capital Assets</i>	5,109,258	4,995,824	1,644,250	1,754,523	6,753,508	6,750,347
Total Assets	\$ 7,260,498	\$ 7,007,652	\$ 2,829,458	\$ 3,169,347	\$ 10,089,956	\$ 10,176,999
<i>Non-Current</i>	\$ 2,994,843	\$ 2,827,256	\$ 38,356	\$ 38,419	\$ 3,033,199	\$ 2,865,675
<i>Other Liabilities</i>	305,169	266,824	1,780,115	1,844,333	2,085,284	2,111,157
Total Liabilities	\$ 3,300,012	\$ 3,094,080	\$ 1,818,471	\$ 1,882,752	\$ 5,118,483	\$ 4,976,832
<i>Net Assets:</i>						
<i>Net Investments in Capital Assets</i>	\$ 2,163,516	\$ 2,188,351	\$ 1,644,250	\$ 1,754,523	\$ 3,807,766	\$ 3,942,874
<i>Unrestricted</i>	1,796,970	1,725,221	(633,263)	(467,928)	1,163,707	1,257,293
Total Net Position	\$ 3,960,486	\$ 3,913,572	\$ 1,010,987	\$ 1,286,595	\$ 4,971,473	\$ 5,200,167

The following are definitions of terms used in this report and other financial reports of the Village:

Current and other assets

These are the assets that can reasonably be expected to convert to cash, sell or consume within one year.

Capital assets

These are the Village’s long-term investment in land, buildings, equipment, improvements, infrastructure and construction in progress. The Village uses capital assets to provide services to the residents. Consequently, these assets are not available for spending.

Non-current liabilities

This category mainly represents debt obligations of the Village, including general obligation bonds payable, compensated absences payable and net pension obligation payable.

Other liabilities

This category primarily includes debt that can be paid off in one year or less. This includes accounts payable, accrued interest payable and deferred revenue. This category also includes deferred inflows of resources.

Net assets invested in capital assets, net of related debt

This category represents the Village’s investment in capital assets less any related outstanding debt used to acquire those assets. However, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets

These are the resources that are subject to external restrictions on how they may be used. The Village of Glencoe has resources set aside for roadway maintenance, debt service and public safety. This category includes fund balances and net position reported in the CAFR as nonspendable, restricted or assigned.

Unrestricted net assets

These are resources accessible to the Village in order to provide services to the residents of Glencoe if there are no additional revenues or resources available.

Total Net Assets

This figure represents total assets less total liabilities. Also reported as net position in the CAFR.

FINANCIAL POLICIES

The Village has established financial policies as a guide in conducting business. A list of major financial policies includes:

Fund Balance Policy

It is the policy of the Village to maintain an undesignated unreserved fund balance in the General Fund of 10% of current operating expenditures, excluding capital, but no lower than \$1,400,000. The minimum targets for the Water Fund and Garbage Fund is also 10% of current operating expenditures with no absolute dollar minimum.

The fund balance of the Water Fund will be measured using unrestricted net assets as stated in the annual audit. The Village will maintain an unrestricted net asset balance in the Water Fund of 10% of operating expenditures including depreciation.

The Village will maintain a balance in the Garbage Fund of 10% of operating expenditures, excluding capital, but no lower than \$75,000.

The Village will maintain a minimum balance in the Debt Service Fund of 25% of the required December principal and interest payments or a minimum of \$25,000.

Balanced Budget Policy

It is the policy of the Village to adopt an annual budget that is balanced. A balanced budget has expenditures and financing uses that do not exceed the revenues and financing sources. The use of fund balance as a financing source is acceptable if the fund balance is determined to be in excess of the minimum fund balance targets.

Property Taxes

It has been the policy of the Village since Property Tax Extension Limitation Law (PTELL) to levy the maximum in the capped tax levy purposes. If it is determined that the amount collected is in excess of budgetary need than any excess would be used as an alternative source of revenue to abate (reduce) the property tax levy for debt service. This policy allows the Village to maintain its ability to levy taxes in a property tax cap environment.

Abatement of Taxes

It has been the long-term policy of the Village Board to abate (reduce) its annual request for property tax revenue to be used to pay debt service by substituting other sources of revenue available. The tax levy for debt service is established when the bond ordinance is approved by the Village Board (at the time of the issuance of bonds). Cook County automatically levies the amount in the approved ordinance unless the Village submits an abatement ordinance which informs the county that a portion of the approved debt ordinance will be paid from other financing sources. During January of each year, the Village Board is presented with an abatement ordinance. Two sources of abatement have been the loss in collection amount collected by Cook County and remitted to the Village. The debt ordinance is levied at 105% without reduction by tax caps. Each year this extra portion is abated. The other source is any other source of revenue determined to be in excess of budgetary need.

Debt Policy – Use of Limited Tax Authority

The Village is able to issue non-referendum bonds subject to the following constraints:

1. Amount cannot exceed ½ of 1.0% of its equalized assessed valuation (EAV); and
2. The total annual payment extension is no more than \$548,212 for 2013 levy (last year the annual maximum was \$538,837).

It is the policy of the Village to maintain this authority as a capital reserve in order to provide resources in the event of an unanticipated financial need.

Repayment of Amount Due to the Village from the Glencoe Golf Club

Annually, the Village Board reviews the amount due to the Village from the Glencoe Golf Club as part of the budget development process. The Village considers whether the golf club is financially able to begin to repay the amount due and whether or not it is in the best interests of the Village to do so.

Management Fees

The Village charges a management fee for the Village costs of assistance to the Garbage Fund, the Glencoe Golf Club and the Water Fund. The Management Fees for the Garage Fund and the Water Fund are collected on a monthly basis. The present policy for the Glencoe Golf Club is to accrue the fee but not collect the fee. Actual collection of the Golf Club Management Fee is determined towards the end of the fiscal year. Annually, the Village Board reviews the management fee as part of the budget development process and determines the appropriate fee based upon the cost of providing services.

Funding Pension Obligations

By policy, the Village Funds its pension obligations based upon actuarially determined funding requirements. For funding the Police Pension, the Village uses actuarial assumptions that are more current than those used by the State of Illinois. The property tax levy is based upon the State of Illinois required levy and the actual contribution is based on the requirement determined by the Village actuary. The gap in funding has to date been from fund balance.

Funding Firefighters Pension Fund

Statutorily, the Village is responsible for funding obligations of the Firefighters Pension Fund. This fund is now a terminal fund with no active members. Once there are no beneficiaries in the fund, any resources remaining in the fund will be subject to claim by the State of Illinois. Annually, the Village determines the required funding of this pension obligation with the assistance of an actuary. At present, the annual pension annuity cost is at about \$100,000. The Village will allocate between \$70,000 and \$90,000 in the General Fund towards future obligations. Once resources in the Pension Fund are exhausted, accumulated resources in the General Fund will be used. To the extent possible, only taxes that are not subject to tax cap will be levied for the benefit of the Firefighters Pension Fund.

Liability Deductible Policy

Implementation of GASB 54 requires that resources intended to be used for reserved liability claims to be assigned as a claim on fund balance that would otherwise be unassigned. Village staff monitors annual IRMA contribution savings due to having a higher deductible versus claim losses. The current deductible level is \$100,000 with the \$250,000 level being evaluated at the November Village Board meeting. Each year this deductible level will be re-evaluated. Following Board discussion, the Village retained the \$100,000 for 2013.

IRMA Excess Surplus

Each year IRMA evaluates resources on hand for operations and services. In years where a determination is made that there is an excess beyond need, a member can credit their annual contribution or leave the reserve on hand with IRMA. During 2013, the Village left the reserve at IRMA where the prior practice had been to apply any reserve to annual contributions. Staff recommends the continued accumulation of reserve at IRMA. In the event the Village has an adverse claim year with higher than expected deductible losses, the Village can apply accumulated credit to the following year annual contribution amount. Following Village Board discussion, the Village will continue to accumulate resources at IRMA, which can be used in the future towards annual contributions.

IMRF Pension Policy

Beginning January 1, 2010, the Illinois Municipal Retirement Fund (IMRF) gave participating governmental units the option of funding based on the actuarially required contribution (ARC) or based on a phase in rate (limited to 10% annual increase). The Village opted for the phase in rate with the understanding that full funding to the ARC level could follow during the year if financial conditions of the Village allow.

Interfund Transfers

Establish a policy requiring Board approval of transfers of financial resources between Village funds in excess of \$50,000 determined to be necessary to support Village operations (excluding routine transfers to cover budgeted expenses) due to a revenue shortfall or other unforeseen financial circumstance. Transfers of this nature occur rarely but they do not show up in the monthly financial reports to the Village Board. Communication to the Village Board will be through the monthly financial report.

Long Range Financial Planning

Annually the Village will update its long range financial forecast (which provides a five year projection) and the Village will update its long range capital inventory (which provides a ten year projection). The purpose of the long range financial planning is to forecast the impact of existing policies, practices and levels of service on the financial condition of the Village.

Maintaining Legal Appropriations and Budget Amendments

Expenditures of the Village are officially established by the Appropriation Ordinance approved by the Village Board. Towards the end of the fiscal year, actual expenditures are compared to the establish expenditure limit in order to determine if the limit needs to be amended. Where possible amendments to increase the appropriation will be taken from appropriation levels where actual expenditures are projected to be less than the limit (resulting in a net \$0 change in appropriation). As part of the consideration of adjustment to appropriation, budget amendments may be considered where the anticipated fund level expense will be greater than the adopted budget.

Increases in Fees and Charges for Service

As a non-home rule community, the increase in property taxes is limited to the annual change in the consumer price index (CPI) or 5%, whichever is less. Other fee increases follow a similar “tax cap” limitation to allow annual increases based on demonstrated cost of services. Annual increases avoid future large percentage increases. For the purpose of determining the cost of service, the planned accumulation of financial resources intended for the future purchase of capital appropriate for purchase on a pay-as-you-go basis are included, along with depreciation (where appropriate).

MORE INFORMATION

The Village’s website (www.villageofglencoe.org) is a primary source of information about Village services, policies and events. The website provides information about Village services, community events, construction alerts, public safety tips and much more. Residents may also take advantage of many online services on the website including:

- Utility bill payments and other billed items
- Village Code
- Meeting agendas and minutes
- Village forms and documents...and much more!

Board of Trustees As of February 28, 2015

Lawrence Levin, Village President
Bruce Cowans, Village Trustee
Andrew Hayek, Village Trustee
Barbara Miller, Village Trustee
Scott Pearce, Village Trustee
Joel Solomon, Village Trustee
Dale Thomas, Village Trustee

Administrative Staff

Philip A. Kiraly, Village Manager
David C. Mau, Director of Public Works
David A. Clark, Director of Finance
Cary Lewandowski, Director of Public Safety
Stella Nanos, Golf Club Manager