

Popular Annual Financial Report

For the Fiscal Year Ended February 29, 2016



VILLAGE OF GLENCOE
675 Village Court
Glencoe, Illinois 60022

www.villageofglencoe.org

TABLE OF CONTENTS

Letter from Chief Financial Officer	Page 4
About Glencoe	Page 5
Village Government	5
About Village Services	Page 6
Goals, Objectives and Budgeted Capital Projects	6
Local Economy	6
Village Financial Information	Page 7
Revenues/Resources	Page 7
Property Value and Property Taxes	8
Sales Tax and Use Tax	9
Charges for Service	11
Licenses, Permits and Fees	11
State Income Tax (included in Other Taxes)	11
Utility Tax (Included in Other Taxes)	12
Intergovernmental Resources	12
Other Revenue	12
Expenditures/Services Provided	Page
Administration and Finance	13
Public Safety	13
Public Works	13
Capital Improvements	13
Other Village Services	
Water Production and Distribution	13
Glencoe Golf Club	14
Long-Term Obligations	Page
Capital Improvements	14
Pension Obligations	15
Debt Repayment Obligation	Page 16
Statement of Net Assets	Page 17
Financial Policies	Pages 19-21



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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enev". The signature is fluid and cursive.

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 28, 2015. 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 Residents of Glencoe,

The Village of Glencoe is pleased to present the Popular Annual Financial Report (PAFR) for the Fiscal Year ended February 29, 2016. 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 Report (CAFR) and annual budgets by clicking on the Fiscal Transparency tab located on the homepage of the website. Village Board approval of the Fiscal Year 2016 annual audit will be announced in the Winter 2016 issue of the Glencoe Quarterly mailed to all Glencoe homeowners. The CAFR and the PAFR were posted on the Village website as of August 31, 2016. 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 29, 2016. The financial data presented in this report is derived from the CAFR and is consistent with generally accepted accounting principles (GAAP). The Glencoe Public Library is a component unit of the Village and is included in the Village's CAFR, but will not be discussed in this report as the Library is governed by a separate elected Board and has an independent annual financial report.

During Fiscal Year (FY) 2016, 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 (30th consecutive year)
- Award for Distinguished Budget Presentation (16 of last 17 years)
- Award for Outstanding Achievement in Popular Financial Reporting (7th 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 dclark@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		
	<u>FY 2015</u>	<u>FY 2016</u>
Total Property Tax Rate	9.153	9.373
Equalized Assessed Value	787,716,085	796,595,180
Village Portion of Tax bill	14.70%	14.70%
Retail Sales Tax Revenue	2,090,867	2,107,088
Bond Rating	AAA	AAA
Total Village Debt	13,225,000	16,690,000
Village Net Position	59,709,260*	56,428,715

*Restated per GASB Statement No. 68.

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.

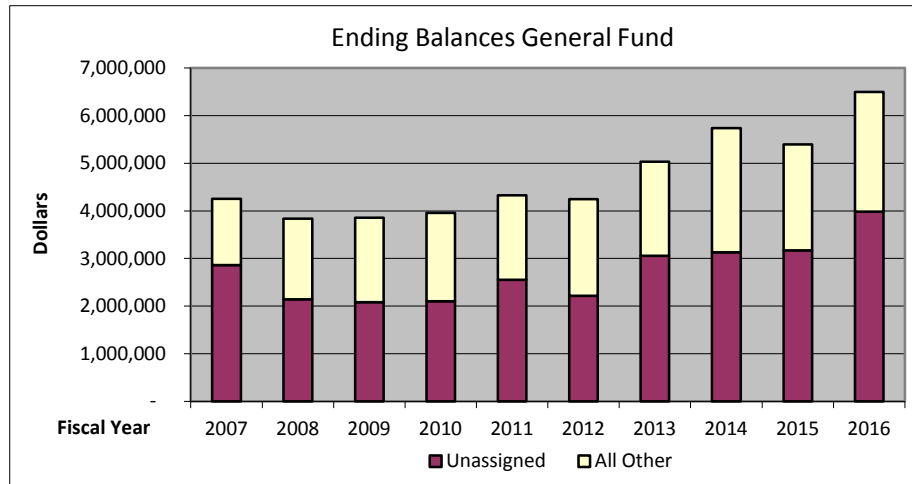
Glencoe's mission is to continue its commitment to preserving and enhancing this desirable and attractive community by emphasizing the small-town character of Glencoe as a safe, uncrowded and pleasant village that encourages religious, racial, and ethnic diversity. Services provided are responsive to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

During 2016, the Village's AAA rating by Standard and Poor's was again reaffirmed. Such a rating reflects their continued 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, roadway plowing and salting, leaf collection, 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 2016, the following major budget items, projects and programs are included in the Fiscal Year 2017 Budget:

- STARCOM Transition (\$300,000 – E911 Fund);
- SCADA Sanitary Lift Station (\$75,000 – General Fund);
- Rockgate Lane Storm Outfalls (\$50,000 – General Fund);
- Squad Car Video Cameras (\$20,000 – General Fund);
- 2 ½ Ton Dump Body #41 (\$30,000 – General Fund);
- Brush Chipper #10 (\$60,000 – General Fund);
- Public Safety Vehicle Replacement #661 & #668 (\$67,000 – General Fund);
- Low Lift Pump Raw Water Screen (\$25,000 – Water Fund); and
- High Lift Emergency Pump & Engine (\$75,000 – Water 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 three 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 operating fund that is used for all financial activity except activity specified in another fund.

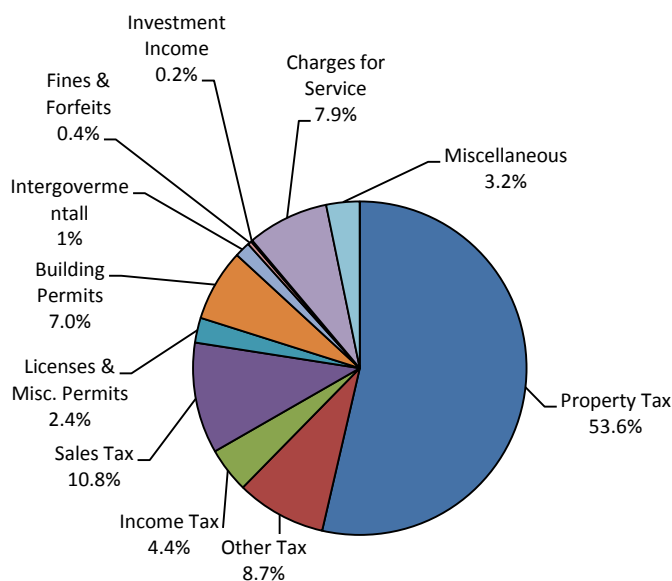
The governmental funds account for the Village's basic services, including public safety (police, fire, and paramedic), public works (garbage collection, sewers, forestry, street maintenance, and street lighting) and general governmental administration. The majority of Village services are funded through 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 CAFR. 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 FY 2016 CAFR.

REVENUES/RESOURCES

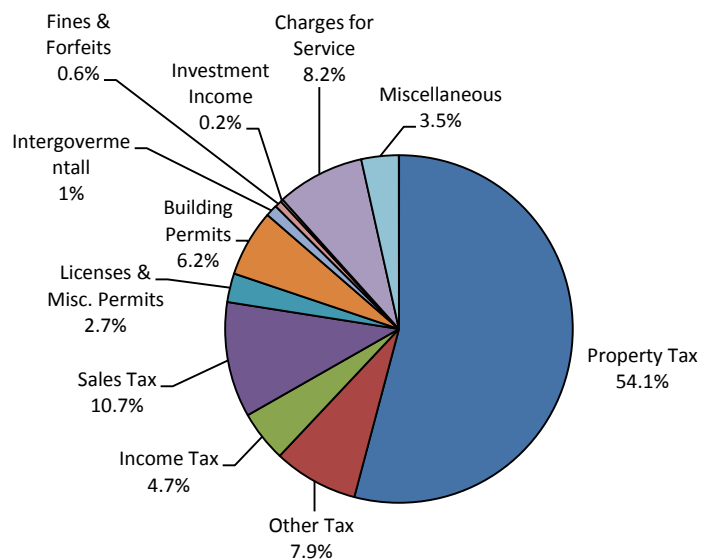
For the fiscal year ended February 29, 2016, governmental funds totaled over \$19.6 Million in revenue compared to over \$19.4 Million the prior year. The General Fund revenue represented nearly \$16.6 Million of that amount compared to over \$16.3 Million the prior year. The four largest sources of revenue are property tax, sales tax, utility tax and state shared income tax. A substantial portion of the Village's revenue (21.7% in FY 2016) 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 completed FY 2016 with a total fund balance of \$6,499,838 (\$3,985,178 unassigned) as compared to the prior year ending total balance of \$5,396,107 (\$3,173,210 unassigned). The unassigned fund balance in the General Fund is accessible to the Village for capital or for operating expenditures should they be necessary. For FY 2016, the minimum unassigned fund balance by policy was \$1,400,000.

FY 2015 Revenue



FY 2016 Revenue



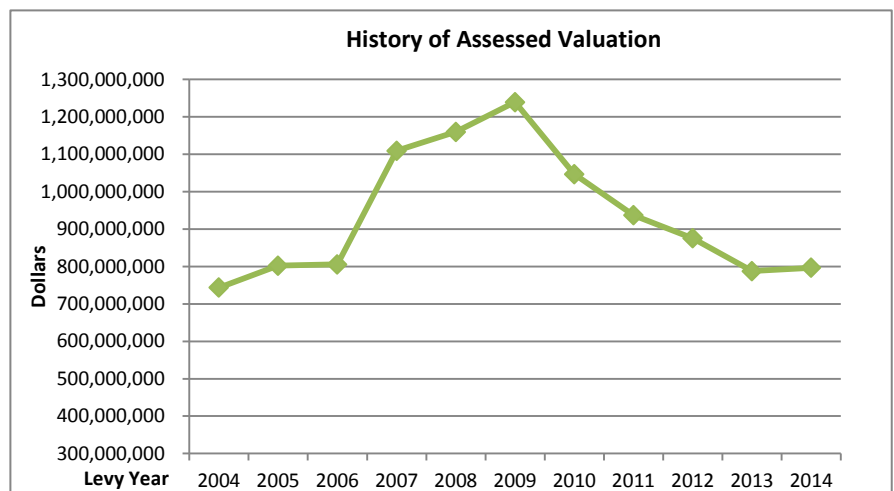
Property Value and Property Taxes

The single largest revenue source for the Village is property taxes. During FY 2007 (Levy Year 2005), property taxes represented over \$9.2 Million, or 51.1% of revenues.

During FY 2016 (Levy Year 2014), property taxes were over \$10.6 Million of the total governmental revenue of over \$19.6 or 54.1%. However, over the last 10 years the percentage that the Village represents of the total property taxes collected has declined. During tax year 2005, the Village represented nearly 16.6% of the total tax bill, but during tax year 2014 (collected during FY 2016) the Village represented nearly 14.7% of the total tax bill.

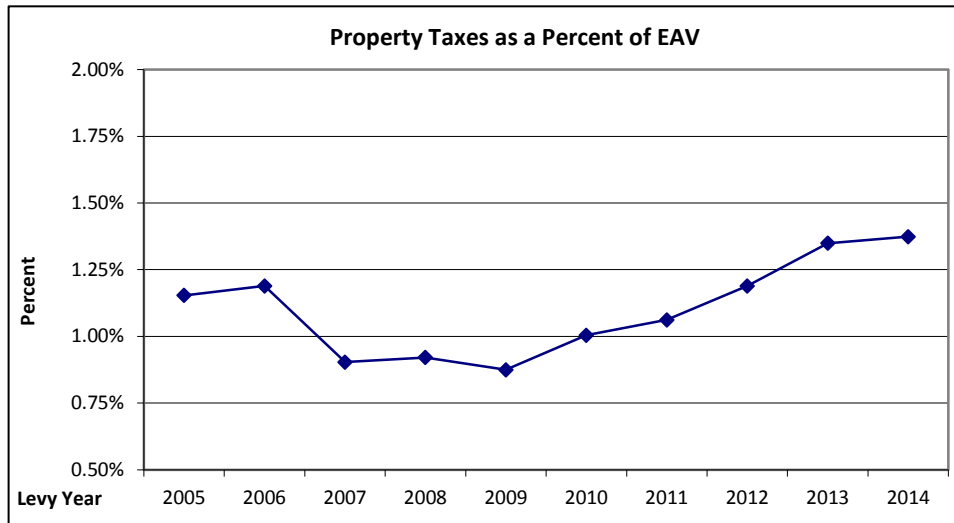
Since 2005, Glencoe's equalized assessed value (EAV) of property has decreased by 0.7% from \$802 Million to \$796 Million. The average annual increase during that time has been 0.6%. During that period of time, the Village portion of property taxes has increased on average 2.3% annually from \$9.2 Million (levied in 2005) to \$10.9 million (levied in 2014). In 2005, property taxes levied represented 1.15% of the assessed value. As of the 2014 tax levy, taxes represented 1.37% of assessed value. Since 2009, the EAV has decreased from \$1.2 Billion to \$796 Million in 2014. That represents a \$442 Million reduction in EAV since 2009. The EAV has declined in 4 of the last 5 years.

As the Village is a non-home rule community, 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. Since 2012, the annual change in CPI-U has been less than 1.75%. For the 2014 Tax Levy, the limit was 0.73%.



Property Value and Property Taxes Continued:

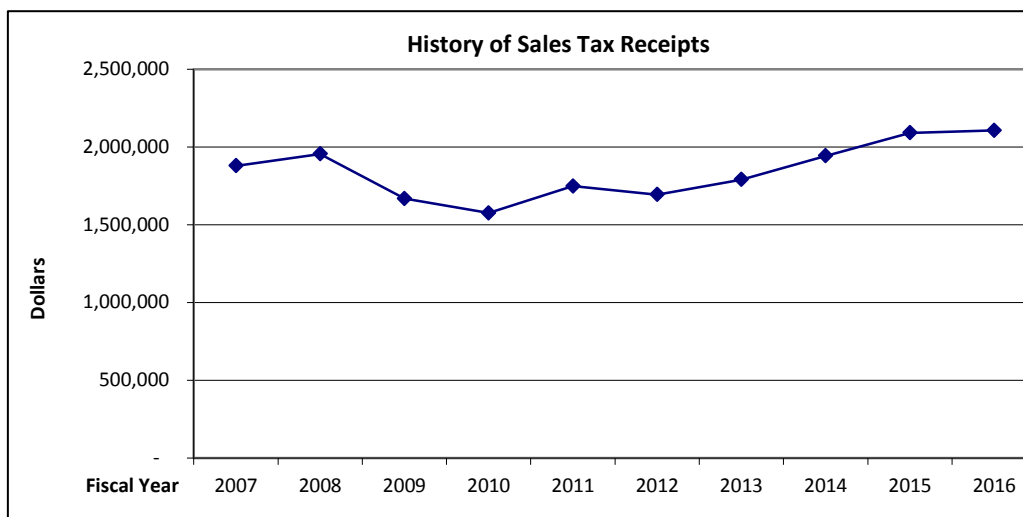
The decline in the EAV is related to the valuation of property county-wide by the Cook County Assessor's Office as opposed to an adverse change in property condition and value in Glencoe specifically.



Sales Tax and Use Tax

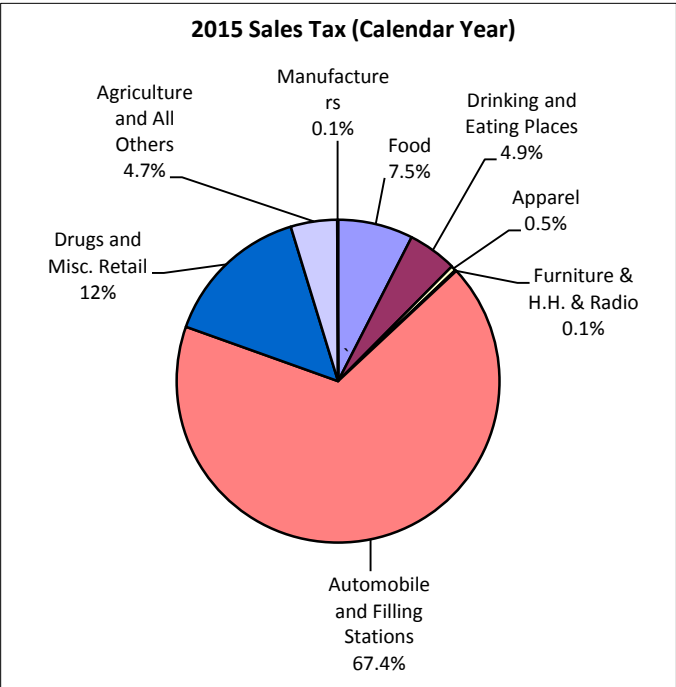
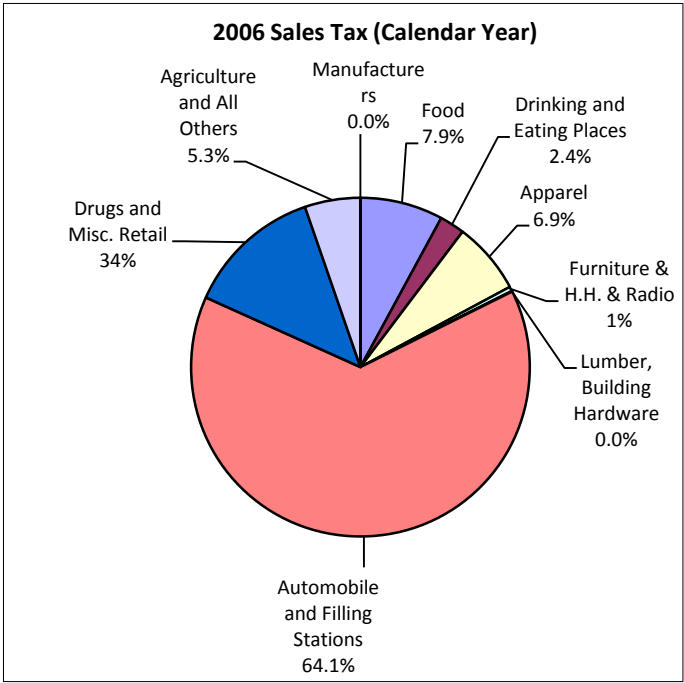
The State of Illinois collects sales tax and local use tax on behalf of local municipalities, and remits them back to the Village. The state levies a retail sales tax on all retail sales. Most services are exempt; food and drugs are generally exempt from sales tax. The Village receives one percent of the tax that is collected by the state on eligible sales within the Village.

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. Since 2006, sales tax (excluding use tax) has increased from \$1.8 million to \$1.9 million. Taxes from food and beverage places increased by \$50,000; taxes from apparel sales decreased by nearly \$115,000. Taxes from automobiles increased by over \$126,000; taxes from drugs and misc. retail increased by over \$47,000. About 67.4% of sales tax revenue came from automobile related sales, as compared to 27.1% in surrounding communities; food and drinking places represent 12.4% of sales tax revenue compared to surrounding community average of 21.2%; apparel sales represents 0.5% as compared to 7.3% in surrounding communities.



In Calendar Year (CY) 2006, sales tax from the category of automobiles (mainly service) represented 64.1% of the total sales tax collected. In CY 2015, sales tax from automobiles (mostly sales) represented 67.4% of the total sales tax collected. In CY 2006, the Village collected \$1,808,653 in sales tax compared to \$1,906,741 in Calendar Year 2015.

Village of Glencoe Schedule of Sales Tax Rates on General Merchandise				
	2006	2015	% Chng	% of Total
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

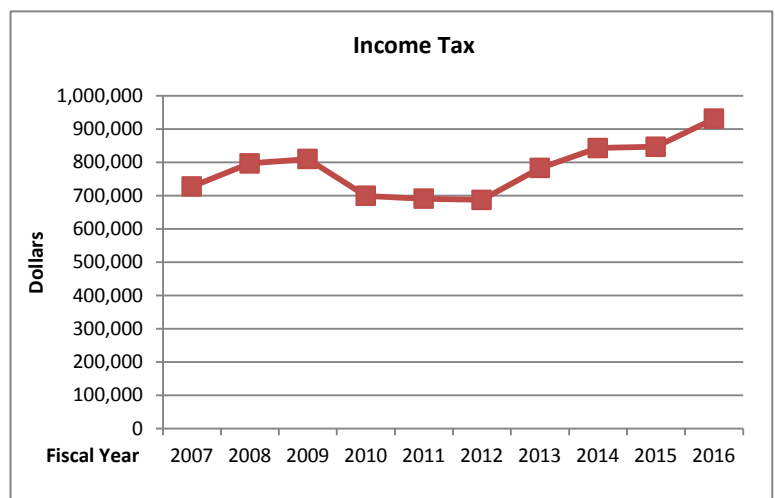
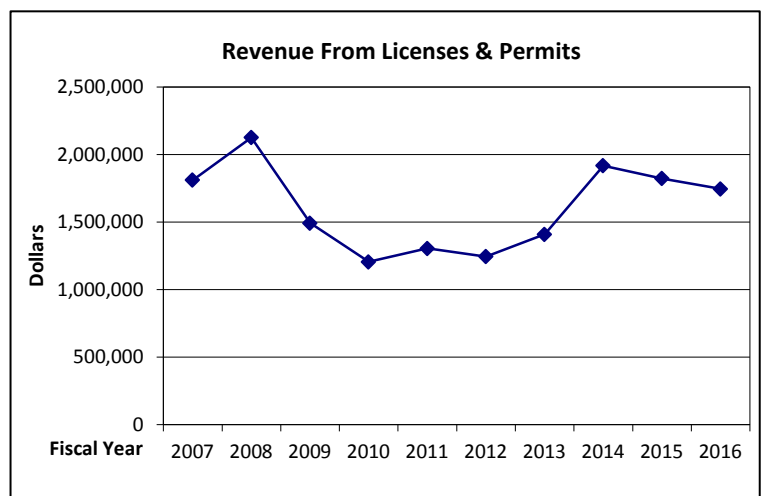
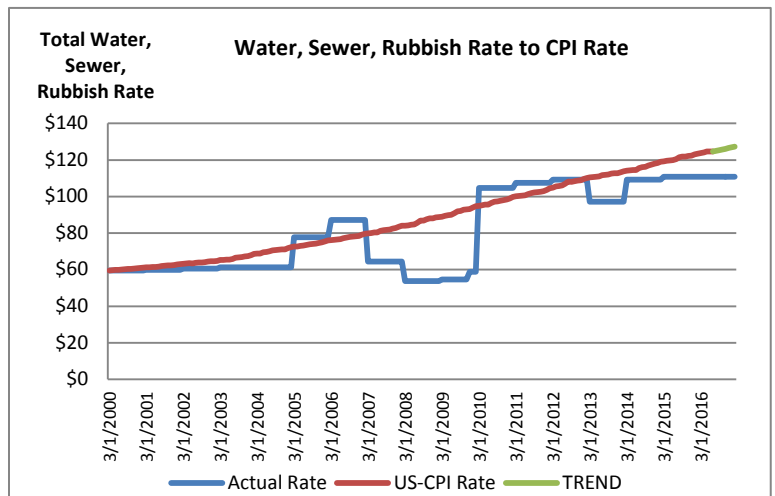
Charges for service included in the governmental funds consist primarily of garbage and recycling fees, sewer fees and ambulance fees. Fees are controlled by the Village Board. Through the long-range financial planning process, the Village Board attempts to identify long-range issues to minimize major fluctuations in fee rates. Increases are limited to the annual change in consumer price index or 5%, whichever is less. Beginning March 1, 2016 the Village increased its charge for garbage services from \$50.31 per quarter to \$50.69 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 eighth consecutive year that permit revenue was less than the Fiscal Year 2008 permit level of \$2.1 Million. However, the levels are again approaching the levels seen in 2008, as the Village received over \$1.7 Million during Fiscal Year 2016. FY 2016 revenue is slightly lower than each of the previous two years with building permits decreasing from over \$1.4 Million in Fiscal Year 2014 to over \$1.2 Million in Fiscal Year 2016.

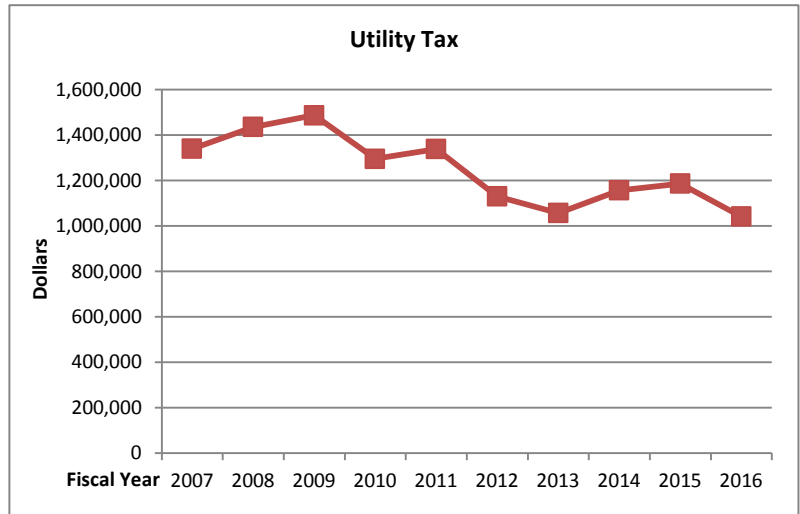
State Income Tax

The Village receives a portion of State income tax receipts on a state-wide per-capita basis. Of the \$931,426 in income tax revenue recorded during Fiscal Year 2016, \$181,262 was still receivable from the State of Illinois as of February 29, 2016. The corporate and individual income tax rates were decreased by the State of Illinois effective January 1, 2015. The average income tax since FY 2007 has been \$781,827.



Utility Taxes (Included in Other Taxes)

This revenue source includes taxes on electricity, natural gas and telecommunications. During Fiscal Year 2011 the Village received \$1.33 Million in utility tax. During FY 2016 the Village received \$1.04 Million. Consumption patterns, weather and rates have an impact on this revenue source. The average utility tax since FY 2007 has been \$1.24 Million.



Intergovernmental Resources

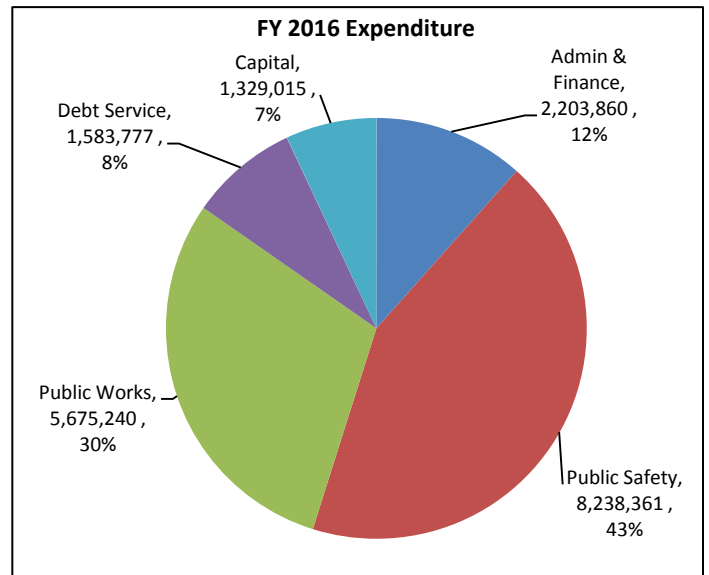
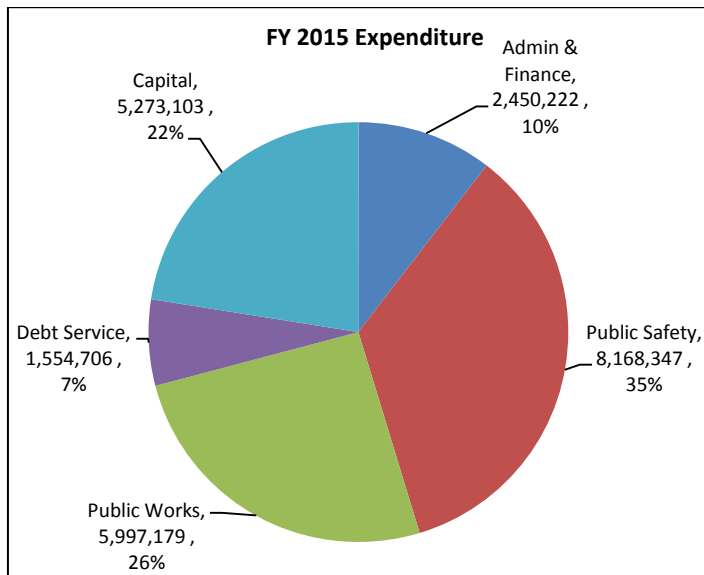
This revenue source includes resources received from other governments in the form of shared revenue (i.e., motor fuel tax that is state-shared revenue based on gallons of fuel dispensed).

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 FY ended February 29, 2016, \$19.0 Million was expended from the governmental funds compared to \$23.4 Million during the prior year. In FY 2016, revenues from governmental funds exceeded expenditures by \$604,978 with expenditures for administration & Finance, public works, and capital being less than the prior year. The net change in governmental fund balances was an increase of \$5,604,978 with the issuance of \$5,000,000 in general obligation bonds to be used for voter approved capital projects.



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.

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.

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-one fiscal years, the Village has produced an average of nearly 617 million gallons of water ranging from a low of 520 million gallons in FY 2010 to a high of 712 million gallons in FY 2006. The 598 million gallons produced during FY 2016 was 18 Million gallons less than the twenty-one year average. The volume of water pumped annually depends upon demand; demand is often influenced by weather conditions. Total water fund operating revenues for Fiscal Year 2016 were \$1,951,836 as compared to \$1,897,600 during FY 2015. Currently, the Village is reviewing options for replacement and upgrade of water utility distribution and production assets.

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 2015 year of play, 31,956 rounds of golf were played, as compared to 32,171 rounds in 2014 and 33,122 rounds in 2013. 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 maintaining self-sufficiency. Resources not used to pay for operations are invested back into the courses and facilities. As of February 29, 2016, the Glencoe Golf Club owes the Village nearly \$1.69 Million in cash advances, deferred management fees and interest 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 2026 Capital Improvement Program (CIP) was completed prior to development of the FY 2017 Budget. The estimated total cost of the projects identified in the 2026 CIP totaled \$34.5 Million. The 2026 CIP included \$13.1 million for infrastructure (including streets, sewers, sidewalks and water main), \$6.7 million for vehicle replacement, and \$14.7 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 in storm sewer improvements,
- \$2,500,000 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

During FY 2017, the remaining \$5,000,000 will be issued to be used for the completion of voter approved projects.

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

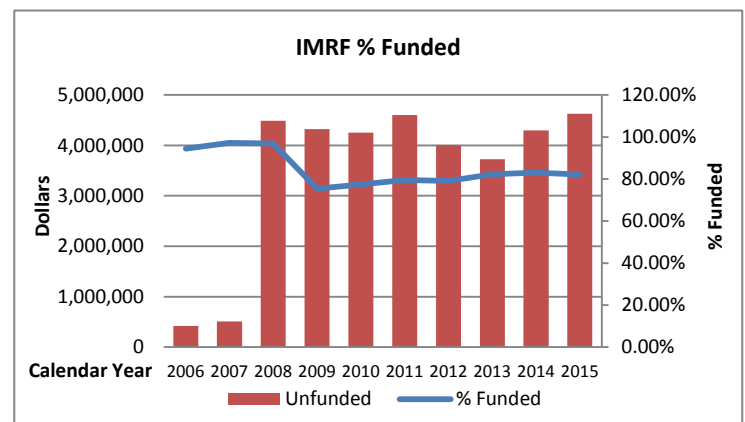
Village employees participate in one of two Illinois statutory pension plans, depending on their position. Pension obligations to employees and eligibility requirements are imposed entirely by state law, but the state provides no resources to the Village to meet those obligations. The pension plans are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

VILLAGE CONTRIBUTION SUMMARY			
Fiscal Year	2012	2016	% Chng
IMRF	744,133	724,554	-2.6%
Police Pension	1,632,363	1,562,863	-4.3%
Total	2,376,496	2,287,417	-3.7%

Illinois Municipal Retirement Fund (IMRF)

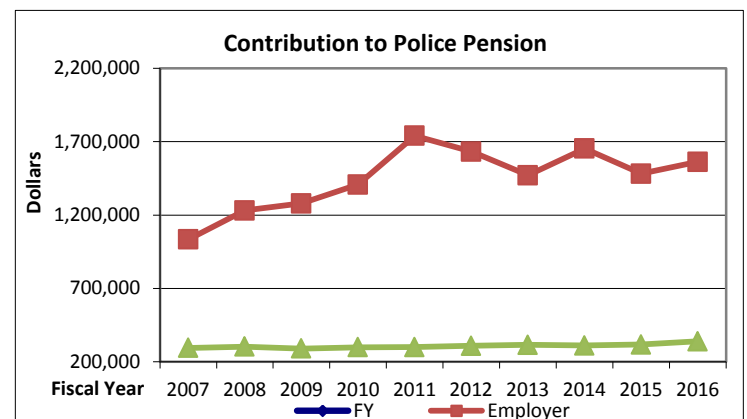
Village employees (who work more than 1,000 hours per year and are non-sworn employees) participate in IMRF. From the calendar year ended December 31, 2014 to 2015, IMRF net plan position decreased from \$33.3 Million to \$32.5 Million. Since year-end 2009, the IMRF plan's funded ratio increased from 77.5% to 86.3%. Between 2007 and 2008 the funded ratio decreased from 96.8% to 75.3%. As of December 31, 2015 the funded ratio was 86.3%. The Village's net pension liability at the end of Fiscal Year 2016 was \$4.6 Million. 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 2016, the Village contributed \$634,709 based on 11.8% 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.

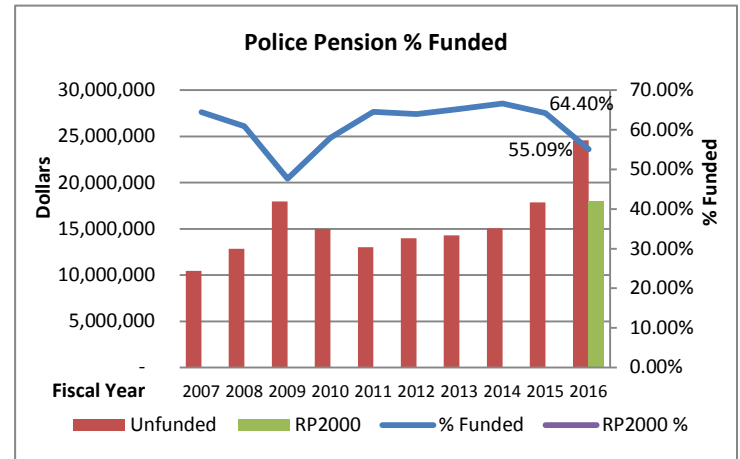
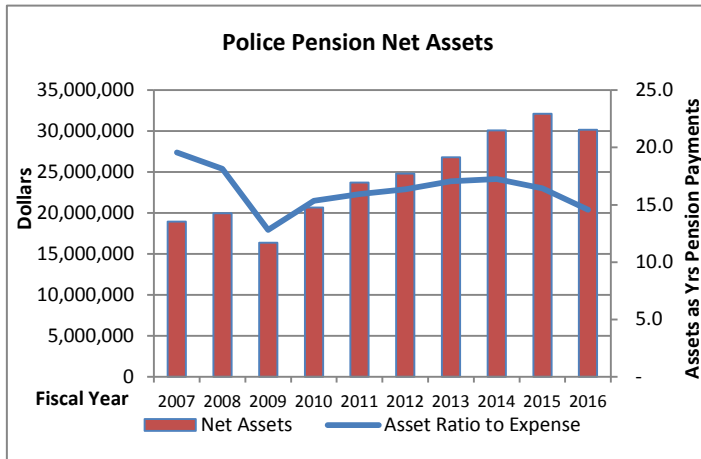


Police Pension Fund

Sworn public safety personnel participate in the Police Pension Fund. 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, 2016, the Police Pension Plan has \$30.1 Million, a decrease of \$1.9 Million or 6.1% from FY 2015. Since 2009, the assets of the Police Pension Fund have increased from \$16.3 Million to \$30.1 Million, while the unfunded liabilities have increased from \$17.9 Million to \$24.5 Million. Employees contribute 9.91% of pay and the Village contributes based upon actuarial tax levy estimates from an independent actuary.



During FY 2011, the Village contributed \$1,740,339 and employees contributed \$300,868. During Fiscal Year 2016, the Village contributed \$1,562,863 and employees contributed \$340,092. **Since FY 2007, Village contributions to the Police Pension Fund have been \$3.7 Million in excess of the annual required contribution (ARC) and have averaged 134.9% of the ARC annually.**



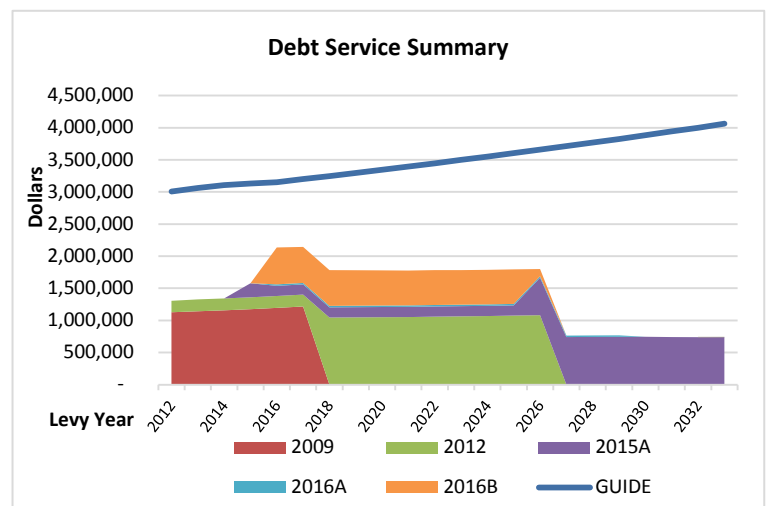
Funding pension obligations is a priority of the Village Board. The growth in the cost of funding pensions has outpaced the ability of property taxes as a sole source of funding due to property tax extension limitation law. Therefore, funding at required levels comes from Village revenues that might 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.

Police Pension Fund Percent ARC Contributed	
FY	%
2006	113.67%
2007	120.91%
2008	135.08%
2009	140.57%
2010	135.67%
2011	129.60%
2012	134.23%
2013	147.41%
2014	160.93%
2015	133.01%
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 FY 2016 and Fiscal Year 2035 payments will range from \$2.144 Million in Fiscal Year 2019 to less than \$740,000 in FY 2034. 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 \$79.6 Million with outstanding debt as of the end of Fiscal Year 2016 of \$16.9 Million or 21.3% of the total debt limit. Ten years ago, the Village had a legal debt limit of \$80.2 Million with \$11.8 Million outstanding or 14.8% 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 29, 2016. Governmental activities are reported separately from business-type activities (i.e., Water Fund and Glencoe Golf Club). During FY 2016, net position of the total primary government was restated with a reduction of \$21.0 Million to the beginning balance as result of the implementation of GASB Statement No. 68. With that restatement, the net position of the primary government decreased from \$59.7 Million (restated beginning balance) to \$56.4 Million. The net position of the governmental funds decreased by \$3.2 Million, and the business type net position decreased by \$48,899.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>
<i>Current and other assets</i>	\$ 22,139,000	\$ 25,852,950	\$ 1,775,034	\$ 1,789,291	\$ 23,914,034	\$ 27,642,241
<i>Capital Assets</i>	80,660,329	79,481,863	6,750,347	6,758,685	87,410,676	86,240,548
<i>Deferred Outflows</i>	-	8,040,787	-	343,091	-	8,383,878
<i>Total Assets/Def. Outflows</i>	102,799,329	113,375,600	8,525,381	8,891,067	111,324,710	122,266,667
<i>\$ Change</i>	\$ (981,939)	\$ 10,576,271	44,124	365,686	(937,815)	10,941,957
<i>% Change</i>	-0.9%	10.3%	0.5%	4.3%	-0.8%	9.8%
<i>Non-Current</i>	13,224,126	45,908,172	2,865,675	3,490,067	16,089,801	49,398,239
<i>Other Liabilities/Def. Inflows</i>	14,016,867	15,968,637	459,539	471,076	14,476,406	16,439,713
<i>Total Liabilities/Def. Inflows</i>	27,240,993	61,876,809	3,325,214	3,961,143	30,566,207	65,837,952
<i>\$ Change</i>	\$ (1,270,654)	\$ 34,635,816	(184,570)	635,929	(1,455,224)	35,271,745
<i>% Change</i>	-4.5%	127.1%	-5.3%	19.1%	-4.5%	115.4%
<i>Net Position:</i>						
<i>Invested in capital assets, net of debt</i>	67,499,293	66,981,463	3,942,874	4,091,214	71,442,167	71,072,677
<i>Restricted</i>	1,326,659	5,834,505	-	-	1,326,659	5,834,505
<i>Unrestricted</i>	6,732,384	(21,317,177)	1,257,293	838,710	7,989,677	(20,478,467)
<i>Total Net Position</i>	75,558,336	51,498,791	5,200,167	4,929,924	80,758,503	56,428,715
<i>\$ Change</i>	\$ 288,715	\$ (24,059,545)	228,694	(270,243)	517,409	(24,329,788)
<i>% Change</i>	0.4%	-31.8%	4.6%	-5.2%	0.6%	-30.1%

During Fiscal Year 2016, the net position of the Water Fund decreased by \$146,887 and the net position of the Glencoe Golf Club increased by \$97,988.

	<i>Water Activities</i>		<i>Golf Activities</i>		<i>Total Business-Type Activities</i>	
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>
<i>Current and other assets</i>	\$ 2,011,828	\$ 1,917,663	\$ 1,414,824	\$ 1,570,759	\$ 3,426,652	\$ 3,488,422
<i>Capital Assets</i>	4,995,824	4,887,407	1,754,523	1,871,278	6,750,347	6,758,685
<i>Deferred Outflows</i>	-	190,867	-	152,224	-	343,091
<i>Total Assets</i>	\$ 7,007,652	\$ 6,995,937	\$ 1,414,824	\$ 1,722,983	\$ 10,176,999	\$ 10,590,198
<i>Non-Current</i>	\$ 2,827,256	\$ 2,689,316	\$ 38,419	\$ 42,542	\$ 2,865,675	\$ 2,731,858
<i>Other Liabilities</i>	266,824	663,073	1,844,333	2,265,343	2,111,157	2,928,416
<i>Total Liabilities</i>	\$ 3,094,080	\$ 3,352,389	\$ 1,882,752	\$ 2,307,885	\$ 4,976,832	\$ 5,660,274
<i>Net Position:</i>						
<i>Net Investments in Capital Assets</i>	\$ 2,188,351	\$ 2,219,936	\$ 1,754,523	\$ 1,871,278	\$ 3,942,874	\$ 4,091,214
<i>Unrestricted</i>	1,725,221	1,423,612	(467,928)	(584,902)	1,257,293	838,710
<i>Total Net Position</i>	\$ 3,913,572	\$ 3,643,548	\$ 1,286,595	\$ 1,286,376	\$ 5,200,167	\$ 4,929,924

DEFINITIONS

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 investments 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 operational or other similar costs.

Deferred outflows

These are the Village's deferred outflows of resources from Illinois Municipal Retirement Fund, police pension and firefighters' pension fund reported now as result of implementation of GASB Statement No. 68. There were no deferred outflows in the previous year.

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/deferred inflows

This category primarily includes debt that can be paid off in one year or less (current liabilities). This includes accounts payable and accrued interest payable. This category also includes deferred inflows of resources, formerly the current liability of deferred revenue from property taxes.

Net 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 position

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 position

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 position

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 Garbage 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; the level is evaluated each year.

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. Staff has recommended that the continued accumulation of reserve at IRMA be retained. 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 information 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 29, 2016

Lawrence Levin, Village President
Trent Cornell, Village Trustee
Barbara Miller, Village Trustee
Peter Mulvaney, Village Trustee
Scott Pearce, Village Trustee
Dale Thomas, Village Trustee
Jonathan Vree, Village Trustee

Administrative Staff

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