

CITIZEN'S ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2011



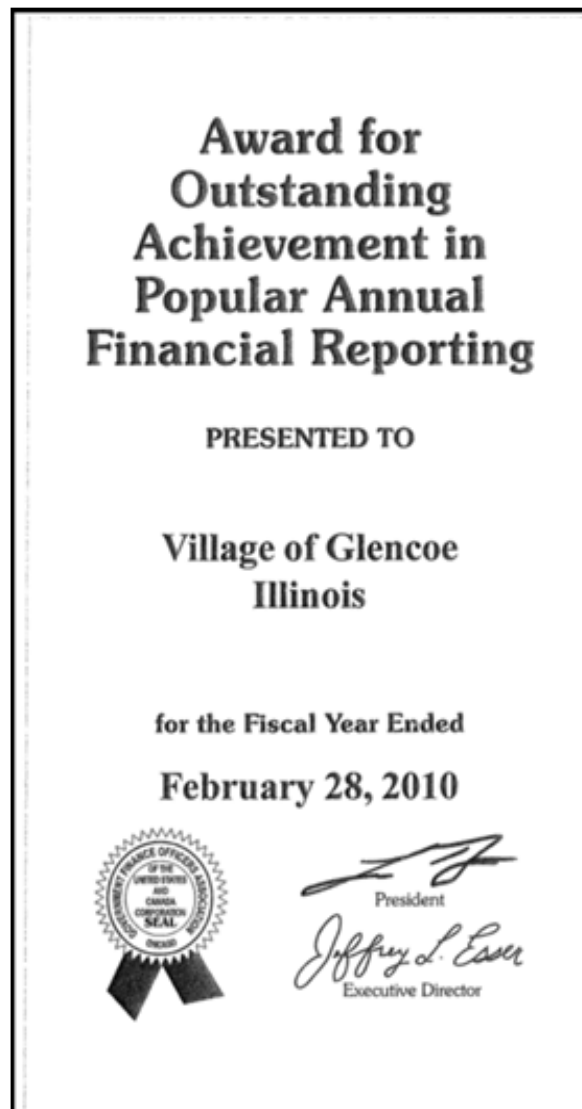
**VILLAGE OF GLENCOE
675 Village Court
Glencoe, Illinois 60022**

www.villageofglencoe.org

TABLE OF CONTENTS

Letter from Chief Financial Office	4
About Glencoe	5
Village Government	5
Local Economy	5
Village Financial Information	6
Revenues/Resources	6
Property Value and Property Taxes	7
Sales Tax and Use Tax	8
Charges for Service	9
Licenses, Permits and Fees	9
State Income Tax (Included in Other Taxes)	9
Utility Tax (Included in Other Taxes)	10
Intergovernmental Resources	10
Other Revenue	10
Expenditures/Services Provided	
Administration and Finance	11
Public Safety	11
Public Works	11
Capital Improvements	12
Other Village Services	
Water Production & Distribution	12
Glencoe Golf Club	12
Long-Term Obligations	
Capital Improvements	13
Pension Obligations	14
Debt Repayment Obligation	15
Statement of Net Assets	16
Financial Policies	
Fund Balance Policy	18
Balanced Budget Policy	18
Abatement of Property Taxes	18
Debt Policy - Use of Limited Tax Debt Authority	18
Repayment of Advance to Glencoe Golf Club	19
Golf Club Management Fee	19
Funding Pension Obligations	19
Funding Firefighter's Pension Fund	19
IMRF Pension Policy	19
Implementation of Utility Billing Fee Increases	19
Chicago Botanic Garden Agency Fund	19

AWARD FOR OUTSTANDING ACHIEVEMENT



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, 2010. 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.

LETTER FROM CHIEF FINANCIAL OFFICER

Finance Department
Village of Glencoe
675 Village Court
Glencoe, Illinois 60022



Phone 847.835.4113
FAX 847.835.9880
www.villageofglencoe.org

Dear Citizens of Glencoe,

The Village of Glencoe is pleased to present the Citizen's Annual Financial Report for the Fiscal Year ended February 28, 2011. This report provides a brief analysis of where the Village's revenue are received 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. Availability of this report will be announced in the September/October 2011 Glencoe Memo. This report was posted on the Village website as of August 31, 2011. 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 CAFR for the fiscal year ending February 28, 2011 as prepared by auditors retained by the Village. 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 financial report.

During Fiscal Year (FY) 2011, 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 (25 consecutive years)
- Award for Distinguished Budget Presentation (11 of last 12 years)
- Award for Outstanding Achievement in Popular Financial Reporting (2ND 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 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 2010</u>	<u>FY 2011</u>
Total Property Tax Rate	5.6900	5.4730
Village Portion of Tax Bill	16.2%	15.9%
Retail Sales Tax Revenue	1,576,372	1,748,726
Bond Rating (<i>Standard & Poor's</i>)	AAA	AAA
Total Village Debt	12,355,000	10,030,000

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 only as necessary for discussion.

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.

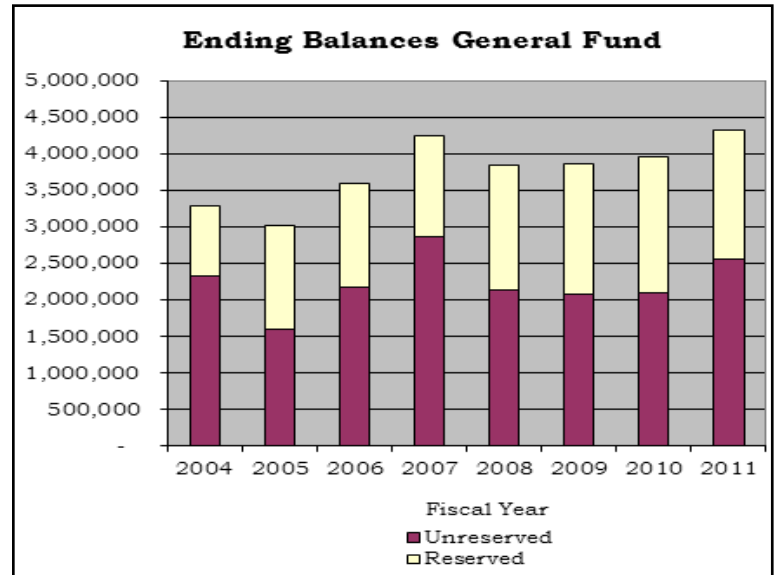
Local Economy

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").

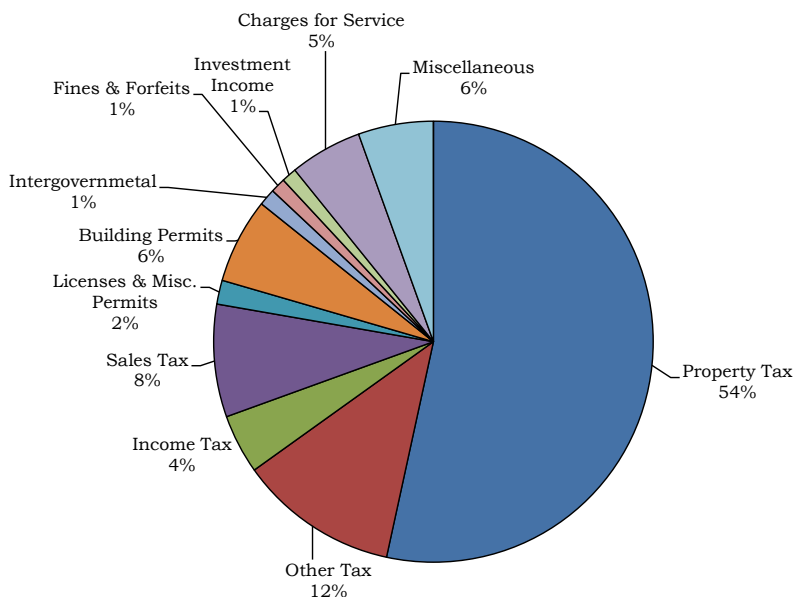


Revenue and expenditure information included in this report are from the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds in the Fiscal Year 2011 CAFR.

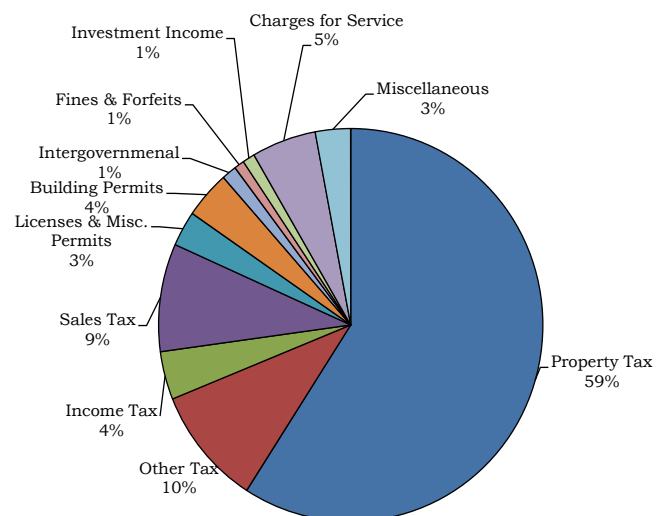
Revenues/Resources

For the fiscal year ended February 28, 2011, the governmental funds totaled \$19.1 Million in revenue. The General Fund revenue represented \$14.9 Million of that amount. 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 (16.9% in FY 2011) comes from sources subject to economic conditions beyond the Village's control (i.e. sales tax – including use tax, income tax, building permits).

FY 2010 Revenue



FY 2011 Revenue



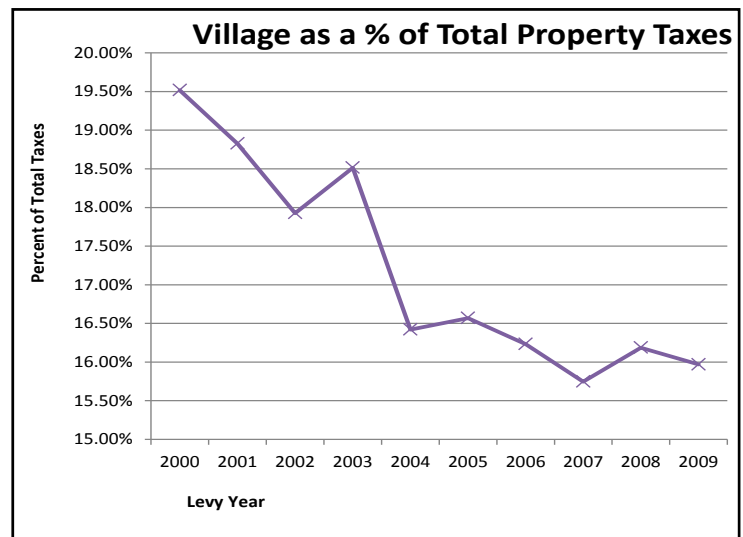
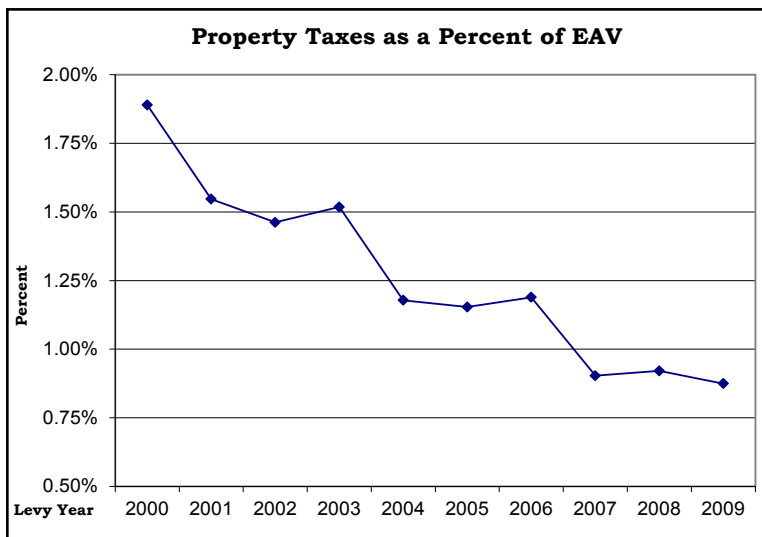
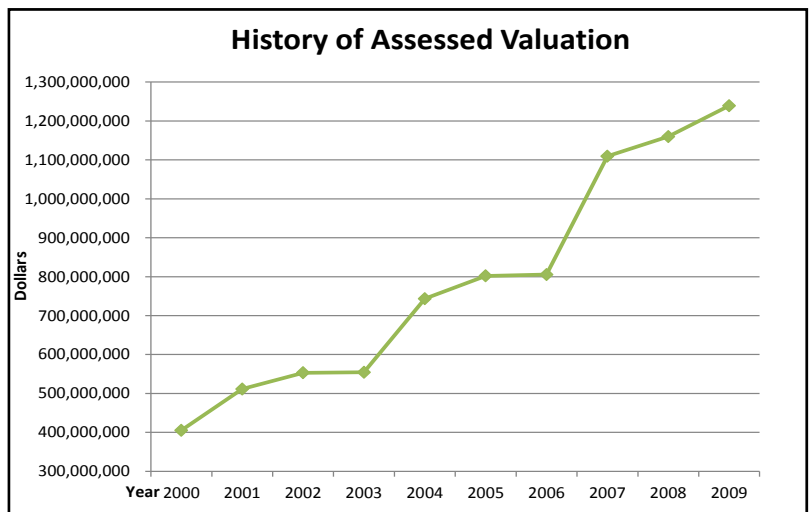
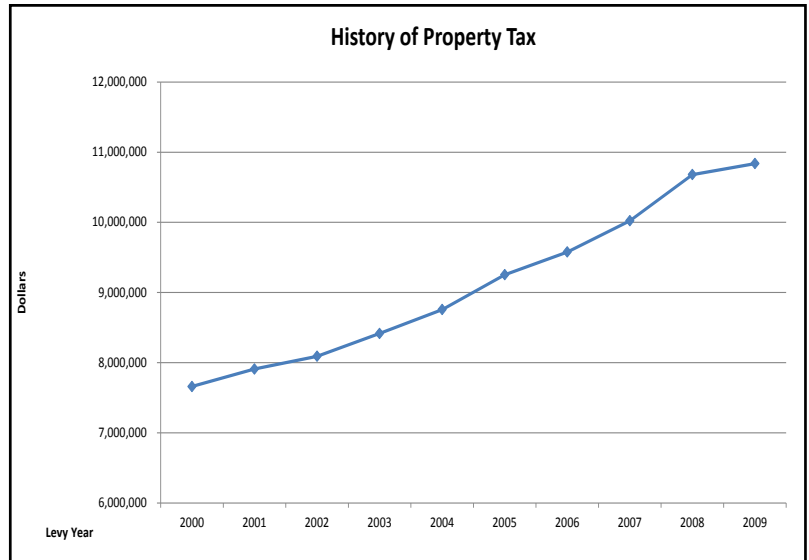
Property Value and Property Taxes

The single largest revenue source for the Village is property taxes. During Fiscal Year 2002 (Levy Year 2000), property taxes represented \$7.6 Million of the total governmental revenue of \$15.0 Million or 51.2%.

During Fiscal Year 2011, property taxes were \$10.6 Million of the total governmental revenue of \$19.1 or 55.8%. However, over the last 10 years the percentage that the Village's represents of the property taxes collected has declined. During tax year 2000, the Village represented 19.5% of the total tax bill, but during tax year 2009 (collected during Fiscal Year 2011) the Village represented 15.9% of the total tax bill.

Since 2000, Glencoe's assessed value of property has grown by 206% from \$405 Million to over \$1.24 Billion. The average annual increase during that time has been 10.5%. During that period of time, the Village portion of property taxes has increased 4.2% annually from \$7.6 Million (levied in 2000) to \$10.8 million (levied in 2009). In 2000, property taxes levied represented 1.89% of the assessed value. As of the 2009 tax levy, taxes represented 0.87% of assessed value.

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 taxes to the lesser of the increase in the U.S. CPI-U or 5%.



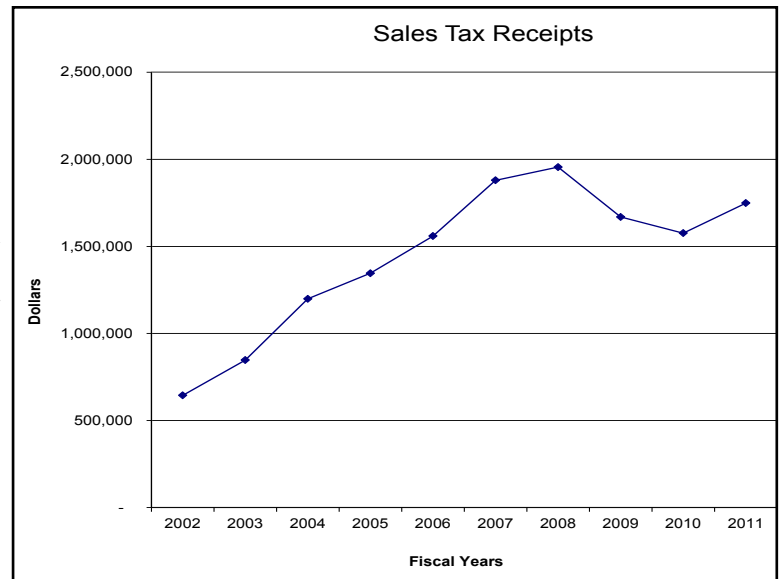
Sales Tax and Use Tax

The State of Illinois collects sales tax and local use tax on behalf of local municipalities. The state levies a 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.

The Village maintains a business center 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.

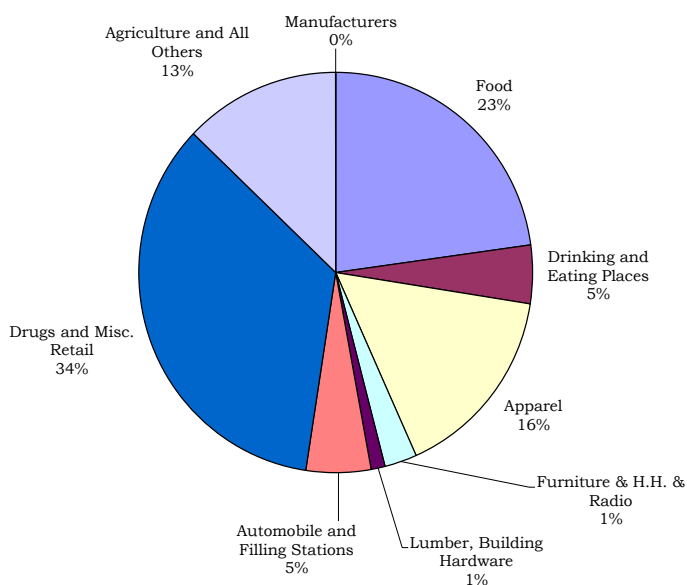
Over the last ten years, the Village has seen tremendous growth in sales tax primarily due to the addition of three car dealerships along the Eden's Expressway. In Calendar Year 2001, sales tax from the category of automobiles (mainly service) represented 5.3% of the total sales tax collected. In Calendar Year 2010, sales tax from automobiles (mostly sales) represented 65.4% of the total sales tax collected. In Calendar Year 2001, the Village collected \$543,973 in sales tax compared to \$1,626,648 in Calendar Year 2010.

The total sales tax rate has grown 9.68% since 2001. However, the Village's rate of that tax has remained 1.0% since 2001. At present the Village receives 11.76% of the total sales tax collected.

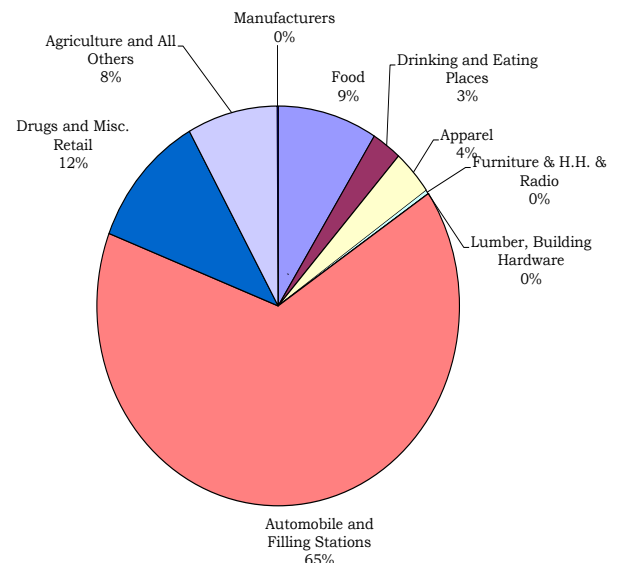


Village of Glencoe Schedule of Sales Tax Rates on General Merchandise				
	2001	2010	% Change	% of Total
State Rate	5.00%	5.00%	0.00%	58.82%
County Rate	0.25%	0.25%	0.00%	2.94%
Local Rate	1.00%	1.00%	0.00%	11.76%
County Home Rule	0.75%	1.25%	66.67%	14.71%
Regional Transportation	0.75%	1.00%	33.33%	11.76%
Total Sales Tax Rate	7.75%	8.50%	9.68%	100.00%

2001 Sales Tax (Calendar Year)

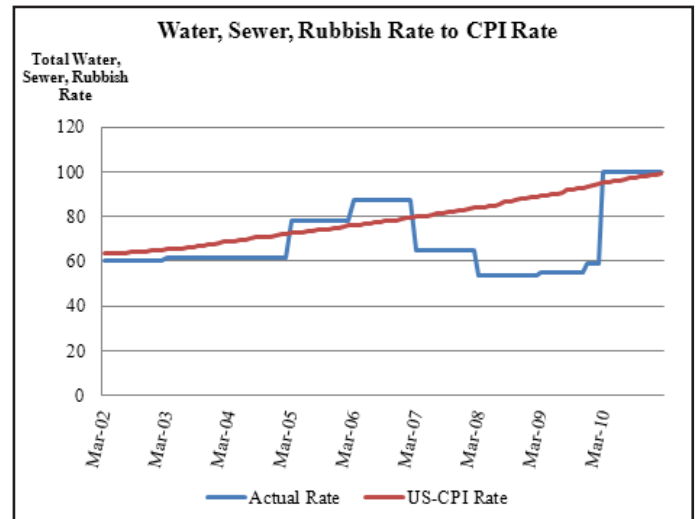


2010 Sales Tax (Calendar Year)



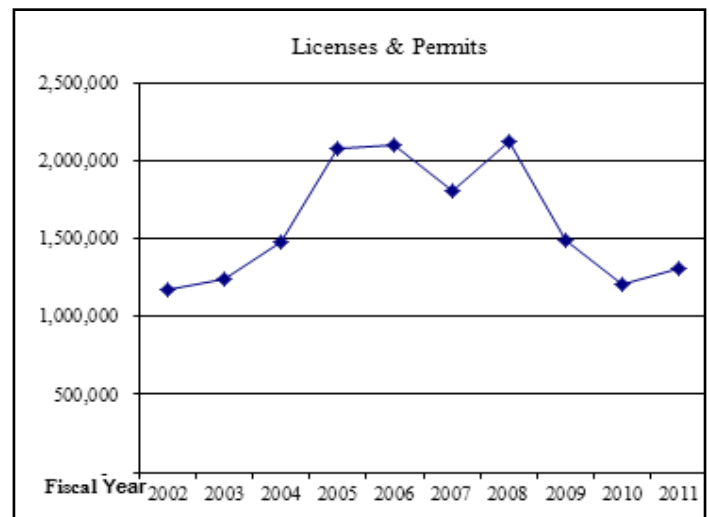
Charges for Service

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. On March 1, 2010, Garbage fees were reinstated at 2008 levels.



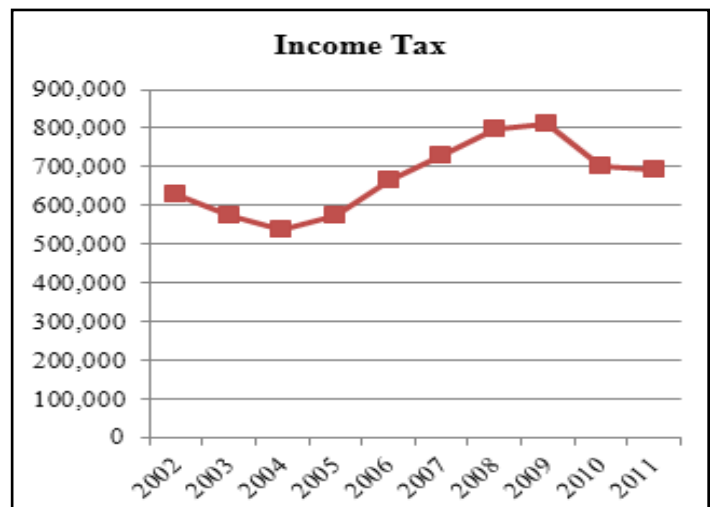
Licenses, Permits and Fees

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. The increase in "Licenses and Permits" (from Fiscal Year 2002 to 2008) reflected a substantial increase in building permit fees due to an increase in new home construction. This revenue source has grown over the years and is subject to economic factors beyond the Village's control. Fiscal Year 2011 represented the third consecutive year permit revenue was less than the Fiscal Year 2008 level of \$2.1 Million. The Village received \$1.3 Million during Fiscal Year 2011.



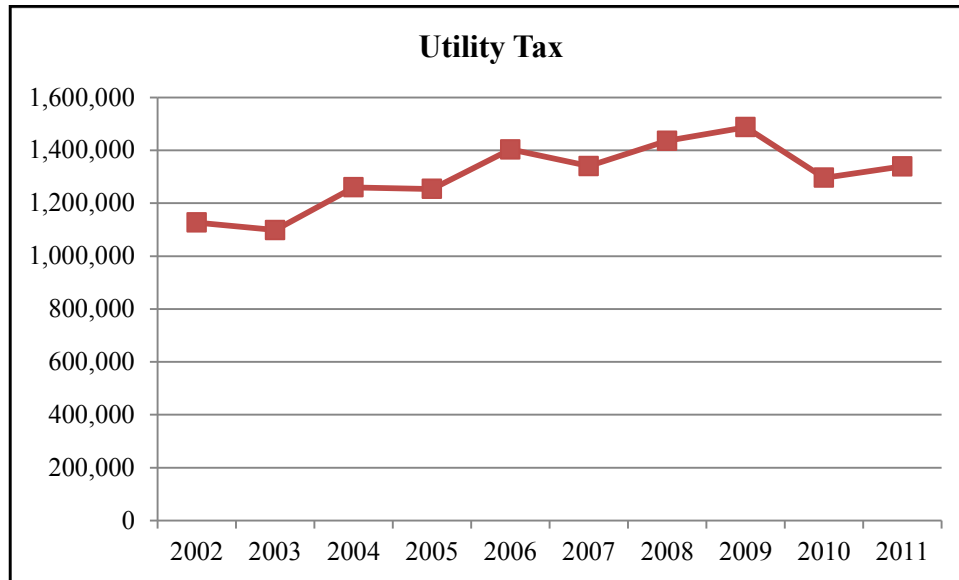
State Income Tax

The Village receives a portion of state income tax receipts on a state-wide per-capita basis. Of the \$690,864 in income tax revenue recorded during Fiscal Year 2011, \$187,302 was still receivable from the State of Illinois as of February 28, 2011. This revenue is down by 119,178 as compared to 810,042 received during Fiscal Year 2009. The decrease in income tax is due to continued high statewide unemployment levels. The corporate and individual income tax rates were increased by the State of Illinois effective January 1, 2011. The change in rates will not produce any additional income for the Village.



Utility Taxes (Included in Other Taxes)

This revenue source includes taxes on electricity, natural gas and telecommunications. During Fiscal Year 2009 the Village received \$1.48 Million in utility tax. During Fiscal Year 2011 the Village received \$1.33 Million. Consumption patterns, weather and rates have an impact on this revenue source.



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).

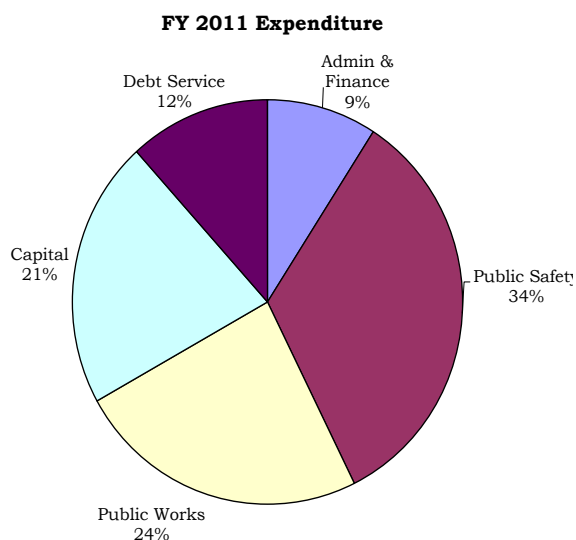
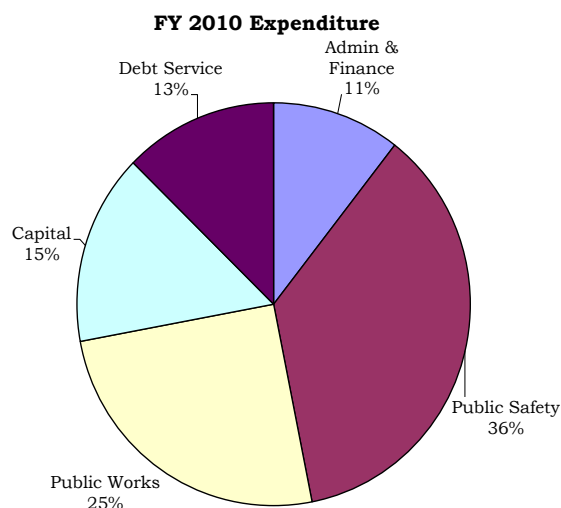
Other Revenue

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.

EXPENDITURES/SERVICES PROVIDED

Government Expenditures/Services Provided

For the Fiscal Year ended February 28, 2011, \$22.6 Million was expended from the governmental funds, which included \$14.2 Million from the General Fund. Total governmental fund expenditures in FY 2010 were \$20.1 Million. In FY 2011, expenditures from governmental funds exceeded revenues by \$3.5 Million due primarily to capital projects. Absent the investment in capital of \$4.8 Million, expenditures would have been \$1.3 Million less than revenue.



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. However, beginning Fiscal Year 2010, these public works expenditures related to garbage collections have been reported as such, and not as administration and finance expenditures. Also, included in this category during Fiscal Year 2010 was the issuance cost of the 2009A series general obligation refunding bonds.

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 (beginning Fiscal Year 2010).

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. Of the total \$4.8 Million in capital expenditures from governmental funds, nearly \$4.3 Million was from bond proceeds.

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 five fiscal years, the Village has produced an average of 624 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. During Fiscal Year 2011, 578 million gallons of water were produced, 46 million gallons below the five 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 FY 2011 were \$2,208,600.

As of March 1, 2011, the water rate was \$3.353 per 100 cubic feet, a 2.7% increase from the rates in effect on March 1, 2010. This compares to the average rate in surrounding communities (not selling water) of \$3.533 per 100 cubic feet. During review of the Village’s long range financial plan, with development of the Fiscal Year 2012 Budget, it was anticipated that the Water Fund would need annual increases to continue to meet operating and capital improvement needs (based on average consumption levels). Such increases would be determined based on the annual change in operating costs. Although Fiscal Year 2011 was below average in terms of water pumped, the increased water rate generated revenue which greatly improved the financial condition of the fund. During Fiscal Year 2011 the Water Fund unrestricted net asset position increased from (\$240,694) to \$430,746, a \$671,440 increase.

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. Fiscal Year 2006 was the first year that the GreenToTee Golf Academy operated from the golf club facilities. During Fiscal Year 2007, the food service operation was outsourced to a concessionaire.

The Glencoe Golf Club continues to be a course with its own unique charm. During 2010, 33,054 rounds of golf were played, up from 31,971 rounds in 2009 and 30,390 rounds played in 2008. The Glencoe Golf Club strives to be one of the best and most attractive courses in the Chicago area. In March of 2008, Sheridan Road Magazine recognized the Glencoe Golf Club as “...one of the finest public golf facilities on the North Shore”.

The primary mission of the Glencoe Golf Club is to provide a quality golf experience while returning to self-sufficiency. As of February 28, 2011, the Glencoe Golf Club owes the Village \$1.55 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.

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 estimated total cost of the projects identified in the 2021 Capital Improvement Program (CIP) totaled \$20.5 Million. The 2021 CIP includes \$9.9 million for infrastructure (including streets, sewers, sidewalks and water main), \$6.4 million for vehicle replacement, and \$4.1 million for buildings and equipment.

On November 5, 2008, Village voters approved two referendum questions that resulted in the issuance of \$7.4 Million in general obligation bonds in January of 2009. The 2009 Bond Improvement Program includes:

- \$6.1 million for repair, rehabilitation and resurfacing of streets (including street parking), repair and rehabilitation of storm and sanitary sewers
- \$1.3 million to improve the Public Safety Department portion of the Village Hall including fire safety improvements and the acquisition of a new fire truck

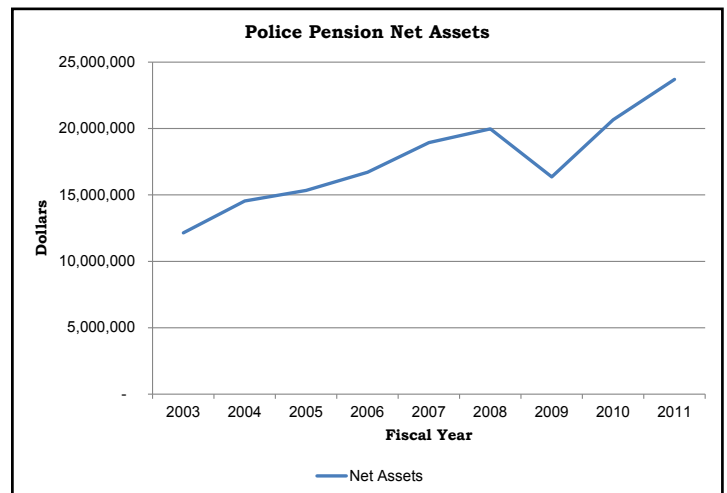
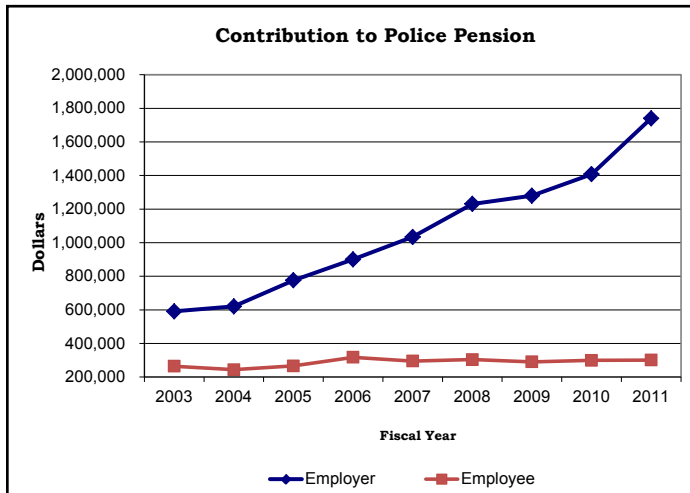
Continuing to fund needed capital improvements is a Village priority in order to control maintenance costs and to reduce future capital improvement costs that would result from any significant deferral of capital projects. This commitment has become a greater challenge for the Village given the recent downturn in economic conditions. As of February 28, 2011, all but \$387,416, or 95%, of the original \$7.4 Million in general obligation bonds have been spent on approved projects.

Pension Obligations

Part of the cost of providing services is the cost of personnel, including salaries, benefits and pensions. 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, although the state provides no funds (or specific funding sources) for the Village to meet those obligations. The pension plans are the Illinois Municipal Retirement Fund (IMRF) and the Police Pension Fund.

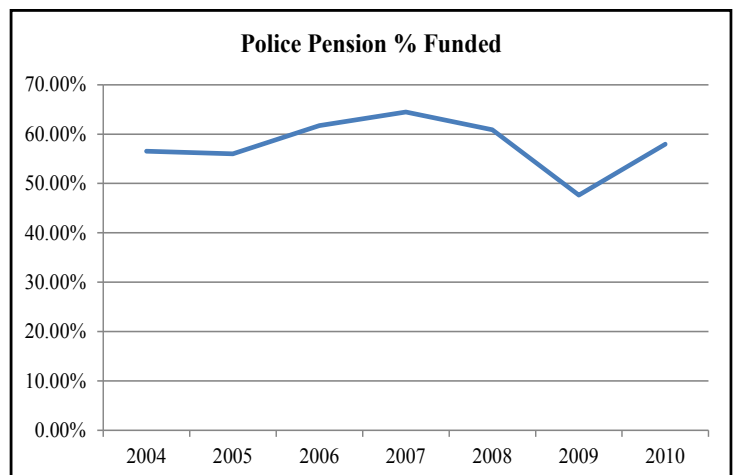
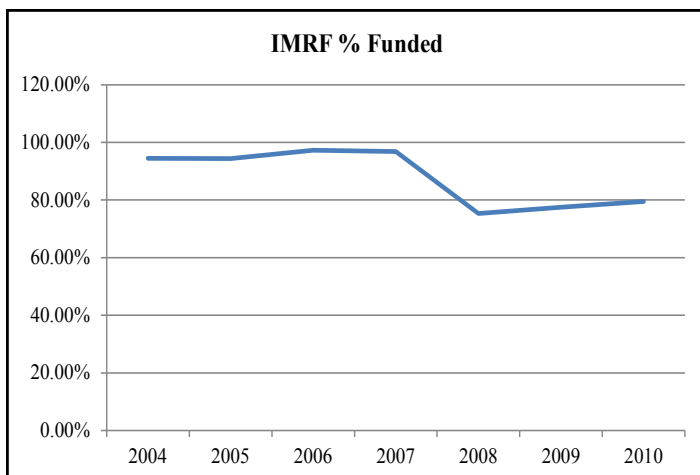
VILLAGE CONTRIBUTION SUMMARY			
Fiscal Year	2007	2011	% Change
IMRF	474,317	760,052	60.2%
Police Pension	1,033,821	1,740,339	68.3%
Total	1,508,138	2,500,391	65.8%

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, 2009 to 2010, IMRF plan assets increased from \$14.8 Million to \$16.4 Million, a 10.8% increase in assets from the prior year. Since year-end 2007, the IMRF plan's funded ratio decreased from 96.6% to 79.5%. Employees contribute 4.5% of pay and the Village contributes based upon a rate calculated by IMRF. During Fiscal Year 2007, the Village contributed \$474,317 based on 9.5% of pay.



During Fiscal Year 2011, the Village contributed \$760,052 based on 12.6% 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. Since Calendar Year 1992, the rates have fluctuated from a low of 2.3% in Calendar Year 2001 to a high of 12.6% in Calendar 2010.

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. As of the most recent audit, the Police Pension Plan has \$23.7 Million, an increase of \$3.1 Million or 15.0% and was 57.9% funded as of February 28, 2010. Employees contribute 9.91% of pay and the Village contributes based upon actuarial tax levy estimates from an independent actuary. During Fiscal Year 2007, the Village contributed \$1,033,821 and employees contributed \$295,340. During Fiscal Year 2011, the Village contributed \$1,740,339 and employees contributed \$300,868. Since Fiscal Year 2006, contributions to the Police Pension Fund have been \$1.6 Million in excess of the annual required contribution (ARC) and have averaged 129.3% 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 ongoing economic uncertainty will further stress the pension system because of the actuarial loss on the value of investments that must be recovered. The continued recovery seen during Fiscal Year 2011 allowed the Police Pension Fund to recover assets lost during the recent economic downturn.

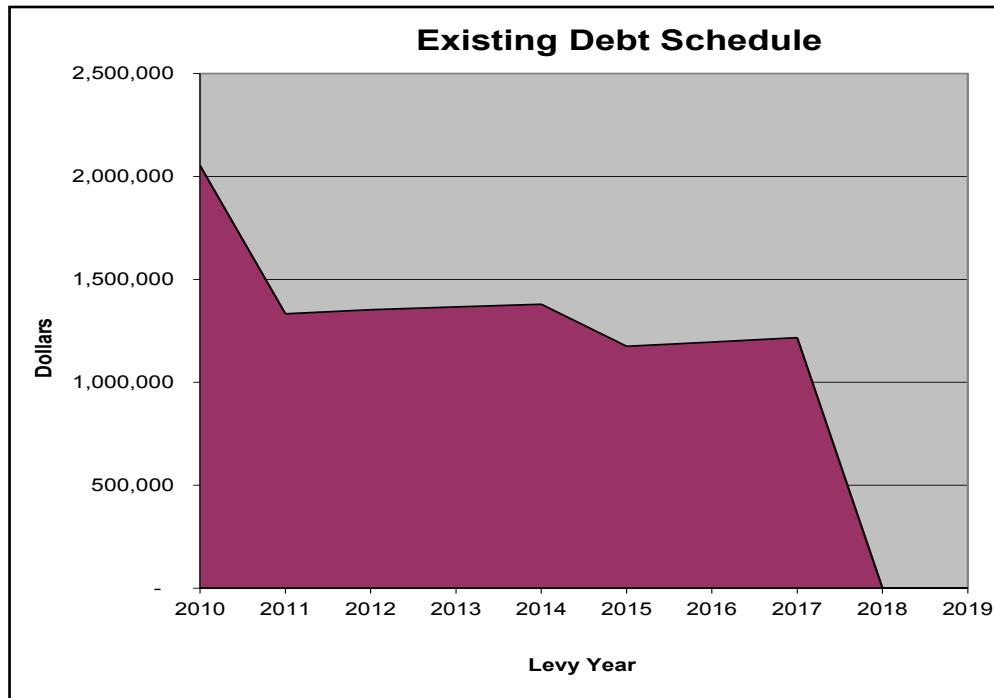
Figure 24 Police Pension Fund Percent ARC Contributed

Fiscal Year	%
2006	113.67%
2007	120.91%
2008	135.08%
2009	140.57%
2010	135.67%
2011	129.60%

DEBT REPAYMENT OBLIGATION

The Village makes principal and interest payments on bonds issued for approved projects. Beginning Fiscal Year 2013, the Village will pay approximately \$1.3 Million per year less in principal and interest payments than during Fiscal Year 2011. Between Fiscal Year 2013 and Fiscal Year 2019 payments will range from \$1.2 Million to less than \$1.4 Million.

The Village has a legal debt limit of \$123 Million with outstanding debt of \$10.0 Million or 8.1% of the total debt limit. Ten years ago, the Village had a legal debt limit of \$40.5 Million with \$20.0 Million outstanding or 49.4% of the total debt limit.



Village of Glencoe Schedule of Legal Debt Limit		
	2002	2011
Legal debt limit	40,528,200	123,907,246
Total net debt applicable to limit	20,002,800	10,030,000
Legal debt margin	20,525,400	113,877,246
Total net debt applicable to the limit as a percentage of debt limit	49.4%	8.1%

Statement of Net Assets

The statement of net assets included in this report is a condensed view of the Village's assets and liabilities for all funds as of February 28, 2011. Governmental activities are reported separately from business-type activities (i.e., Water Fund and Glencoe Golf Club). During Fiscal Year 2011, unrestricted net assets of the total primary government increased \$1,200,400. The governmental unrestricted net assets increased \$541,039 and the business type unrestricted net assets increased by \$659,361.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
<i>Current and other assets</i>	\$ 22,632,552	\$ 19,493,297	\$ (670,904)	\$ 77,288	\$ 21,961,648	\$ 19,570,585
<i>Capital Assets/Non-Current</i>	74,649,934	76,285,576	3,206,293	3,430,650	77,856,227	79,716,226
Total Assets	\$ 97,282,486	\$ 95,778,873	\$ 2,535,389	\$ 3,507,938	\$ 99,817,875	\$ 99,286,811
<i>\$ Change</i>	\$ (3,633,853)	\$ (1,503,613)	\$ 112,130	\$ 972,549	\$ (3,521,723)	\$ (531,064)
<i>% Change</i>	-3.6%	-1.5%	4.6%	38.4%	-3.4%	-0.5%
<i>Non-Current</i>	\$ 10,945,606	\$ 9,217,935	\$ 189,663	\$ 181,723	\$ 11,135,269	\$ 9,399,658
<i>Other Liabilities</i>	15,888,993	15,272,020	258,492	355,263	16,147,485	15,627,283
Total Liabilities	\$ 26,834,599	\$ 24,489,955	\$ 448,155	\$ 536,986	\$ 27,282,754	\$ 25,026,941
<i>\$ Change</i>	\$ (2,658,314)	\$ (2,344,644)	\$ (139,017)	\$ 88,831	\$ (2,797,331)	\$ (2,255,813)
<i>% Change</i>	-9.0%	-8.7%	-23.7%	19.8%	-9.3%	-8.3%
<i>Net Assets:</i>						
<i>Invested in capital assets, net of debt</i>	\$ 66,567,750	\$ 66,206,059	\$ 3,206,293	\$ 3,430,650	\$ 69,774,043	\$ 69,636,709
<i>Restricted</i>	654,916	1,316,599	-	-	654,916	1,316,599
<i>Unrestricted</i>	3,225,221	3,766,260	(1,119,059)	(459,698)	2,106,162	3,306,562
Total Net Assets	\$ 70,447,887	\$ 71,288,918	\$ 2,087,234	\$ 2,970,952	\$ 72,535,121	\$ 74,259,870
<i>\$ Change</i>	\$ (975,539)	\$ 841,031	\$ 251,147	\$ 883,718	\$ (724,392)	\$ 1,724,749
<i>% Change</i>	-1.4%	1.2%	13.7%	42.3%	-1.0%	2.4%

During Fiscal Year 2011, the unrestricted net assets of the Water Fund increased by \$671,440 and the unrestricted net assets of the Glencoe Golf Club decreased by \$12,079.

	<i>Water Activities</i>		<i>Golf Activities</i>		<i>Total Business-Type Activities</i>	
	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>
<i>Current and other assets</i>	\$ 205,896	\$ 795,812	\$ 785,226	\$ 837,758	\$ 991,122	\$ 1,633,570
<i>Capital Assets</i>	2,326,632	2,275,164	879,661	1,155,486	3,206,293	3,430,650
<i>Total Assets</i>	\$ 2,532,528	\$ 3,070,976	\$ 1,664,887	\$ 1,993,244	\$ 4,197,415	\$ 5,064,220
<i>Non-Current</i>	\$ 169,676	\$ 181,723	\$ 19,987	\$ -	\$ 189,663	\$ 181,723
<i>Other Liabilities</i>	276,914	183,343	1,643,604	1,728,202	1,920,518	1,911,545
<i>Total Liabilities</i>	\$ 446,590	\$ 365,066	\$ 1,663,591	\$ 1,728,202	\$ 2,110,181	\$ 2,093,268
<i>Net Assets:</i>						
<i>Invested in capital assets, net of debt</i>	\$ 2,326,632	\$ 2,275,164	\$ 879,661	\$ 1,155,486	\$ 3,206,293	\$ 3,430,650
<i>Restricted</i>	-	-	-	-	-	-
<i>Unrestricted</i>	(240,694)	430,746	(878,365)	(890,444)	(1,119,059)	(459,698)
<i>Total Net Assets</i>	\$ 2,085,938	\$ 2,705,910	\$ 1,296	\$ 265,042	\$ 2,087,234	\$ 2,970,952

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.

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.

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.

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 \$1,000,000. 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.

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:

- Amount cannot exceed ½ of 1.0% of its equalized assessed valuation (EAV); and
- The total annual payment extension is no more than \$515,612 (last year the annual maximum was \$502,056).

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.

Glencoe Golf Club Management Fee

The Village charges a management fee for the Village costs of assistance to the Glencoe Golf Club. The present policy is to accrue the fee but not collect the fee. This increases the amount due to the Village from the Glencoe Golf Club each year. Annually, the Village Board reviews the management fee as part of the budget development process.

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 (NEW)

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 \$110,000. The Village will allocate between \$70,000 and \$100,000 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.

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.

During Fiscal Year 2011, the Village budgeted and initially contributed at the phase in level, but ultimately paid up to the ARC level. The Fiscal Year 2012 Budget includes IMRF contributions at the ARC level, however, contributions initially will be paid at the phase in level. The Village Board will later decide whether or not to make a catch-up contribution later in the year. Each year this funding strategy will be re-evaluated. Paying up to the ARC level during Fiscal Year 2012 is included in the approved budget. The differential between phase in and ARC during Fiscal Year 2012 is approximately \$76,000.

Implementation of Utility Billing Fee Increases

Fee increases to quarterly utility bills will be effective with usage beginning March 1 but with billing after May 1.

Chicago Botanic Garden Agency Fund

The Village is acting as the recipient of grant resources for improvements to the Chicago Botanic Garden. The Chicago Botanic Garden provides the Village with the necessary resources to cover expenses to vendors. Reimbursement for expenditures will be recovered by the Village and passed through to the Chicago Botanic Garden. This fund will be terminated upon completion of the project.

GETTING 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, 2011

Scott M. Feldman, Village President
Keki Bhote, Village Trustee
Bruce Cowans, Village Trustee
Lawrence Levin, Village Trustee
Joseph Keefe, Village Trustee
Ellen Shubart, Village Trustee
Joel Solomon, Village Trustee

Administrative Staff

Paul M. Harlow, Village Manager
David C. Mau, Director of Public Works
David A. Clark, Director of Finance
Michael Volling, Director of Public Safety
Stella Nanos, Golf Club Manager