

Village of Glencoe

Citizen's Annual Financial Report
For the Fiscal Year Ended February 28, 2014



VILLAGE OF GLENCOE
675 Village Court
Glencoe, Illinois 60022

www.villageofglencoe.org

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Government Finance Officers Association

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

Presented to

**Village of Glencoe
Illinois**

For its Annual
Financial Report
for the Fiscal Year Ended

February 28, 2013

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Village of Glencoe for its Popular Annual Financial Report for the fiscal year ended February 29, 2013. 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

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 (PAFR) for the Fiscal Year ended February 28, 2014. This report provides a brief analysis of where the Village's revenue comes from and where dollars are spent, as well as trends in the local economy. This report is designed to present an understandable, comparative and easy-to-read financial analysis. More information regarding the Village and its financial condition is available on the Village's website at www.villageofglencoe.org. Specifically, you can access the most recent Comprehensive Annual Financial Reports (CAFR) and annual budgets by clicking on the Finance Department tab located on the homepage of the website. Village Board approval of the Fiscal Year 2014 annual audit was announced in the September 2014 Glencoe Quarterly mailed to all Glencoe homeowners. The CAFR and the PAFR were posted on the Village website as of August 31, 2014. The website is an excellent source of available financial information. Requests for additional financial information can be sent to finance@villageofglencoe.org.

This report is a condensed summary of the annual CAFR. The data for this report was taken from the audited CAFR for the fiscal year ending February 28, 2014. The CAFR, however, is much more detailed than this report. The financial data presented in this report is derived from the CAFR and is consistent with generally accepted accounting principles (GAAP). The Glencoe Library is a component unit of the Village and is included in the Village's CAFR, but will not be discussed in this report since the Library is governed by a separate board and has a separate annual financial report.

During Fiscal Year (FY) 2014, 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 (28 consecutive years)
- Award for Distinguished Budget Presentation (14 of last 15 years)
- Award for Outstanding Achievement in Popular Financial Reporting (5th consecutive year)

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

Sincerely,

A handwritten signature in black ink, appearing to read "D. Clark", is written over a horizontal line.

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 2013</u>	<u>FY 2014</u>
Total Property Tax Rate	7.2810	8.0610
Equalized Assessed Value	936,967,754	875,187,894
Village Portion of Tax Bill	14.6%	14.8%
Retail Sales Tax Revenue	1,790,991	1,942,829
Bond Rating (<i>Standard & Poor's</i>)	AAA	AAA
Total Village Debt	15,635,000	14,450,000
Village Net Assets	78,622,741	80,241,094

Village Government

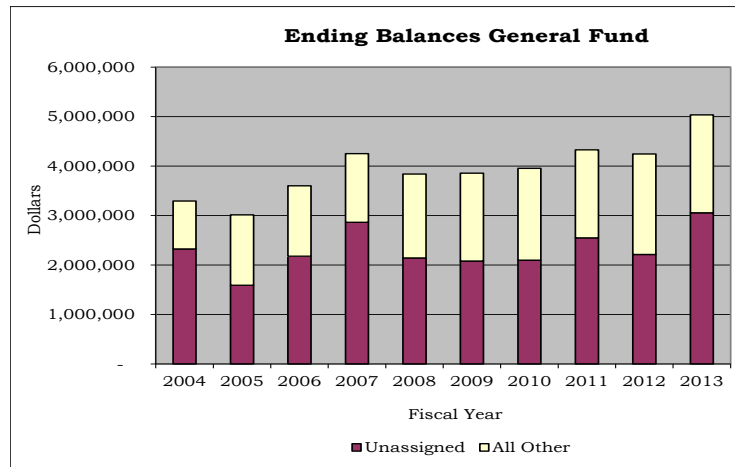
Glencoe operates within a Council-Manager form of government. The Village has operated under this form of government since 1914 and was the first government in Illinois to do so.

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

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

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, “back-door” garbage collection, curbside recycling and yard waste collection, vacuum collection of leaves at curbside, a handyman services; water production and distribution service; an 18-hole public golf course; planning and zoning, code enforcement, financial and general administrative services.



Goals, Objectives and Budgeted Capital Projects/Improvements

Beyond the completion of Fiscal Year 2014, the following major budget items, projects and programs are included in the Fiscal Year 2015 Budget:

- Storm Sewer Improvements (\$2,300,000 – 2012 Bonds);
- Street Improvements (\$1,000,000 – 2012 Bonds);
- Sanitary Sewer Improvements (\$502,564 – 2012 Bonds);
- Residential Sidewalks (\$100,000 – 2012 Bonds);
- Sidewalk Repair (\$100,000 – 2012 Bonds);
- Refuse Hauler Replacement (\$41,000 – Garbage Fund);
- Leaf Vacuum (\$32,500 – Garbage Fund);
- Reconstruct Ravine Bluff Monument (\$23,000 – General Fund);
- Three (3) Public Safety Vehicle Replacement (\$130,000 – General Fund);
- Construct Staircase at base of bluff – Dell Place Street End (\$11,000 – General Fund);
- HVAC/Mechanical System Study & Upgrade (\$25,000 – General Fund);
- Repair Wentworth Ave. Retaining Wall (\$16,500 – General Fund);
- Utility Dump Truck Replacement (\$68,000 – General Fund);
- Sidewalk Tractor Replacement (\$93,000 – General Fund);
- Dump Truck w/ Plow Replacement (\$125,000 – General Fund);
- Two (2) Public Works Vehicle Replacement (\$65,000 – General Fund);
- Public Safety Garage Floor Upgrade (\$45,000 – General Fund);
- Fire Engine Replacement (\$600,000 – General Fund);
- E911 System Improvements (\$25,000 – General Fund);
- Water System Improvements (\$185,000 – Water Fund); and
- IT Strategic Plan Projects Year 3 (\$117,900 – General Fund).

Local Economy

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

Village Financial Information

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

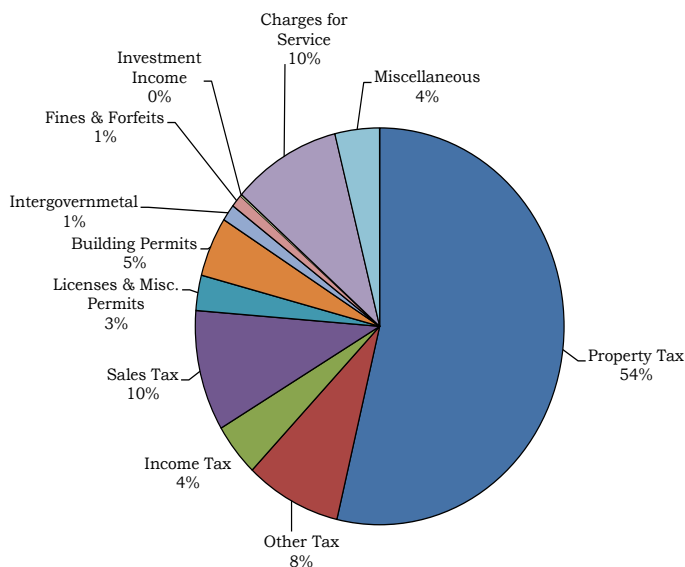
The governmental funds account for the Village's basic services, including public safety (police, fire, and paramedic), public works (garbage collection, sewers, forestry, street maintenance, and street lighting) and general governmental administration. The majority of Village services are funded through property taxes, sales tax, utility tax and state shared income tax. The General Fund, the Debt Service Fund, the Garbage Fund and the Capital Projects fund are considered "major" funds and are reported in greater detail in the comprehensive annual financial report. The Village manages the water utility and municipal golf course as "business-type" activities, therefore, reports them separately as proprietary funds (and not as "governmental activities"). Revenue and expenditure information included in this report are from the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds in the Fiscal Year 2014 CAFR.

Revenues/Resources

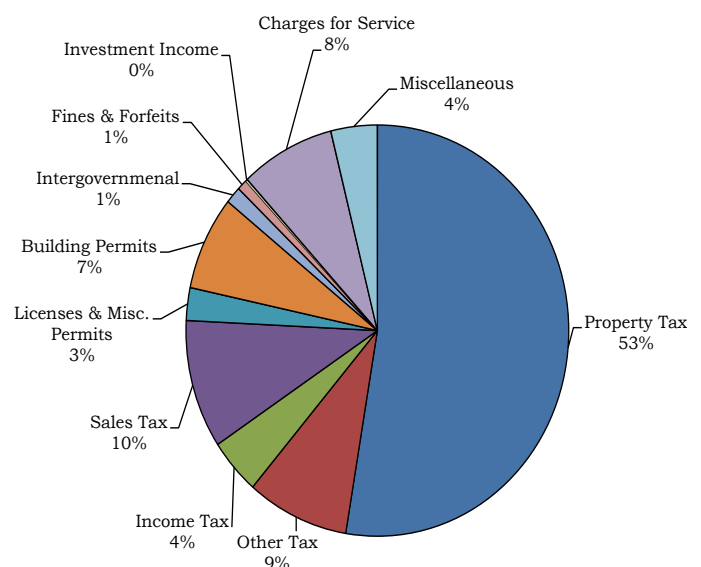
For the fiscal year ended February 28, 2014, the governmental funds totaled nearly \$19.2 Million in revenue compared to nearly \$18.2 Million the prior year. The General Fund revenue represented nearly \$16.4 Million of that amount compared to nearly \$15.4 Million the prior year. The four largest sources of revenue are property tax, sales tax, utility tax and state shared income tax. A substantial portion of the Village's revenue (26.0% in FY 2014) comes from sources subject to economic conditions beyond the Village's control (i.e. sales tax – including use tax, income tax, building permits).

The General Fund finished Fiscal Year 2014 with a total fund balance of \$5,738,267 (\$3,130,595 unassigned) as compared to the prior year ending total balance of \$5,036,139 (\$3,055,642 unrestricted).

FY 2013 Revenue



FY 2014 Revenue



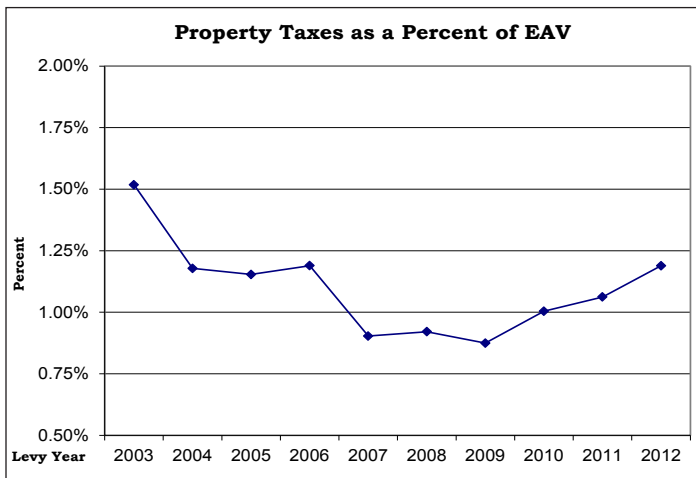
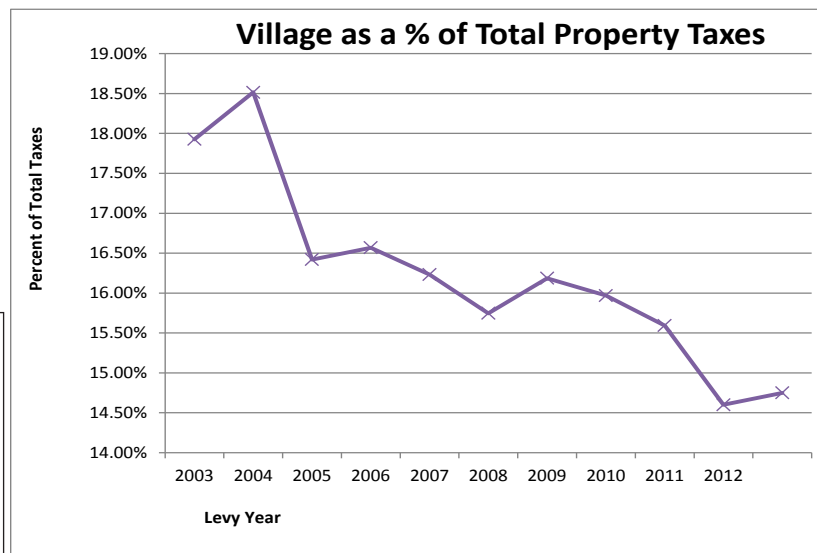
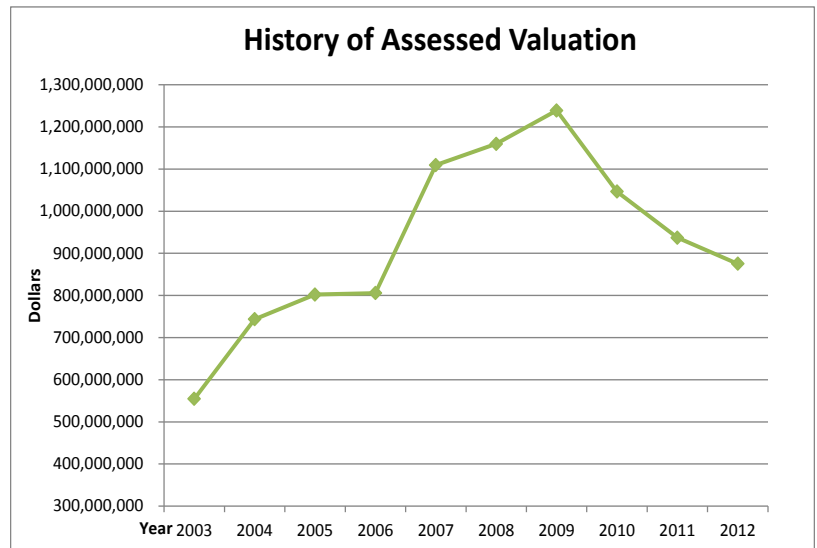
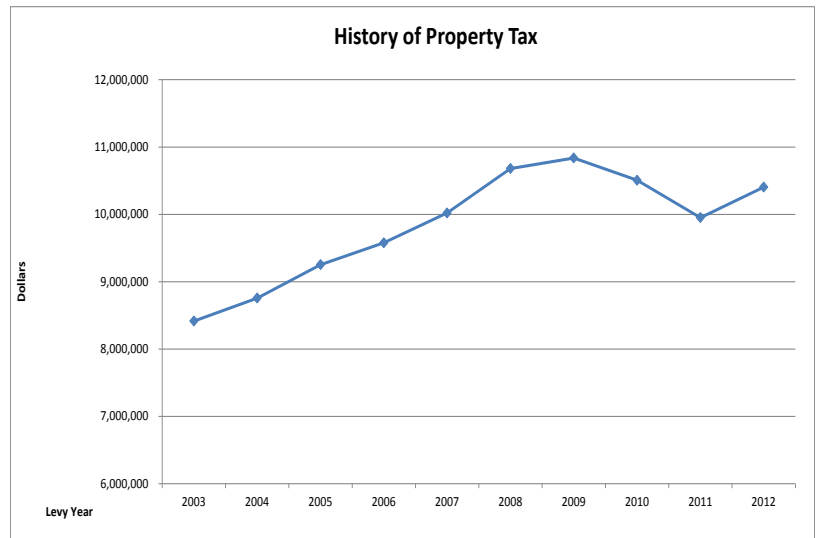
Property Value and Property Taxes

The single largest revenue source for the Village is property taxes. During Fiscal Year 2005 (Levy Year 2003), property taxes represented \$8.4 Million.

During Fiscal Year 2014, property taxes were \$10.2 Million of the total governmental revenue of nearly \$19.2 or 53.3%. However, over the last 10 years the percentage that the Village represents of the total property taxes collected has declined. During tax year 2003, the Village represented 18.5% of the total tax bill, but during tax year 2012 (collected during Fiscal Year 2014) the Village represented 14.8% of the total tax bill.

Since 2003, Glencoe's assessed value of property has grown by 58% from \$554 Million to \$875 Million. The average annual increase during that time has been 3.5%. During that period of time, the Village portion of property taxes has increased on average 1.1% annually from \$8.4 Million (levied in 2003) to \$10.4 million (levied in 2012). In 2003, property taxes levied represented 1.52% of the assessed value. As of the 2012 tax levy, taxes represented 1.19% of assessed value. Since 2008, the EAV has decreased from \$1.2 Billion to \$875 Million in 2012. That represents a \$284 Million reduction in EAV since 2008.

Due to the lack of home rule status, the Village is subject to the Property Tax Extension Limitation Law (PTELL), otherwise known as the "tax cap" law, which limits the annual increase in property tax extensions to the lesser of the increase in the U.S. CPI-U or 5%. Since tax caps are a percentage limitation on the taxes extended, and not a percentage limitation on the rate of increase, the decline in EAV has not impacted property tax revenue. The decline in the EAV is related to the valuation of property county-wide by the Cook County Assessor's Office as opposed to an adverse change in property condition and value in Glencoe specifically.

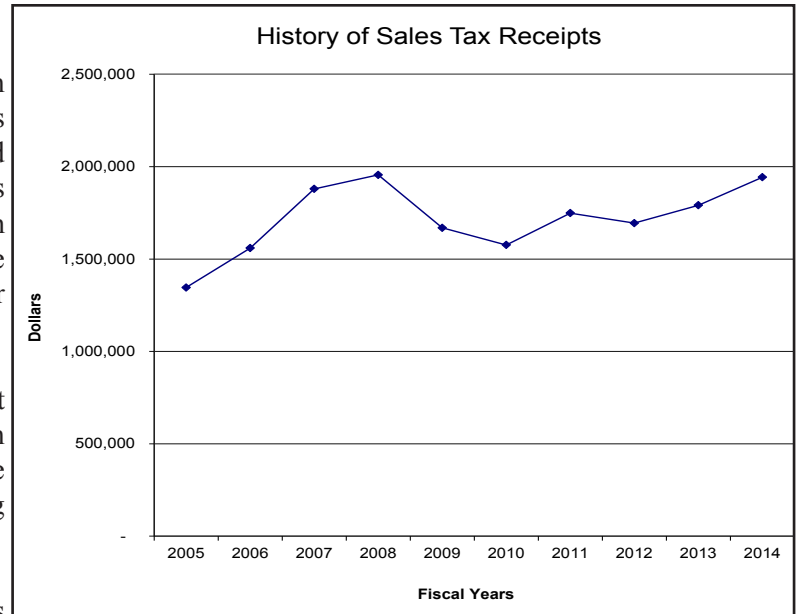


Sales Tax and Use Tax

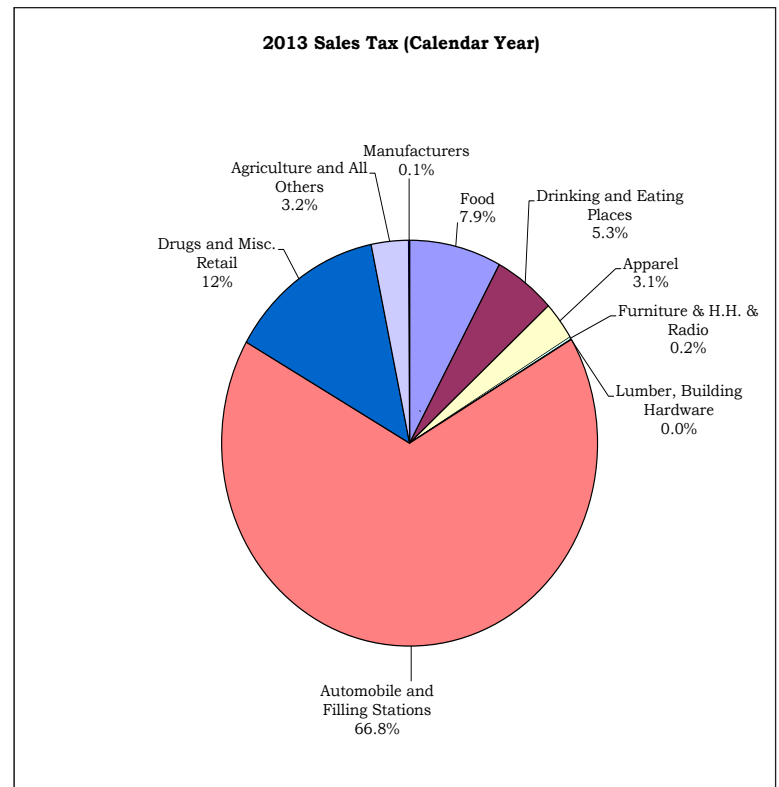
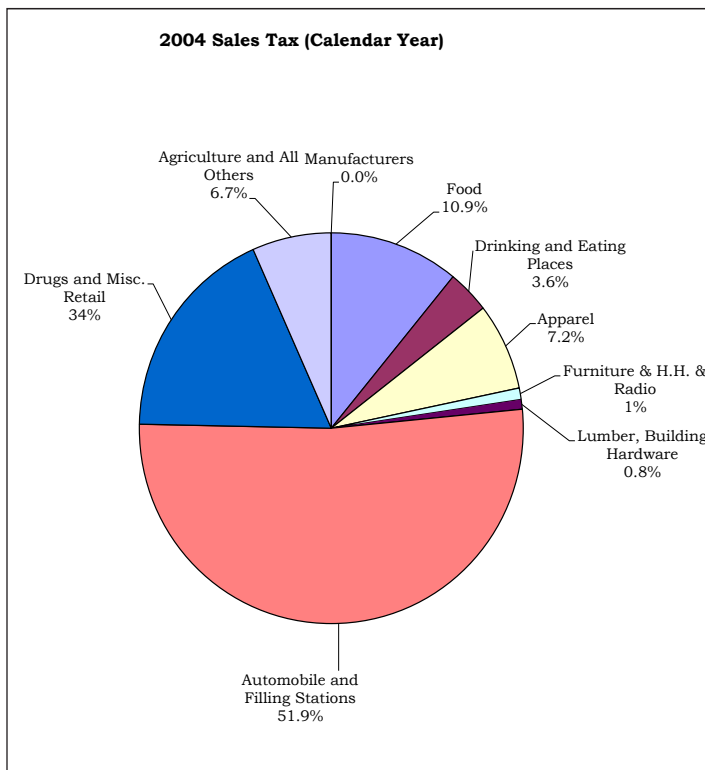
The State of Illinois collects sales tax and local use tax on behalf of local municipalities. The state levies a retail sales tax on all retail sales. Most services are exempt; food and drugs are not exempt from sales tax. The Village receives one percent of the tax that is collected by the state on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

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

Over the last ten years, the Village has seen tremendous growth in sales tax primarily due to the addition of three car dealerships along the Eden's Expressway. In Calendar Year 2004, sales tax from the category of automobiles (mainly service) represented 51.9% of the total sales tax collected. At that time only one of the three dealerships were in business. In Calendar Year 2013, sales tax from automobiles (mostly sales) represented 66.8% of the total sales tax collected. In Calendar Year 2004, the Village collected \$1,224,087 in sales tax compared to \$1,774,461 in Calendar Year 2013.

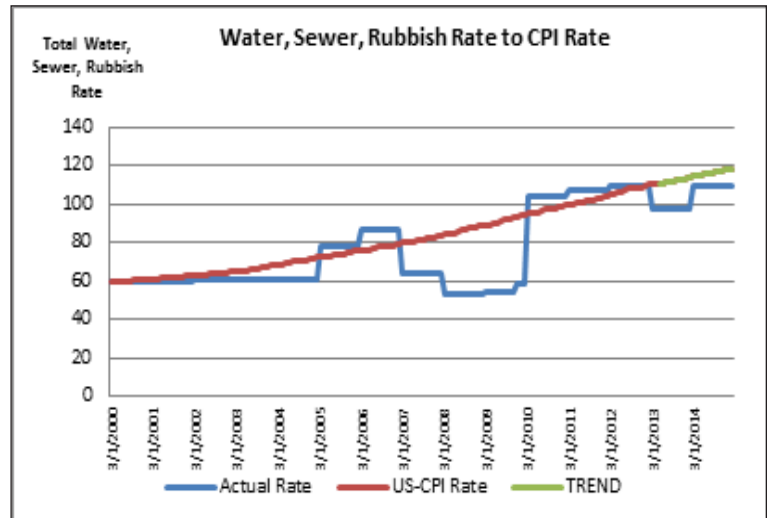


Village of Glencoe Schedule of Sales Tax Rates on General Merchandise				
	2003	2012	% Change	% of Total
State Rate	6.25%	6.25%	0.00%	75.76%
County Rate	0.00%	0.00%	n/a	n/a
Local Rate	0.00%	0.00%	n/a	n/a
County Home Rule	0.75%	1.00%	33.33%	12.12%
Regional Transportation	0.75%	1.00%	33.33%	12.12%
Total Sales Tax Rate	7.75%	8.25%	6.45%	100.00%



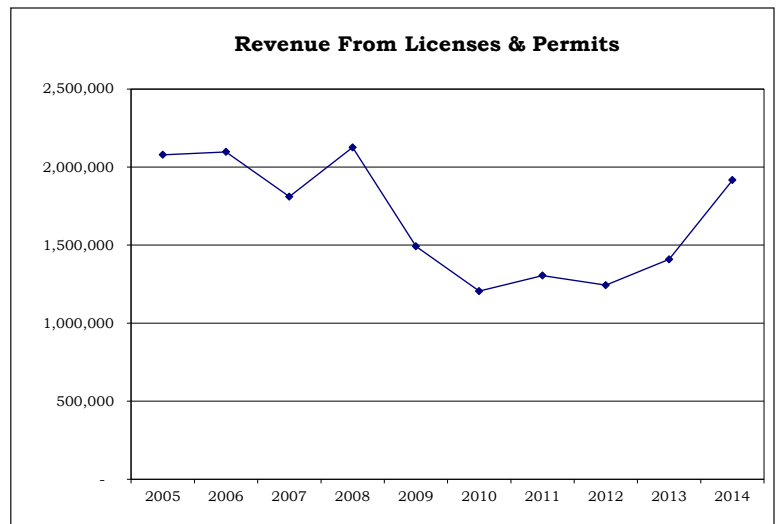
Charges for Service

Charges for service included in the governmental funds consist primarily of garbage and recycling fees, sewer fees and ambulance fees. Fees are controlled by the Village Board. Through the long-range financial planning process, the Village Board attempts to identify long-range issues to minimize major fluctuations in fee rates. Beginning March 1, 2008, the Village Board eliminated the base fee for garbage collection to reflect modification in service levels. The garbage service fees were later reinstated and maintained with increases to support operations in a similar fashion to property tax increases allowable under property tax extension limitation law (PTELL). PTELL increases are limited to the annual change in consumer price index or 5%, whichever is less. Beginning March 1, 2014 the Village increased its charge for garbage services from \$37.56 per quarter to \$49.57 per quarter. This fee was for garbage collection and disposal service and yard waste collection service and reflected a return to the fee structure in place in 2012.



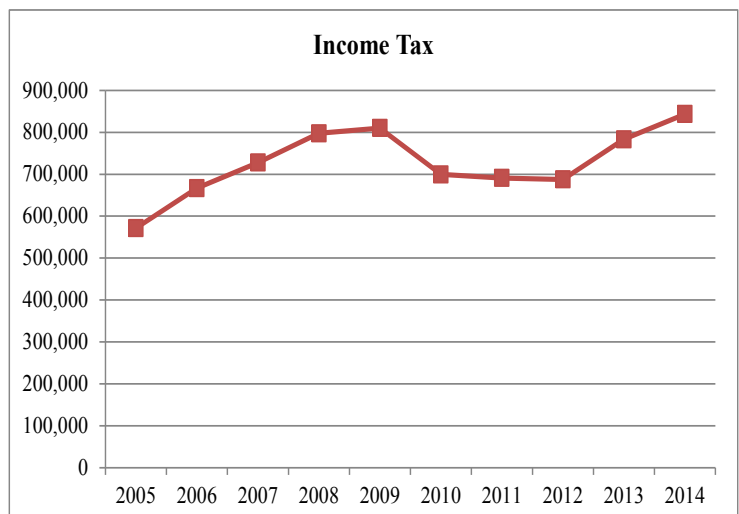
Licenses, Permits and Fees

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 2014 represented the sixth consecutive year permit that revenue was less than the Fiscal Year 2008 level of \$2.1 Million. However, the levels are again approaching the levels seen in 2008, as the Village received over \$1.9 Million during Fiscal Year 2014. Fiscal Year 2014 revenue is at the highest level since Fiscal Year 2008 primarily due to increased building activity throughout the community.



State Income Tax

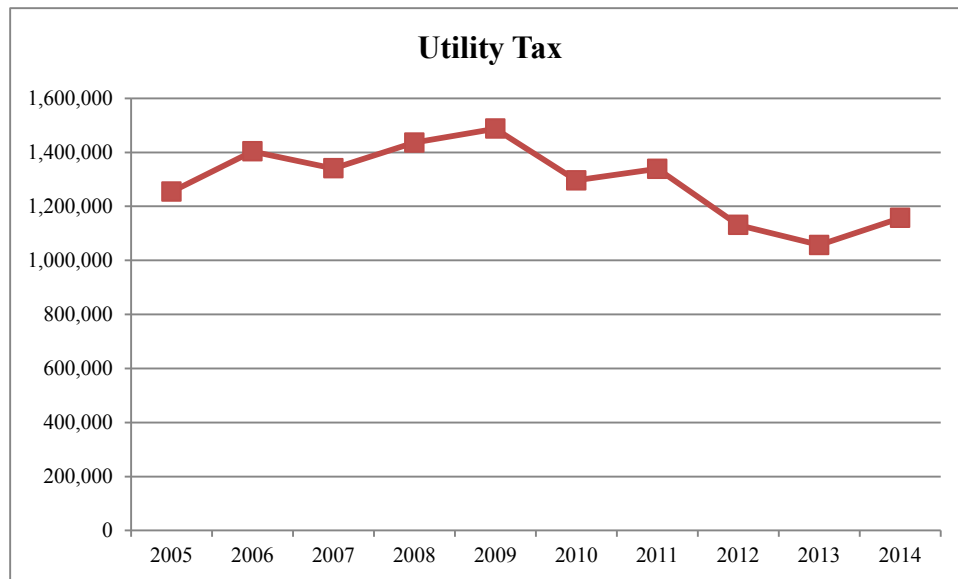
The Village receives a portion of state income tax receipts on a state-wide per-capita basis. Of the \$843,471 in income tax revenue recorded during Fiscal Year 2014, \$165,200 was still receivable from the State of Illinois as of February 28, 2014. The corporate and individual income tax rates were increased by the State of Illinois effective January 1, 2011. By design, the change in rates did 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 which represented the highest level of utility tax revenue in recent history. During Fiscal Year 2014 the Village received \$1.15 Million. Consumption patterns, weather and rates have an impact on this revenue source.

In recent years, revenue from telecommunications tax and utility tax on electricity used has remained constant.



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).

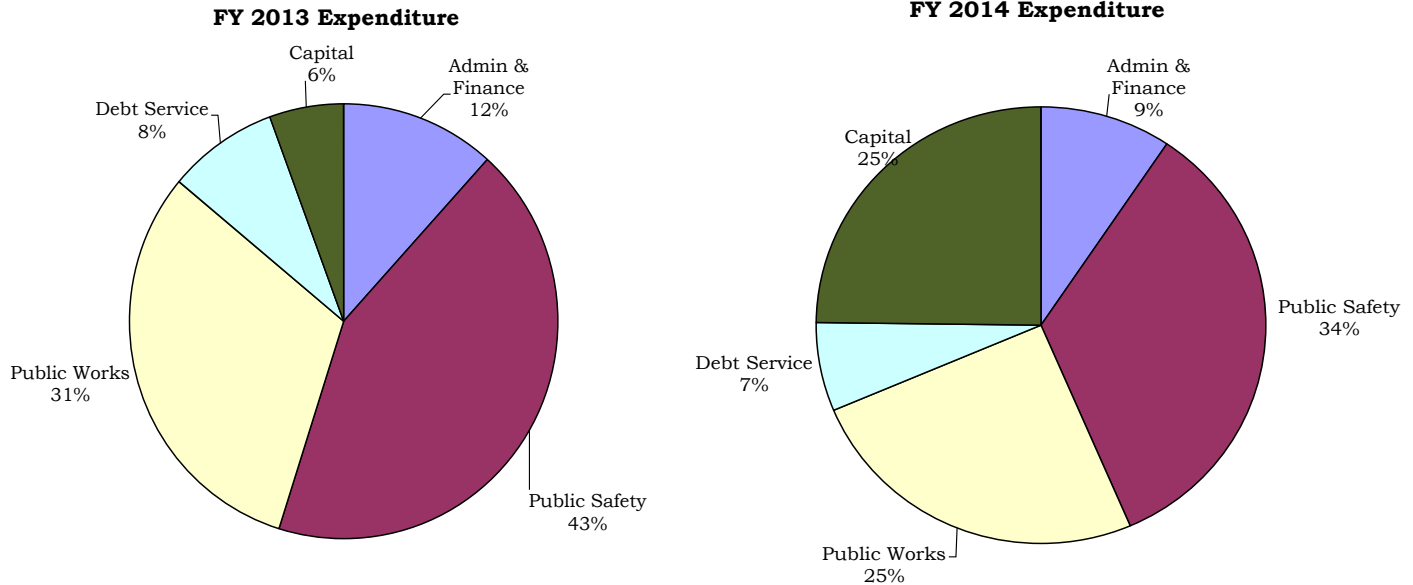
Other Revenue

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, 2014, \$23.3 Million was expended from the governmental funds compared to \$17.6 Million during the prior year. In FY 2014, expenditures from governmental funds exceeded revenue by \$4,172,744 due to capital expenditures which utilized bond sale proceeds to fund various projects approved by voters in the 2012 referendum.



Administration and Finance

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

Public Safety



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

Public Works

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

Capital

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

Other Business-Type Services

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

Water Services

The Village’s water plant was built in 1928. The water plant provides water for use by residences and businesses in Glencoe. The Village does not sell water to other communities for daily consumption or other non-system maintenance reasons. The integrity of the Village’s water system is very important and the Village meets or exceeds all required state and national regulations. Over the last five fiscal years, the Village has produced an average of 587 million gallons of water ranging from a low of 578 million gallons in Fiscal Year 2010 to a high of 639 million gallons in Fiscal Year 2014. The 639 Million gallons produced during Fiscal Year 2014 was 51 Million gallons greater than 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 2014 were \$2,170,586. Currently, the Village is reviewing options for replacement of the water plant.

As of March 1, 2014, the water rate was \$3.403 per 100 cubic feet, no change from the rates in effect on March 1, 2013. This compares to the average rate in surrounding communities (not selling water) of \$4.332 per 100 cubic feet. During review of the Village’s long range financial plan, with development of the Fiscal Year 2015 Budget, it was anticipated that due to higher than average consumption during Fiscal Year 2014 that an increase was not necessary for Fiscal Year 2015.

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 2013 year of play, 33,166 rounds of golf were played, as compared to 33,657 rounds in 2012 and 31,028 rounds in 2011. 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. Resources not used to pay for operations are invested back into the courses and facilities. As of February 28, 2014, the Glencoe Golf Club owes the Village nearly \$1.61 Million in cash advances, deferred management fees and interest-on-amount owed. The Village reviews the condition of the Glencoe Golf Club each year as part of the budget process and determines whether or not the club has the ability to begin to repay its obligation to the Village. To date, there have been other pressing issues at the club (i.e. maintaining an aging infrastructure) that have precluded any repayment to the Village. Currently, the replacement 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 2024 Capital Improvement Program (CIP) was completed prior to development of the Fiscal Year 2015 Budget. The estimated total cost of the projects identified in the 2023 CIP totaled \$22.3 Million. The 2023 CIP included \$12.3 million for infrastructure (including streets, sewers, sidewalks and water main), \$6.5 million for vehicle replacement, and \$3.5 million for buildings and equipment.

On November 6, 2012, Village voters approved two referendum questions that resulted in the issuance of \$8,550,000 in general obligation bonds in December of 2012. The 2012 Bond Improvement Program includes:

- \$5.48 Million in storm sewer improvements,
- \$2.035 Million in street resurfacing projects,
- \$830,000 in sanitary sewer rehabilitation through segment lining,
- \$205,000 in sidewalk repairs

Continuing to fund needed capital improvements is a Village priority in order to control maintenance costs and to reduce future capital improvement costs that would result from any significant deferral of capital projects. This commitment has become a greater challenge for the Village given the continued downturn in economic conditions. As of February 28, 2014, only \$3,989,363 of the 2012 general obligation bond proceeds remain for approved projects.

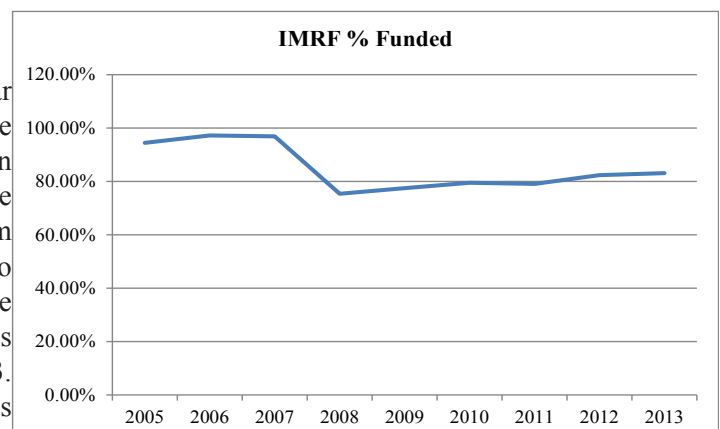
Pension Obligations

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	2010	2014	% Change
IMRF	516,717	767,130	48.5%
Police Pension	1,407,637	1,652,932	17.4%
Total	1,924,354	2,420,062	25.8%

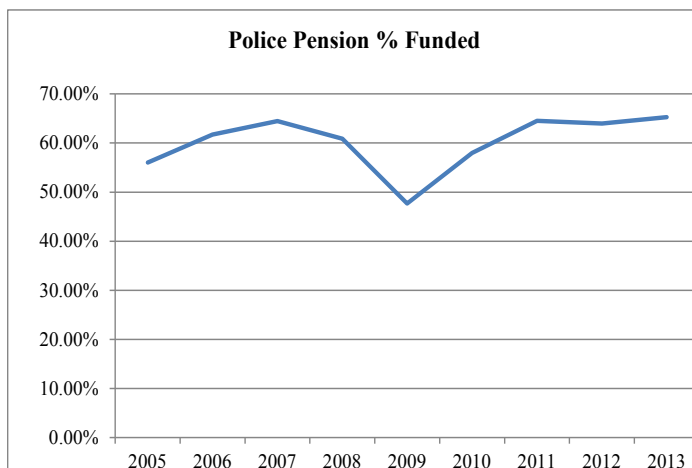
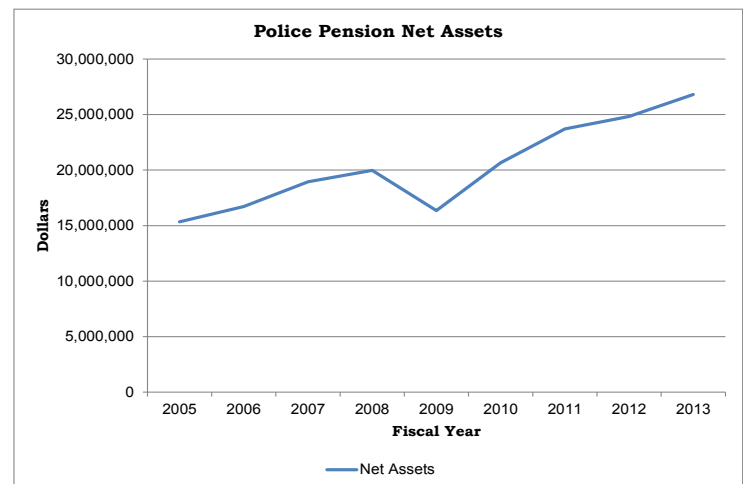
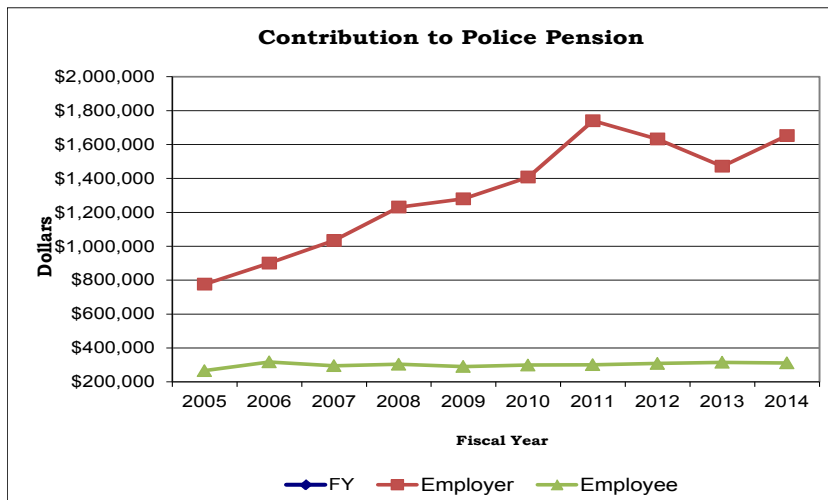
Illinois Municipal Retirement Fund (IMRF)

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, 2012 to 2013, IMRF plan assets decreased from \$18.6 Million to \$18.3 Million. Since year-end 2007, the IMRF plan's funded ratio decreased from 96.8% to 83.1%. Between 2007 and 2008 the funded ratio decreased from 96.8% to 75.3%. As of December 31, 2013 the funded ratio was 83.1%. Since 2008 the unfunded liabilities have decreased from \$4.4 Million to \$3.7 Million in 2013. 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 2009, the Village contributed \$501,712 based on 8.8% of pay. During Fiscal Year 2014, the Village contributed \$767,130 based on 12.1% of pay. Historically, there is movement in the rate paid by the Village. The rate adjusts according to the number of participants, the number of years an employee has participated in IMRF and market conditions.



Police Pension Fund

Sworn public safety personnel participate in the Police Pension Plan. The Police Pension Plan is a defined benefit plan mandated by the State of Illinois. Beginning January 1, 2011, the State of Illinois established a second tier of benefits for employees hired after that date. As of the most recent audit for the year ended February 28, 2013, the Police Pension Plan has \$26.8 Million, an increase of \$1.9 Million or 8.0% from 2012. Since 2009, the assets of the Police Pension Fund have increased from \$16.3 Million to \$26.8 Million, while the unfunded liabilities have decreased from \$17.9 Million to \$14.3 Million. Employees contribute 9.91% of pay and the Village contributes based upon actuarial tax levy estimates from an independent actuary. During Fiscal Year 2010, the Village contributed \$1,407,637 and employees contributed \$299,250. During Fiscal Year 2014, the Village contributed \$1,652,932 and employees contributed \$311,510. **Since Fiscal Year 2006, Village contributions to the Police Pension Fund have been \$2.7 Million in excess of the annual required contribution (ARC) and have averaged 135.34% of the ARC annually.**



Police Pension Fund Continued

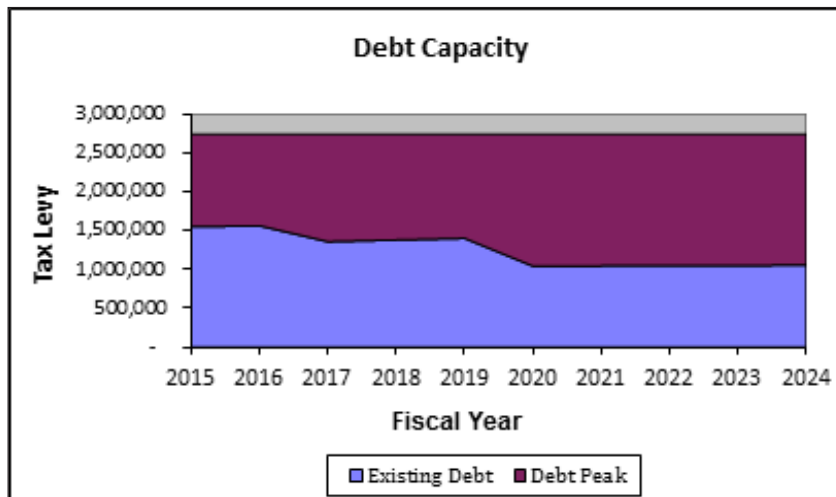
Funding pension obligations is a priority of the Village Board. The growth in the cost of funding pensions has outpaced the ability of property taxes as a sole source of funding due to property tax extension limitation law. Therefore, funding at required levels comes from Village revenues that might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

Police Pension Fund Percent ARC Contributed	
<u>Fiscal Year</u>	<u>%</u>
2007	120.91%
2008	135.08%
2009	140.57%
2010	135.67%
2011	129.60%
2012	134.23%
2013	147.41%
2014	160.93%

Debt Repayment Obligation

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

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 \$87.5 Million with outstanding debt of \$14.4 Million or 16.5% of the total debt limit. Ten years ago, the Village had a legal debt limit of \$55.4 Million with \$13.8 Million outstanding or 24.9% of the total debt limit.



Statement of Net Position

The statement of net position included in this report is a condensed view of the Village's assets and liabilities for all funds as of February 28, 2014. Governmental activities are reported separately from business-type activities (i.e., Water Fund and Glencoe Golf Club). During Fiscal Year 2014, unrestricted net position of the total primary government increased \$1.99 Million. The governmental unrestricted net position increased \$1.47 Million and the business type unrestricted net position increased by \$524,145.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2014	2013	2014	2013	2014
<i>Current and other assets</i>	\$ 28,208,178	\$ 25,778,744	\$ 1,530,368	\$ 1,727,749	\$ 29,738,546	\$ 27,506,493
<i>Capital Assets</i>	75,197,436	78,002,524	6,650,379	6,753,508	81,847,815	84,756,032
Total Assets	103,405,614	103,781,268	8,180,747	8,481,257	111,586,361	112,262,525
<i>\$ Change</i>	\$ 8,583,106	\$ 375,654	\$ 3,539,749	\$ 300,510	\$ 12,122,855	\$ 676,164
<i>% Change</i>	9.1%	0.4%	76.3%	3.7%	12.2%	0.7%
<i>Non-Current</i>	15,946,736	14,472,710	3,243,016	3,033,199	19,189,752	17,505,909
<i>Other Liabilities</i>	13,111,935	14,038,937	661,933	476,585	13,773,868	14,515,522
Total Liabilities	29,058,671	28,511,647	3,904,949	3,509,784	32,963,620	32,021,431
<i>\$ Change</i>	\$ 7,035,634	\$ (547,024)	\$ 2,723,607	(395,165)	\$ 9,759,241	(942,189)
<i>% Change</i>	31.9%	-1.9%	230.6%	-10.1%	42.1%	-2.9%
<i>Net Position:</i>						
<i>Invested in capital assets, net of debt</i>	68,335,649	67,541,888	3,636,236	3,807,766	71,971,885	71,349,654
<i>Restricted</i>	1,027,936	1,276,556	-	-	1,027,936	1,276,556
<i>Unrestricted</i>	4,983,358	1,467,819	639,562	524,145	5,622,920	1,991,964
Total Net Position	74,346,943	75,269,621	4,275,798	4,971,473	78,622,741	80,241,094
<i>\$ Change</i>	\$ 1,547,472	\$ 922,678	\$ 816,142	695,675	2,363,614	1,618,353
<i>% Change</i>	2.1%	1.2%	23.6%	16.3%	3.1%	2.1%

During Fiscal Year 2014, the unrestricted net position of the Water Fund increased by \$329,651 and the unrestricted net position of the Glencoe Golf Club decreased by \$194,494.

	<i>Water Activities</i>		<i>Golf Activities</i>		<i>Total Business-Type Activities</i>	
	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>
<i>Current and other assets</i>	\$ 2,155,277	\$ 2,151,240	\$ 938,291	\$ 1,185,208	\$ 3,093,568	\$ 3,336,448
<i>Capital Assets</i>	5,098,817	5,109,258	1,551,562	1,644,250	6,650,379	6,753,508
<i>Total Assets</i>	\$ 7,254,094	\$ 7,260,498	\$ 2,489,853	\$ 2,829,458	\$ 9,743,947	\$ 10,089,956
<i>Non-Current</i>	\$ 3,207,909	\$ 2,994,843	\$ 35,107	\$ 38,356	\$ 3,243,016	\$ 3,033,199
<i>Other Liabilities</i>	494,192	305,169	1,730,941	1,780,115	2,225,133	2,085,284
<i>Total Liabilities</i>	\$ 3,702,101	\$ 3,300,012	\$ 1,766,048	\$ 1,818,471	\$ 5,468,149	\$ 5,118,483
<i>Net Position:</i>						
<i>Invested in capital assets, net of debt</i>	\$ 2,084,674	\$ 2,163,516	\$ 1,551,562	\$ 1,644,250	\$ 3,636,236	\$ 3,807,766
<i>Restricted</i>	-	-	-	-	-	-
<i>Unrestricted</i>	1,467,319	1,796,970	(827,757)	(633,263)	639,562	1,163,707
<i>Total Net Position</i>	\$ 3,551,993	\$ 3,960,486	\$ 723,805	\$ 1,010,987	\$ 4,275,798	\$ 4,971,473

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

Current and other assets

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

Capital assets

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

Non-current liabilities

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

Other liabilities

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

Net assets invested in capital assets, net of related debt

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

Restricted net 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 non spendable, 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 $\frac{1}{2}$ of 1.0% of its equalized assessed valuation (EAV); and
2. The total annual payment extension is no more than \$538,837 for 2012 levy (last year the annual maximum was \$523,046).

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

Funding Firefighters Pension Fund

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

Liability Deductible Policy

Implementation of GASB 54 requires that resources intended to be used for reserved liability claims to be assigned as a claim on fund balance that would otherwise be unassigned. Village staff monitors annual IRMA contribution savings due to having a higher deductible versus claim losses. The current deductible level is \$100,000 with the \$250,000 level being evaluated at the November Village Board meeting. Each year this deductible level will be re-evaluated. Following Board discussion, the Village retained the \$100,000 for 2012.

IRMA Excess Surplus (NEW)

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. Last year, the Village left the reserve at IRMA where the prior practice had been to apply any reserve to annual contributions. Staff recommends the continued accumulation of reserve at IRMA. In the event the Village has an adverse claim year with higher than expected deductible losses, the Village can apply accumulated credit to the following year annual contribution amount. Following Village Board discussion, the Village will continue to accumulate resources at IRMA, which can be used in the future towards annual contributions.

IMRF Pension Policy

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

Interfund Transfers

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

Long Range Financial Planning

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

Maintaining Legal Appropriations and Budget Amendments

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

Increases in Fees and Charges for Service

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

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, 2014

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

Administrative Staff

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