



VILLAGE OF ALGONQUIN, ILLINOIS

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED APRIL 30, 2018



A MESSAGE FROM THE VILLAGE PRESIDENT

The Village of Algonquin is pleased to present our Popular Annual Financial Report (PAFR) to give you a snapshot of the Village’s financial condition and our strategic priorities. A PAFR summarizes information from the Village’s Comprehensive Annual Financial Report (audit) into a short document that is readily accessible and easily understandable to our residents and other interested parties without necessarily needing a background in public finance to read it.

The fiduciary responsibilities that we have as a Village Board are taken very seriously. We work tirelessly to set policy that is fiscally-disciplined and that provides our community with great value to meet the service needs of today, while making sound investments in our operations and infrastructure for a successful tomorrow.

If you haven’t already, I encourage you to visit our Transparency Portal online at www.algonquin.org/transparency to review the specific information about the Village’s finances, including our budgets, comprehensive annual financial reports, expense transactions, Treasurer’s reports, and much more. If you have specific questions regarding these reports, please contact our Finance staff online at www.algonquin.org/finance or by phone at 847-658-2700.

Sincerely,



John C. Schmitt
Village President

Did You Know the Village of Algonquin...

- Was incorporated in 1890.
- Operates its government with a President, Clerk and six Trustees elected at-large by voters of the community and appoints a Village Manager to direct day-to-day operations.
- Provides a full range of local government services, including police protection; construction and maintenance of streets and traditional municipal infrastructure; planning and zoning; park and recreational activities; and special events.
- Has a population of 30,046.
- Is the second largest community in McHenry County (Crystal Lake) and sixth largest community in Kane County (Aurora, Elgin, Bartlett, Carpentersville, St. Charles).
- Encompasses 12.4 square miles.

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ALGONQUIN GOVERNMENT



From left to right: Trustee Janis Jasper, Trustee Debby Sosine (seated), Village Clerk Jerry Kautz, Village President John Schmitt (seated), Trustee John Spella, Trustee Jerry Glogowski (seated), Trustee Jim Steigert, Trustee Laura Brehmer.

STATEMENT OF NET POSITION

This Statement of Net Position is presented in much more detail in the Village's Comprehensive Annual Financial Report. This is a very high-level summary that captures total assets and liabilities and compares them to prior years. This may serve as a useful overall indicator of the Village's financial position and trends over the last two years.

The Village's activities are presented in two categories. Governmental activities include most of the Village's core services, such as general government (administration, building, and zoning), public safety (police), and public works (street, parks and forestry maintenance). Property taxes and state shared revenues (including sales tax) finance most of these activities. Business-type activities are the Water and Sewer utility, which is primarily financed through user fees and charges.

The largest portion of the Village's net position reflects its investment in capital assets such as land, buildings and improvements, vehicles, machinery and equipment, and construction, less any outstanding debt used to acquire those assets. The Village uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

There are several significant transactions that have had an impact on the Statement of Net Position for the year ended April 30, 2018. **The increase in current and other assets is attributable to an increase in cash and investments held by the Village due to increased revenues and decreased expenses.** When compared to 2017, general government expenses decreased by 16 percent (\$0.8 million),

public safety expenses decreased by 6 percent (\$0.5 million), and public works expenses decreased by 19 percent (\$2.4 million). Most notably, fewer capital improvement projects in 2018 account for a significant amount of the decrease in expenses. The Village's "pay-as-you-go" capital funding strategy accumulates cash reserves to fund projects in future years.

Long-term liabilities decreased by approximately \$4.7 million from 2017. Of this amount \$1.3 million was attributable to the retirement of principal for the Village's two outstanding general obligation bonds. An additional \$3.4 million represent **reductions in unfunded liabilities** for the Village's two pension programs: Algonquin Police Pension Fund and Illinois Municipal Retirement Fund (IMRF).

Statement of Net Position for the year ended April 30, 2018

	2018	2017
Assets		
Current and other assets	\$57,292,644	\$54,508,810
Capital assets, net	\$236,172,396	\$236,642,944
Total assets	\$293,465,040	\$291,151,754
Deferred outflows	\$736,608	\$2,346,391
Liabilities		
Current and other liabilities	\$5,350,401	\$5,726,792
Long-term liabilities	\$23,490,855	28,180,773
Total liabilities	\$28,841,256	\$33,907,565
Deferred inflows	\$10,741,635	\$9,314,105
Net Position	\$254,618,757	\$250,276,475

STATEMENT OF ACTIVITIES

Statement of Activities, often referred to as the Village’s income statement, reflects all of the financial activity for the Village during the fiscal year ended April 30, 2018. This statement presents information to show how the Village’s net position changed during the year as a result of the financial activity (i.e., revenues and expenses). Over time, increases or decreases in net position may serve as a useful indicator of whether the Village’s financial position is improving or deteriorating. Below is a summarized version of the detailed statement of activities found in the Village’s Comprehensive Annual Financial Report.

Statement of Activities for the year ended April 30, 2018

	2018	2017
Revenues	\$37,698,693	\$34,654,616
Expenses	\$33,356,411	\$36,493,264
Changes in net position	\$4,342,282	\$(1,838,648)
Net position (beginning of year)	\$250,276,475	\$252,115,123
Net position (end of year)	\$254,618,757	\$250,276,475

The Statement of Activities shows that the Village’s total net position has improved over the beginning net position. Recent revenue trends reflect an increase of \$3.0 million in total revenues, largely due to an increase in the water and sewer rates/fees that became effective in November 2017 (\$1.4 million), as well as an increase in building permit revenue (\$0.2 million) due to an increase in new housing starts in Algonquin.

The revenues from the water and sewer rate increase are dedicated to funding capital infrastructure replacement as identified in the Water and Sewer Rate and Fee Study performed in January 2016.

Other sources of revenue, such as capital grants and contributions, account for an increase of \$1.3 million, most notably the contribution of funding from the State of Illinois for the construction of Highland Avenue through the Federal Aid Urban (FAU) program.

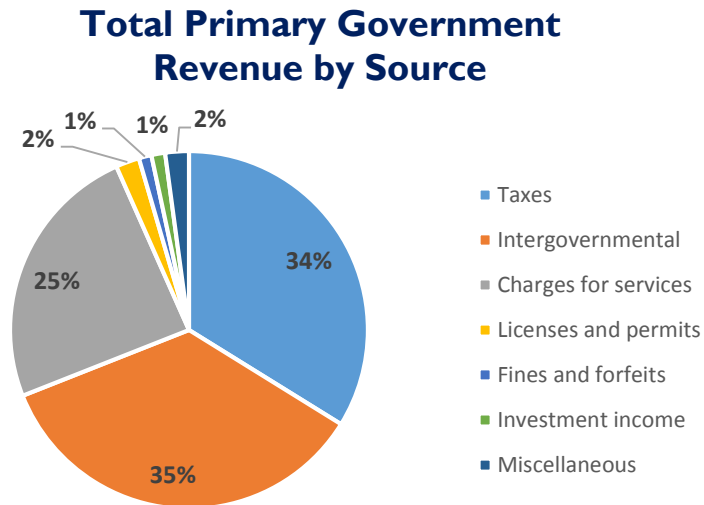
Total expenses decreased \$3.1 million, or 9 percent, primarily due to the completion of various capital projects such as the road construction of Highland Avenue, Copper Oaks Subdivision (Cumberland Parkway), Stonegate Road, Countryside Drive, Huntington Drive, and Par Drive. Notable capital improvement project expenses in 2018 include road construction in the Glenmoor Subdivision (\$1.5 million) and Old Town streetscape improvements (\$2.0 million).

Major Business-type activities expenses including capital projects such as Wastewater Treatment Facility phase 6B improvements (\$0.4 million) and an emergency water system interconnect (\$0.1 million) with the Village of Carpentersville. Additionally, water system distribution improvements (\$0.7 million) were performed in the Gaslight Subdivision area. This work includes the installation of pressure reducing valves to maintain system integrity and reduce energy costs.

The Village’s overall financial condition is strong and stable and current financial policies have provided opportunities for continued investment in programs and services that make Algonquin great.

REVENUES

The Village Board and management are focused on efforts to maintain long-term financial health through diversified revenue sources while strategically investing in community initiatives. These decisions range from increasing efficiencies to using valuable intergovernmental partnerships to maintain municipal service value to residents.



Over 90 percent of Village revenues are comprised of the following categories: intergovernmental, taxes, and charges for services. Intergovernmental revenues are distributed by the State of Illinois and include sales and use tax and income tax. Locally assessed taxes include property tax and home rule sales tax. The charges for services category is made up of primarily water and sewer utility user fees. **Overall, the Village benefits from large concentrations of sales tax and home rule sales tax revenue, as a significant portion of this revenue stream is paid by non-residents.**

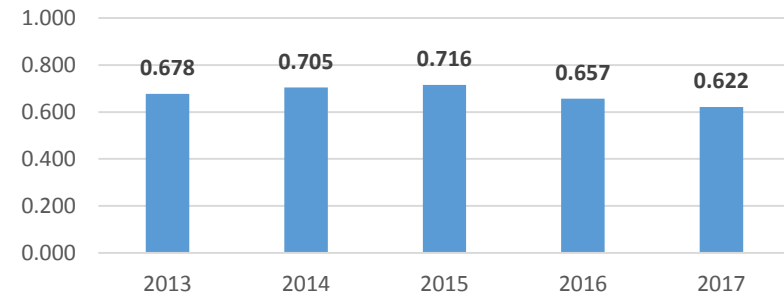
Several taxing bodies comprise local property tax bills in Algonquin. **The Village portion of the property tax is approximately 6 percent.** In other words, for every dollar that is paid by residents in property tax, the Village receives six cents. Schools, fire protection, county, and other taxing bodies (library, township, conservation, community college, etc.) comprise the remainder of the property tax bill.

Property Tax Breakdown



The Village's property tax is at the lowest rate in the past five years. Recent property tax levy freezes, combined with new construction growth and increases in equalized assessed valuation, have led to lower property tax rates.

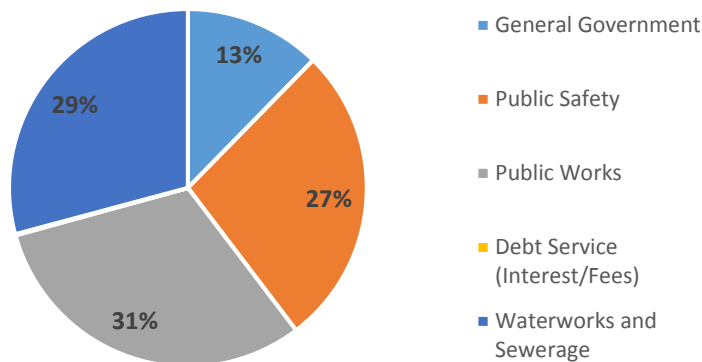
Property Tax Rate History



EXPENSES

This chart illustrates the uses and percentages of the Village's expenses across all funds totaling \$33.3 million for the fiscal year ending 2018. The majority of expenses relate to Public Works (operations, maintenance, and construction), waterworks and sewerage, and public safety (police).

Total Primary Government Expense by Source



General Government expenses are incurred by the Village's administrative departments, including the Village Manager's Office, Finance, Human Resources, Innovation & Technology, Recreation, Community Development and other non-departmental costs.

Public Safety expenses are those incurred by the Village to provide police services to the public.

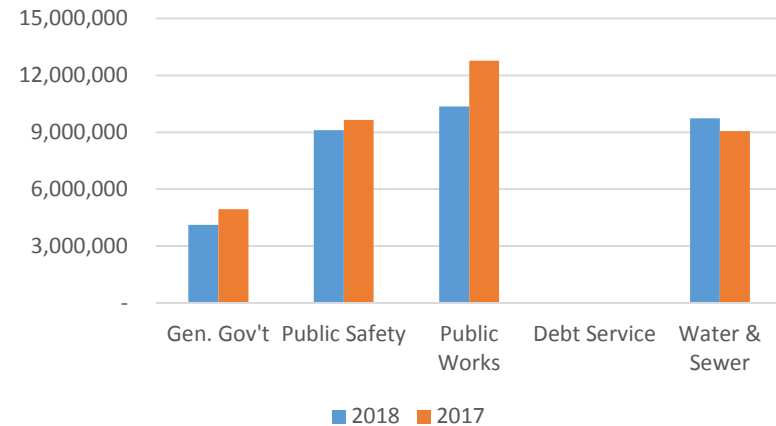
Public Works expenses are related to the design, construction, maintenance and operation of all roadways, sidewalks, trails,

parks, forestry, drainage and related infrastructure within the Village.

Debt Service (Interest/Fees) reflects the interest costs for long-term debt, such as bonds and loans. This does not include any interest costs on water/sewer-related debt.

Water and Sewer expenses are those incurred by the Village to provide 1.) water pumping, treatment, distribution and 2.) sanitary sewer conveyance and treatment services to the public.

Total Primary Government Expenses Year-to-Year Comparison

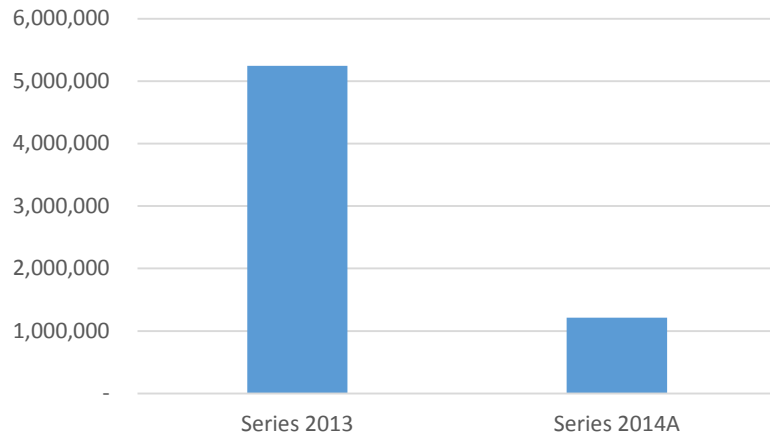


A year-to-year comparison of expenses show across the board decreases in expenses for all governmental activities (general government, public safety, public works, debt service interest) categories and an increase in expenses for business-type activities. The decrease in governmental can be attributed to several one-time projects that occurred in 2017 that are now complete. Increased expenses for water and sewer include engineering and capital improvements pursuant to water and sewer master plans.

LONG-TERM DEBT

As of April 30, 2018, the Village had \$6.5 million in long-term debt outstanding with \$1.5 million due within one year. The majority of the outstanding debt relates to the expansion of the Wastewater Treatment Facility (Series 2013). The date of maturity for this debt is April 1, 2025. The remainder of the debt relates to the construction of the Public Works Facility, which matures April 1, 2020 (Series 2014A). The chart below depicts the Town's outstanding debt for the fiscal year ended April 30, 2018.

Total General Obligation Debt by Bond Issue

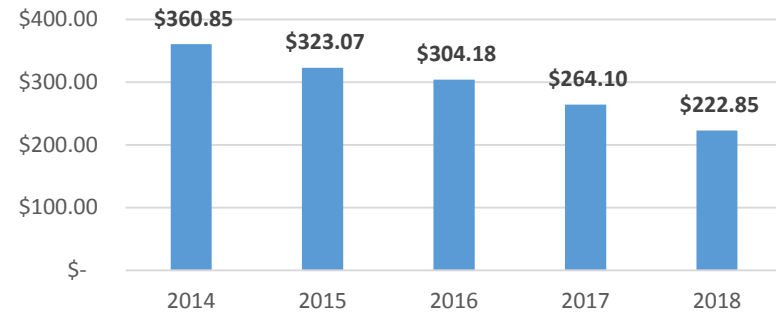


General obligation bonds are direct obligations and pledge the full faith and credit of the Village and are payable from both governmental funds and business-type funds. These bonds are used to finance long-lived capital improvements, including the construction and improvement of Village facilities. State sales tax is pledged as repayment for the Public Works Facility construction debt. Water and sewer utility revenues are

pledged as repayment for the Wastewater Treatment Facility expansion debt. **The Village will have fulfilled all of its debt obligations in the next seven years**, provided any new debt is not incurred.

The Village continues to maintain excellent investment grade ratings on its outstanding general obligation bonds, rated “AAA” by Standard & Poor’s rating service. **The AAA rating is the highest possible rating the agency provides**, and indicates a minimal risk to investors and achieves cost-savings to the Village via lower interest rates. This is largely achieved by the Village Board’s goal of strong financial management by continuing to diversify the Village’s revenue base and maintaining strong fund balance reserves in the General Fund.

Bonded Debt Per Capita



The graphic above displays the Village’s bonded debt per capita. The level of debt per capita is a good measure of a government’s ability to pay its debt service costs through its current levels of tax revenue. The lower the level, the greater capacity the government has. **The Village’s bonded debt per capita has decreased 38 percent in the five-year period shown** and will continue this trend as the Village continues to pay off its debt service.

ABOUT PAFR

We are proud to present the Village of Algonquin Popular Annual Financial Report (PAFR) for the fiscal year ended April 30, 2018. The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Village of Algonquin and other interesting information for citizens who want a better understanding of the Village's finances. The financial information in the PAFR is taken from the Village's Comprehensive Annual Financial Report (CAFR). The CAFR outlines the Village's financial position and operating activities each fiscal year presented in conformity with generally accepted accounting principles (GAAP) and includes financial statements audited by Sikich, LLP, an independent firm of certified public accountants. The auditors' report concluded that the financial statements fairly reflect the financial condition of the Village in all material respects.

While the numbers in the PAFR come from an audited source, they are presented in a summarized, unaudited non-GAAP format that is more accessible to the public. Citizens who wish to review the audited, GAAP-based, full disclosure financial statements can refer to the Village's CAFR available on the Village's website at www.algonquin.org/transparency or contact the Village at 2200 Harnish Drive, Algonquin, IL 60102. For more information, please contact Michael Kumbera, Assistant Village Manager, at michaelkumbera@algonquin.org or Susan Skillman, Comptroller, at susanskillman@algonquin.org.

