



*VILLAGE OF ALGONQUIN, ILLINOIS*

# **POPULAR ANNUAL FINANCIAL REPORT**

*FOR THE FISCAL YEAR ENDED APRIL 30, 2019*

## 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](http://www.algonquin.org/transparency) to review the specific information about the Village's finances, including our budgets, Comprehensive Annual Financial Reports (CAFR), 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](http://www.algonquin.org/finance) or by phone at 847-658-2700.

Sincerely,



John C. Schmitt  
Village President



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## ABOUT ALGONQUIN



### Algonquin Quick Facts...

Incorporated	February 25, 1890
Government type	Council-Manager
Full-time Employees	128
Area	12.23 sq. miles
Population	30,046
Median Age	40.2 years
Households	10,590
Median Home Value	\$249,800
Median Family Income	\$103,291
Population with Bachelor's Degree	43.9%
Unemployment Rate	3.6%
Poverty Rate	3.7%

Statistical information above provided by the United States Census Bureau.

## Algonquin Government

Algonquin is formally organized under the Trustee-Village form of government, and combines the strong political leadership of elected officials with the strong professional experience of an appointed local government administrator. The Board consists of a President, six Trustees, and a Village Clerk, elected at-large to serve overlapping four-year terms.



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.

## Major Accomplishments & Initiatives

Village staff, following specific goals of the Village Board and Village Manager, have been involved in a variety of projects throughout the year. These reflect the Village's commitment to ensuring that citizens are provided cost effective and quality services. These projects include:

- The Village implemented its water meter exchange program to replace approximately 11,000 meters with a new fixed-based network and automated reading process;
- Renegotiated contract with Groot for refuse collection that reduced rates for sticker customers by 14 percent and cart customers by 22 percent;
- The Village revised its police pension funding policy to adopt a 15-year layered model to more aggressively fund unfunded pension liabilities;
- The first phase of construction for the Old Town Algonquin revitalization was substantially completed throughout the year.

## 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 and business-type activities. 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 made up of 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, 2019. **The decrease in current and other assets is primarily attributable to the use (decrease) of accumulated cash and investments held by the Village to fund capital expenses.** When compared to 2018, general government expenses increased by 18 percent (\$0.9 million), public safety expenses increased by 3 percent (\$0.3 million), public works expenses increased by 6 percent (\$0.7 million) and water and sewer expenses increased by 14 percent (\$1.4 million).

Most notably, capital improvement projects in 2019 account for a significant amount of the increase in expenses. The Village's "pay-as-you-go" capital funding strategy accumulates cash reserves to fund projects in future years.

### Statement of Net Position for the Fiscal Year Ended April 30, 2019

	2019	2018
<b>Assets</b>		
Current and other assets	\$54,853,616	\$57,292,644
Capital assets, net	\$239,825,700	\$236,172,396
<b>Total assets</b>	<b>\$294,679,316</b>	<b>\$293,465,040</b>
<b>Deferred outflows</b>	<b>\$4,083,246</b>	<b>\$736,608</b>
<b>Liabilities</b>		
Current and other liabilities	\$6,603,712	\$5,350,401
Long-term liabilities	\$27,492,142	\$23,490,855
<b>Total liabilities</b>	<b>\$34,095,854</b>	<b>\$28,841,256</b>
<b>Deferred inflows</b>	<b>\$9,470,041</b>	<b>\$10,741,635</b>
<b>Net Position</b>	<b>\$255,196,664</b>	<b>\$254,618,757</b>

**Long-term liabilities increased by approximately \$4.0 million from 2018.** While the Village continued to pay down debt principal of \$1.3 million in 2019 from its two outstanding general obligation bonds, liabilities grew in the Village's Illinois Municipal Retirement Fund (IMRF) pension program and for other post-employment benefits (OPEB). Specifically, a change in the investment returns assumption for IMRF from 7.50 percent to 7.25 percent coupled with poor investment returns in the fourth quarter of 2018 caused a \$3.9 million increase in long-term pension liability. Additionally, new financial reporting requirements for 2019 now recognize additional OPEB liabilities (disability and health insurance) which added \$0.7 in additional long-term liabilities.

## 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, 2019. 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 Net Position for the Fiscal Year Ended April 30, 2019

	2019	2018
Revenues	\$38,412,624	\$37,698,693
Expenses	\$36,683,551	\$33,356,411
Changes in net position	\$577,887	\$4,342,282
Net position (beginning of year)	\$254,618,757	\$250,276,475
<b>Net Position (end of year)</b>	<b>\$255,196,664</b>	<b>\$254,618,757</b>

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 \$0.8 million in total revenues, largely due to an increase in the water and sewer rates/fees that became effective in November 2018 (\$1.0 million), as well as an increase in income tax revenue (\$0.3 million). These increases offset modest declines in state sales tax (\$0.1 million), home rule sales tax, telecommunications tax, and franchise fees. 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.

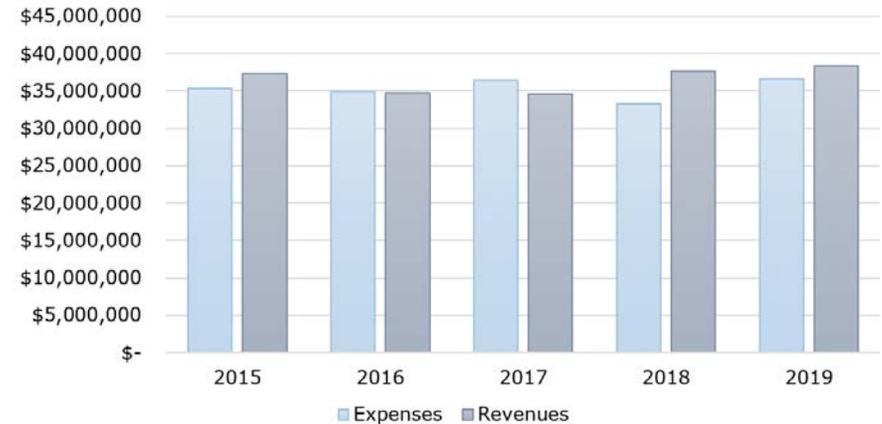
**Total expenses increased \$3.3 million, or 10 percent, primarily**

**due to the completion of various capital projects.** Some of the more substantial capital projects that occurred during the year include:

- Old Town (Downtown) Streetscape Improvements (including water/sewer): \$9,000,000
- Creeks Crossing Park: \$500,000
- Crystal Creek Bridge Replacement: \$300,000
- Wastewater Treatment Facility Improvements: \$500,000
- Crystal Creek Improvements: \$200,000

The construction that occurred in Old Town Algonquin during 2019 is part of a multi-year effort to revitalize the Old Town Algonquin area to support local businesses and encourage private investment in the immediate area. A tax increment financing (TIF) district was established in the Old Town area in 2014 to further advance this outcome.

### Revenue and Expense History



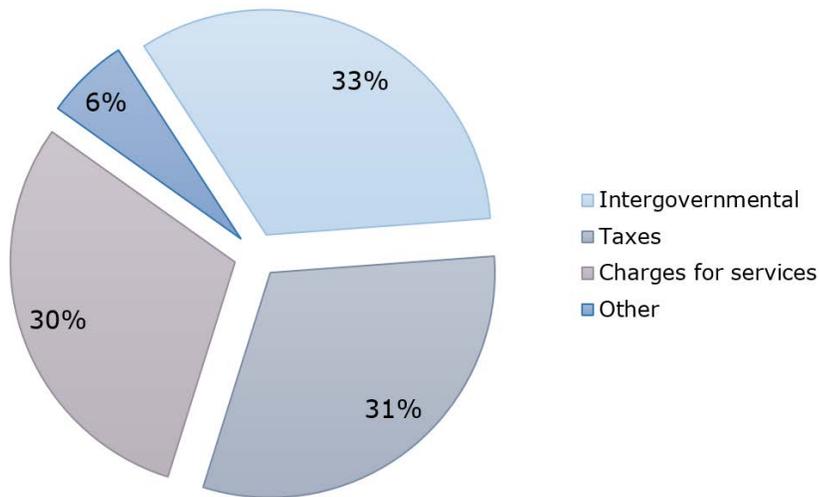
**Revenues and expenses over the five-year period shown above are stable.** Minor year-to-year fluctuations in which expenses exceed revenues are indicative of planned drawdowns of cash reserves that are accumulated and designated for infrastructure projects.

**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.

### Total Primary Government Revenue by Source



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.**

## Property Tax Breakdown



Category	Percentage
School	60%
Fire	10%
County	9%
Village	6%
Other	15%

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 History

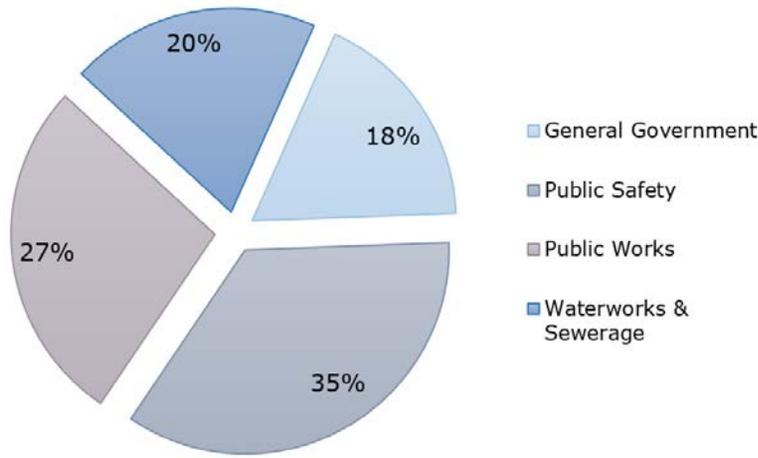


**The Village's property tax is at the lowest rate in the past five years.** Recent property tax levy freezes, combined with new construction growth and increases in equalized assessed valuation, have led to lower property tax rates.

## EXPENSES

This chart illustrates the uses and percentages of the Village's expenses across all funds totaling \$38.4 million for the fiscal year ending 2019. **The majority of expenses relate to waterworks and sewerage, public safety (police), and Public Works (operations, maintenance, and construction).**

### 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.

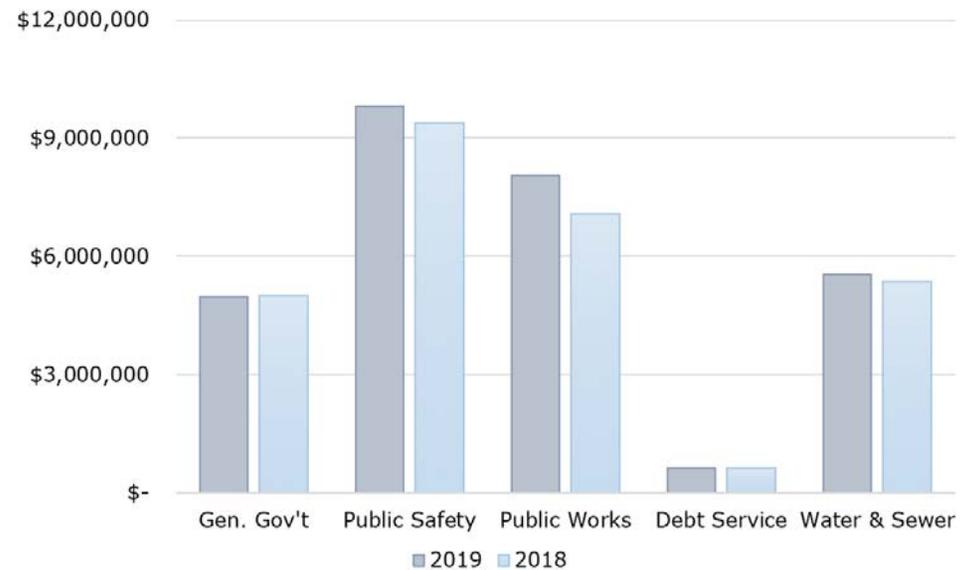
Public Works expenses are related to the design, construction, maintenance, and operation of all roadways, sidewalks, trails, parks, forestry, drainage, and related infrastructure within the Village.

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. pumping, treatment, and distribution of potable water;
2. sanitary sewer conveyance and treatment of wastewater.

### Total Primary Government Expenses Year-to-Year Comparison



**A year-to-year comparison of expenses show increases in every category except general government.** The increase in public safety expenses can be attributed to personnel costs (salaries and pension expense), vehicle and equipment purchases, and legal/professional services expenses. Increases in public works and water/sewer expenses are primarily attributed to growth in the use of contracted services and outsourced for maintenance activities. A very modest increase in debt service expense is due to the established principal and interest schedule for existing bond issues.

# REVENUE AND EXPENSE TRENDS

## Revenue Trends

The General Fund, which serves as the Village’s primary checking account to fund day-to-day operations, is comprised of several sources of revenue (or income). Similar to a typical household, there are a couple of revenue streams that make up most of the Village’s overall revenue. **This includes sales tax, property tax, and income tax. These revenues sources account for approximately 85 percent of General Fund revenue.**

### General Fund Revenues by Source

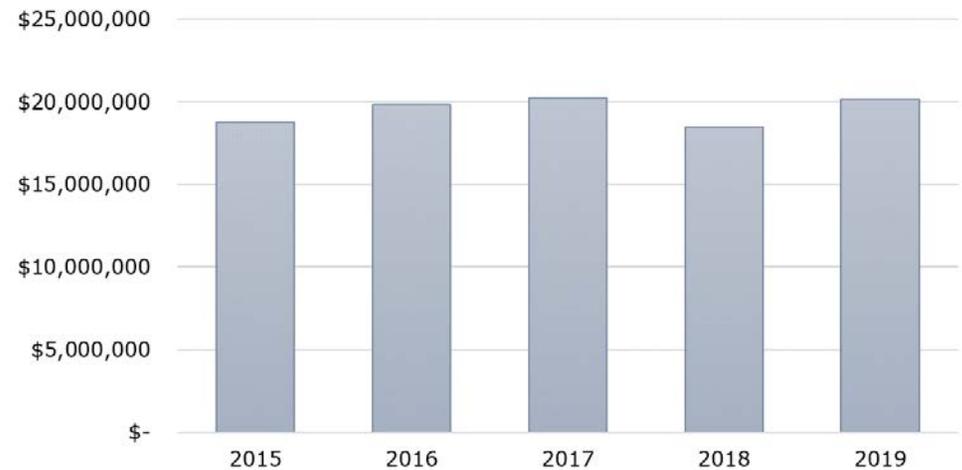


In the five-year period shown above, the three major revenue sources in aggregate are flat, comprising of approximately \$17.3 million of revenue annually. Sales tax, the largest of the three revenue sources, decreased in 2019 by \$115,000. This is the first time since 2013 that this revenue item decreased. **Property tax over this period is flat as a result of Village Board policy to freeze the Village’s annual levy, further reducing the total tax levy below year 2008 levels.** Income tax increased by \$327,000 in 2019, which offsets the decrease in sales tax for the Village and offers some modest revenue growth to fund Village operations.

## Expense Trends

In 2019, the Village had \$20.1 million in General Fund expenses, which includes transfers to other funds. **Of this total, approximately \$9.8 million (49 percent) was allocated to police and public safety.** Public Works is the next largest expense category in the General Fund, allocating approximately \$4.4 million for day-to-day maintenance activities.

### Total General Fund Expenditure History

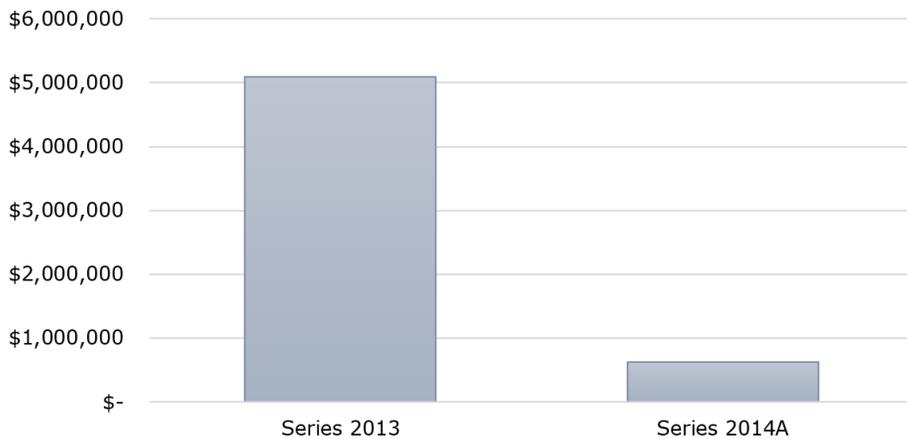


Over the five-year period shown, the annual rate of growth in General Fund expenses (including transfers) is 1.9 percent, which is equal to the annual rate of inflation during the same period. **Personnel expenses, which include salaries, health insurance, pension, social security/Medicare, etc. are the largest category in the General Fund comprising of 65 percent of overall expenses.** Since 2015, these expenses have been reduced by 4 percent to \$12.9 million through a combination of reducing overtime, pooling of health insurance with other municipalities, increasing the use of part-time/seasonal employees, and utilizing contracted services.

## LONG-TERM DEBT

As of April 30, 2019, the Village had \$5.7 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 Village's outstanding debt for the fiscal year ended April 30, 2019.

### 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 six 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 45 percent in the five-year period shown** and will continue this trend as the Village continues to pay off its debt service.

## ABOUT PAFR

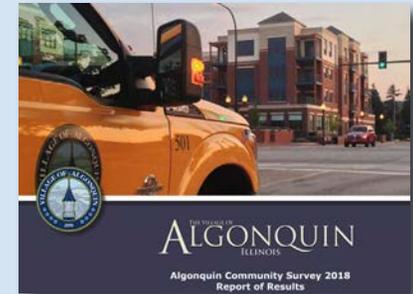
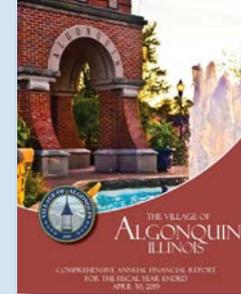
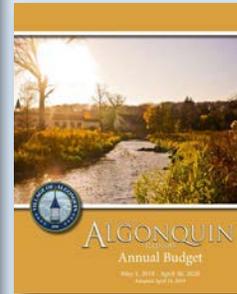
We are proud to present the Village of Algonquin Popular Annual Financial Report (PAFR) for the fiscal year ended April 30, 2019. The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Village of Algonquin and other interesting information for citizens who want 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](http://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 [michaellkumbera@algonquin.org](mailto:michaellkumbera@algonquin.org) or Susan Skillman, Comptroller, at [susanskillman@algonquin.org](mailto:susanskillman@algonquin.org).



Overlooking the Fox River from the Algonquin shoreline.

## Interested in Learning More?



If you are interested in learning more about the Village, remember that you can view documents such as the Village's budgets, audits, and community surveys online at [www.algonquin.org/transparency](http://www.algonquin.org/transparency).

## Connect with Us at...

### Village Website

At the Village website, [www.algonquin.org](http://www.algonquin.org), visitors may...

- Make payments towards municipal citations and water and sewer utility bills;
- Read official documents such as budgets, audits, and community surveys;
- Submit permit application and Freedom of Information Records Request forms;
- View meeting agendas and minutes of the Village Board, Committee of the Whole, and various Village commissions.

### Algonquin e-News

Subscribe to the Algonquin e-News for monthly updates from the Village at [www.algonquin.org/e-news](http://www.algonquin.org/e-news).

### Social Media

