



VILLAGE OF ALGONQUIN, ILLINOIS

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED APRIL 30, 2020

MESSAGE FROM ACTING 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 (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 or by phone at 847-658-2700.

Sincerely,



Debby Sosine
Acting Village President



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Village of Algonquin
Illinois**

For its Annual
Financial Report
for the Fiscal Year Ended

April 30, 2019

Christopher P. Morill
Executive Director/CEO

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ABOUT ALGONQUIN



Algonquin Quick Facts...

Incorporated	February 25, 1890
Government type	Trustee-Village
Full-time Employees	128
Area	12.23 sq. miles
Population	30,046
Median Age	40.2 years
Households	10,790
Median Home Value	\$250,900
Median Family Income	\$104,532
Population with Bachelor's Degree	44.5%
Unemployment Rate	2.6%
Poverty Rate	3.2%

Statistical information above provided by the United States Census Bureau and Illinois Department of Employment Security.

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, and 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. Some notable items include:

- The Village completed its water meter exchange program to replace approximately 11,000 meters with a new fixed-based network and automated reading process;
- Additional construction for the Old Town Algonquin revitalization was substantially completed throughout the year, including the completion of the Crystal Creek (Main Street) bridge;
- The Village began its Parks & Recreation Master Plan, which aims to align community input with policy directives to improve the quality of recreation facilities and offerings over the next ten years.

The elected terms of Village President John Schmitt and Village Clerk Jerry Kautz included the period captured in the audit. Unfortunately, they both passed away prior to the publication of these documents.

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, 2020. **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 2019, general government expenses increased by 13 percent (\$0.7 million), public safety expenses increased by 5 percent (\$0.5 million), and water and sewer expenses increased by 4 percent (\$1.1 million). Public works expenses decreased by 12 percent (\$1.3 million) in 2020.

Most notably, capital improvement projects in 2020 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 the current and future years.

Statement of Net Position for the Fiscal Year Ended April 30, 2020

	2020	2019
Assets		
Current and other assets	\$51,155,732	\$54,853,616
Capital assets, net	\$251,157,572	\$239,825,700
Total assets	\$302,313,304	\$294,679,316
Deferred outflows	\$3,874,938	\$4,083,243
Liabilities		
Current and other liabilities	\$8,052,959	\$6,603,712
Long-term liabilities	\$30,225,150	\$27,492,142
Total liabilities	\$38,278,109	\$34,095,854
Deferred inflows	\$10,078,496	\$9,470,041
Net Position	\$257,831,637	\$255,196,664

Long-term liabilities increased by approximately \$4.4 million from 2019. The Village continued to pay down debt principal of \$1.3 million during fiscal year ending 2020. A final payment of \$0.6 million was made on General Obligation Refunding Bond Series 2014A, and a payment of \$0.7 million was made on General Obligation Refunding Bond Series 2013. The Village's overall long-term liabilities increased by \$4.4 million, or by 14 percent. The increase was largely due in part to a loan that was secured during the fiscal year through the Illinois Environmental Protection Agency (IEPA) for \$3.7 million in water and sewer improvements, which will have a repayment period that begins in the following fiscal year.

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, 2020. 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, 2020

	2020	2019
Revenues	\$40,180,964	\$38,412,624
Expenses	\$37,545,991	\$36,683,551
Changes in net position	\$2,634,973	\$577,887
Net position (beginning of year)	\$255,196,664	\$253,467,591
Net Position (end of year)	\$257,831,637	\$255,196,664

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 \$2.6 million in total revenues, largely due to a loan issuance through the Illinois Environmental Protection Agency (IEPA) (\$3.6 million), as well as an increase in the water and sewer rates/fees that became effective in November 2019 (\$0.8 million) and an 11 percent increase in state shared income tax. These increases offset declines in revenues that resulted from COVID-19. During this period, sales and use tax decreased 4 percent, home rule sales tax decreased 8 percent, utility tax decreased 7 percent, and telecommunications tax 15 percent.

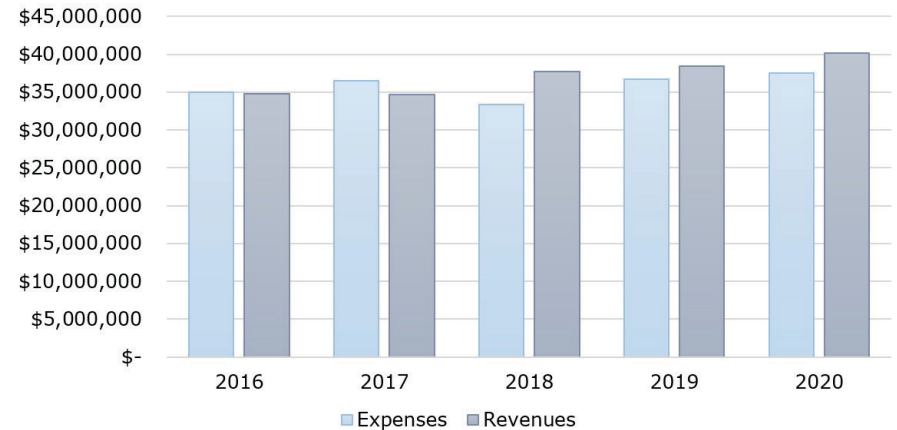
Total expenses increased \$0.9 million, or 2 percent, primarily

due to 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): \$8.5 million;
- Water Treatment Plant Improvements: \$2.2 million;
- Sleepy Hollow Road Construction: \$3.0 million;
- Terrace Hill Road Construction: \$1.0 million;
- Crystal Creek Bridge Replacement: \$1.0 million.

The construction that occurred in Old Town Algonquin during 2020 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



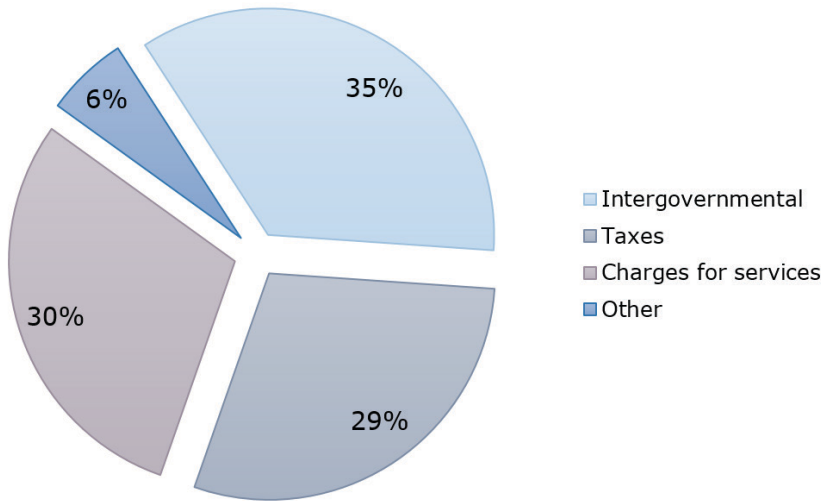
Revenues and expenses over the five-year period shown above are stable. Minor year-to-year fluctuations in which expenses exceed revenues are indicative of planned drawdowns of cash reserves that are accumulated and designated for infrastructure projects.

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.**

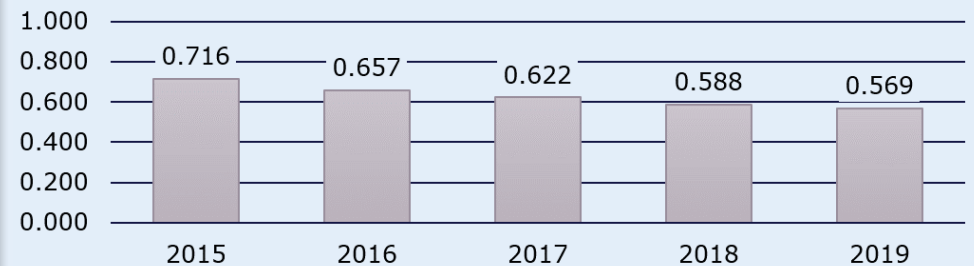
Property Tax Breakdown



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

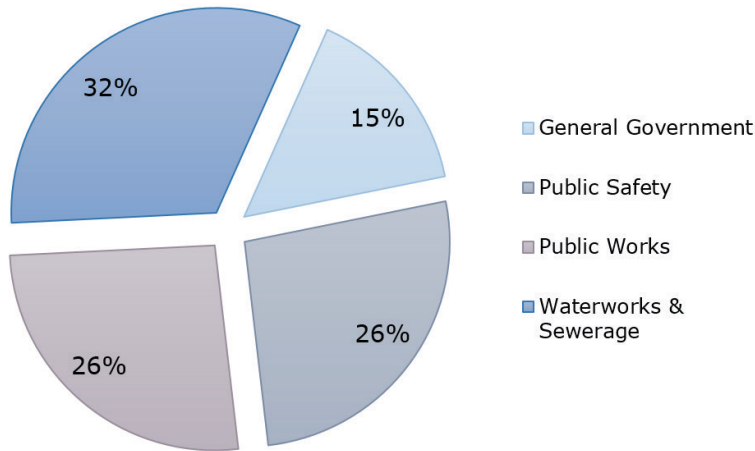


The Village's property tax is at the lowest rate in the past five years. Recent property tax levy freezes, combined with new construction growth and increases in equalized assessed valuation, have led to lower property tax rates.

EXPENSES

This chart illustrates the uses and percentages of the Village's expenses across all funds totaling \$37.6 million for the fiscal year ending 2020. **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.

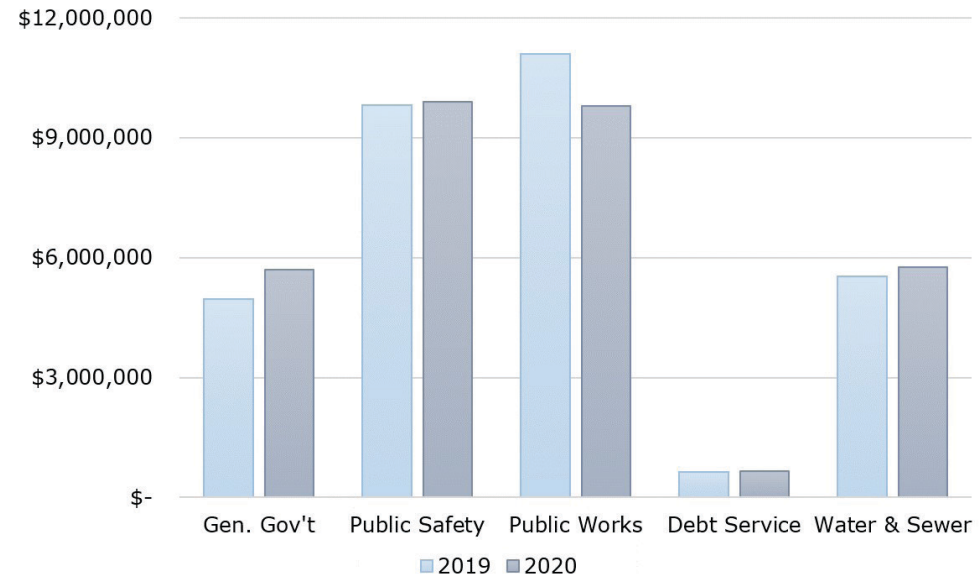
Public Works expenses are related to the design, construction, maintenance, and operation of all roadways, sidewalks, trails, parks, forestry, drainage, and related infrastructure within the Village.

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



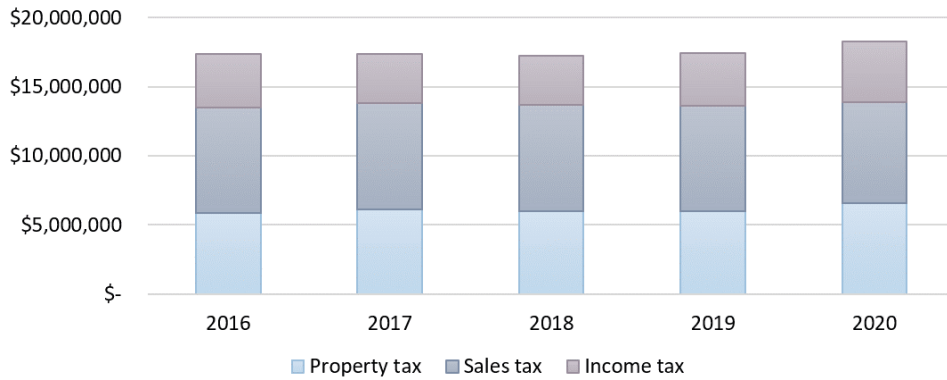
A year-to-year comparison of expenses show increases in every category except general government. The increase in public safety expenses can be attributed to personnel costs (salaries and pension expense), vehicle and equipment purchases, and legal/professional services expenses. Increases in public 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

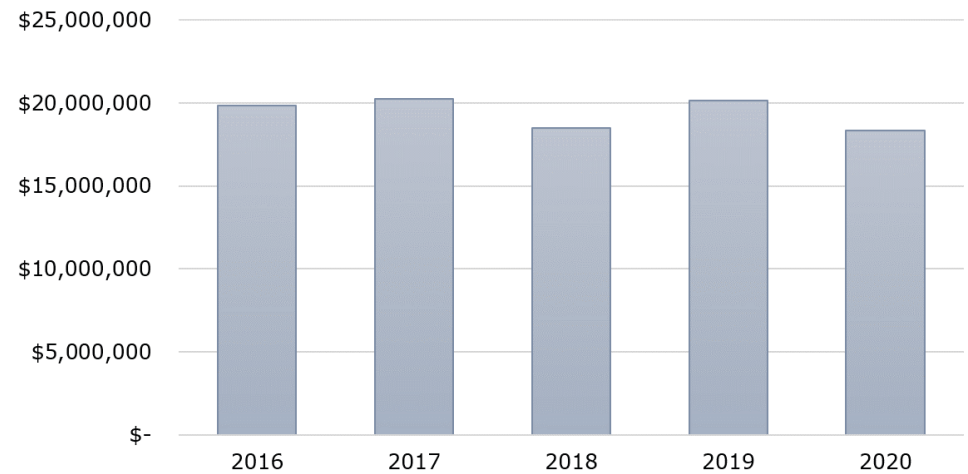


In the five-year period shown above, the three major revenue sources in aggregate are flat, comprising of approximately \$18.2 million of revenue annually. Sales tax, the largest of the three revenue sources, decreased in 2020 by \$273,000. This is the second consecutive year that this revenue item decreased since 2013. **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 \$490,000 in 2020, which offsets decreases in other tax revenues for the Village and offers some additional revenue to fund Village operations and mitigate the initial impacts of COVID-19.

Expense Trends

In 2020, the Village had \$21.7 million in General Fund expenses, which includes transfers to other funds. **Of this total, approximately \$9.6 million (44 percent) was allocated to police and public safety.** Public Works is the next largest expense category in the General Fund, allocating approximately \$4.1 million for day-to-day maintenance activities.

Total General Fund Expenditure History

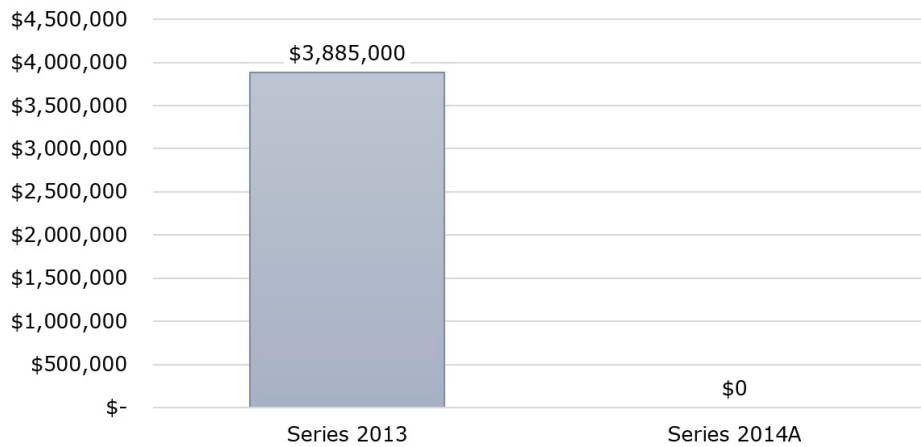


Over the five-year period shown, the annual rate of growth in General Fund expenses (including transfers) has declined 1.7 percent. **Personnel expenses (salaries, health insurance, pension, social security/Medicare, etc.) are the largest expense category in the General Fund, comprising of 60 percent of overall expenses.** Since 2019, these expenses have been reduced by 5 percent, or \$10.7 million, through a combination of reducing overtime, pooling health insurance benefits with other municipalities, increasing the use of part-time and seasonal employees, and utilizing contracted services.

LONG-TERM DEBT

As of April 30, 2020, the Village had \$7.6 million in long-term debt outstanding with \$0.7 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. Debt related to the construction of the Public Works Facility (Series 2014A), matured April 1, 2020, and is no longer outstanding. The chart below depicts the Village's outstanding debt for the fiscal year ended April 30, 2020, with Series 2014A shown as paid in full.

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. Water and sewer utility revenues are pledged as repayment for the Wastewater Treatment Facility expansion debt. The Village has also secured a loan through the IEPA. The loan has not yet entered repayment and will not be recognized until the 20/21 fiscal year.

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

ABOUT PAFR

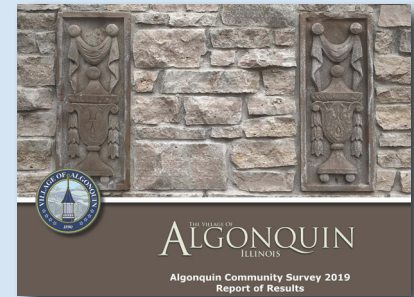
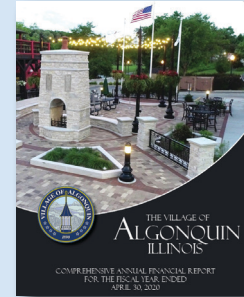
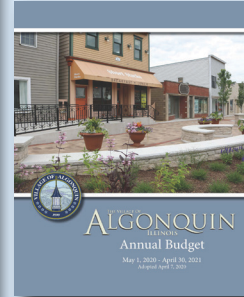
We are proud to present the Village of Algonquin Popular Annual Financial Report (PAFR) for the fiscal year ended April 30, 2020. The purpose of the PAFR is to provide a user-friendly summary of the financial position of the Village of Algonquin and other interesting information for citizens who want 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 michaellkumbera@algonquin.org or Susan Skillman, Comptroller, at susanskillman@algonquin.org.



The Old Town Algonquin Streetscape project was mostly completed during the prior fiscal year. The project consisted of many improvements to enhance the aesthetics and infrastructure of the area.

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.

Connect with Us at...

Village Website

At the Village website, 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.

Social Media

