



2017 Popular Annual Financial Report

For Twelve Months Ended December 31, 2017



The City of DeKalb Popular Annual Financial Report

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I am excited to present the Popular Annual Financial Report (PAFR) for Fiscal Year 2017. The PAFR is the Government Finance Officers Association (GFOA) recommended method for communicating the City's financial information in a way that is readily available and easily understandable to the public and other interested parties. In this guide you will find information on the City's economic outlook, an analysis of the City's financial position, and other items related to fiscal health. All of the information included in this document has been taken from the City of DeKalb Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017.

I hope this brief document provides information found helpful to understanding the City of DeKalb's financial status and economic condition. It is a top priority for me as Mayor to provide transparency of government through sound financial reporting to the residents of DeKalb and the public at large. Questions, comments, and feedback are always greatly appreciated, so please do not hesitate to contact the Finance Department at (815) 748-2000.

DeKalb Facts

Geographic Area
15.55 square miles

Government

Mayor, 7-Member City Council
Council-Manager Form of Government

Demographics*

Residents	43,194
Race and Ethnicity	
White alone	73.0%
Black and African American	13.6%
Hispanic or Latino	12.6%
Asian	4.6%
Native Hawaiian/Pacific Islander	<0.1%
American Indian/Alaska Native	0.1%
Two or more races	3.4%
Median Household Income	\$38,647

Education*

High School Graduate or Higher	92.5%
Bachelor's Degree or Higher	38.6%

*Estimated by the 2013 U.S. Census Bureau



Mayor Jerry Smith



Thank you for reading,

Jerry Smith

Mayor, City of DeKalb



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

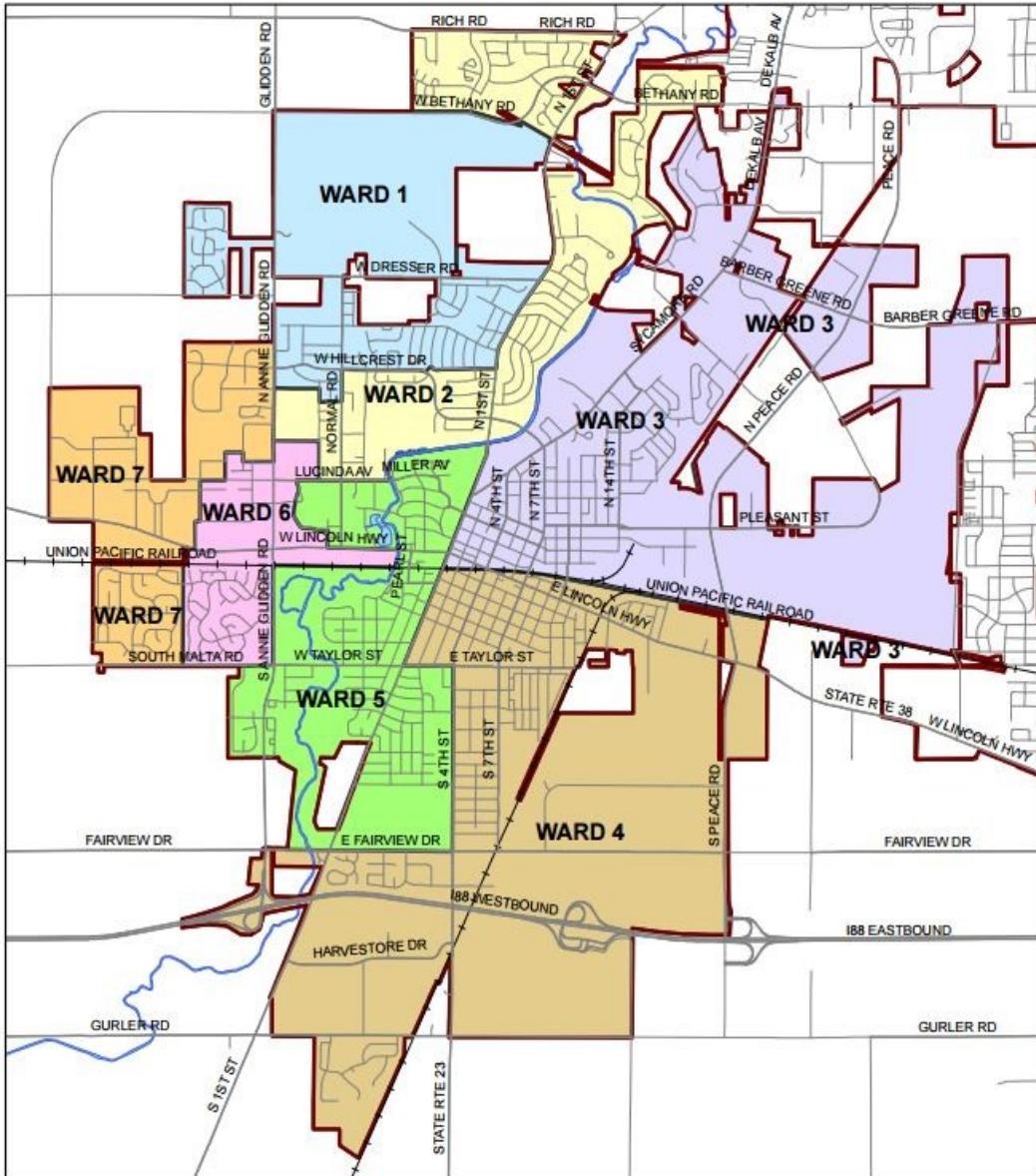
City of DeKalb
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Egan
Executive Director/CEO

Officials and Organization



Top Row:

Mayor Jerry Smith

City of DeKalb Mayor

Alderman David Jacobson

Ward One

Alderman Bill Finucane

Ward Two

Alderman Michael Marquardt

Ward Three

Bottom Row:

Alderman Patrick Fagan

Ward Four

Alderwoman Kate Noreiko

Ward Five

Alderman Mike Verbic

Ward Six

Anthony Faivre

Ward Seven

Community Highlights

The City of DeKalb is an urban community with a vital industrial and commercial base in a rural setting. Home to Northern Illinois University, it is an integral part of the larger metropolitan area. Its downtown is the heart of the community, playing host to numerous events and providing unique dining, shopping, and entertainment options. Its diverse neighborhoods offer a variety of housing options to residents of different economic, ethnic, and lifestyle backgrounds. Its highly educated workforce finds plentiful opportunity for fulfilling work. The community offers a high quality of life with excellent city services, easy mobility around the community, and access to cultural, sports, and educational activities. Its residents are proud to call DeKalb home.

Top Ten Employers

Rank	Employer	Number of Employees
1	Northern Illinois University	3,596
2	KishHealth System	1,443
3	DeKalb School District	860
4	Target Distribution Center	700
5	3M	596
6	Wal-Mar Super Center	475
7	American Marketing & Publishing	358
8	Ideal Industries (DeKalb)	344
9	Sonoco—Alloyd Company	330
10	Nestle Distribution	275



- ⇒ **Local Economy**— The City's three largest sources of revenue have started to show signs of economic vitality. These three largest sources of revenue are property taxes received from the county, sales taxes, both municipal and home rule, and income tax. Sales tax revenues are typically the highest revenue source for the City and are projected to remain stable in the near future.
- ⇒ **Net Position Summary**— The City of DeKalb had a total net position decrease from \$100.8 million to \$97.3 million for the twelve months ending Dec 31, 2017. The decrease is explained below in Government and Business-type activity summaries.
- ⇒ **Government Activity Summary**—Net position attributable to governmental activities saw a decrease in total assets which totaled in \$5.2 million, this was a combination of current and capital assets.
- ⇒ **Business-type Activity Summary**—Net position attributable to business-type activities increased by \$853,679 due mainly to a improved value of assets for the twelve months ending Dec 31, 2017.
- ⇒ **General Fund Summary**— As of Dec 31, 2017, the governmental funds had a combined fund balance of \$23,109,919. This reflects a \$927,707 or 3.9% decrease from the prior fiscal year. The General Fund balance decreased by \$155,321 or 1.7%. The difference between budgeted and actual can be attributed to revenues coming in higher than budgeted parameters and expenditures ending up below budgeted parameters.
- ⇒ **General Fund Budget vs. Actual**—The City had originally budgeted for a \$609,862 increase to the General Fund balance. Actual results for FY17 indicated a decrease in fund balance of \$155,321. This decrease hinged mostly on the income tax revenue from the State coming in approximately \$500,000 less than budgeted due to the State reducing the income tax distribution to municipalities by 10% throughout the State in 2017.
- ⇒ **Capital Assets**—The City's investment in capital assets for both its governmental and business-type activities was \$180.0 million (net of accumulated depreciation). This represents a decrease of \$1.9 million or 1.0% from December 31, 2017.
- ⇒ **Debt Service**— As of December 31, 2017, the City had a total of \$120,218,683 in long-term debt outstanding.

Fiscal Condition

The statement of Net Position (seen below) demonstrates the fiscal condition based on the year's financial activities. The Statement of Net Position functions as a summary balance sheet revealing the total amount of cash, investments, and receivables against what is owed. All of the capital assets are listed at their current value, as well as non-current liabilities (e.g. pension obligations). Year-over-year differences in the net assets can be helpful indicators about the fiscal condition of the City. Consideration of other factors such as changes to the City's property tax base and capital asset status (e.g. road condition) are needed to assess overall health of the organization. Below is a table that combines information about the City's assets and liabilities to illustrate the net position. The statement distinguishes governmental activities (general government, public safety, highways & streets, and economic development) from business-type activities (e.g. waterworks, sewer).

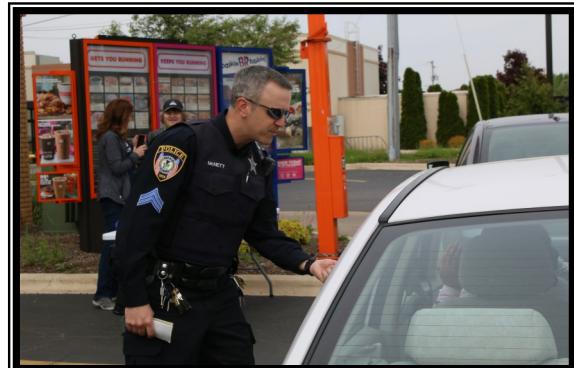
City of DeKalb Assets, Liabilities, and Net Position

	Government Activities		Business-Type Activities		Total Primary Government	
	2017	2016.5	2017	2016.5	2017	2016.5
Assets/Outflows						
Current Assets and Other Assets	\$48,479,277	\$51,059,664	\$7,695,263	\$7,619,474	\$56,174,540	\$58,679,138
Capital Assets	\$175,208,617	\$129,363,259	\$64,979,301	\$56,506,148	\$240,187,918	\$185,869,407
Deferred Outflows	\$10,393,031	\$8,990,269	\$171,920	\$398,930	\$10,564,951	\$9,389,199
Total Assets and Deferred Outflows	\$185,601,648	\$189,413,192	\$65,151,221	\$64,524,552	\$250,752,869	\$253,937,744
Liabilities/Inflows						
Long-Term Liabilities	\$115,717,205	\$118,384,298	\$4,501,478	\$6,730,081	120,218,683	\$125,114,379
Other Liabilities	\$8,592,434	\$10,630,253	\$2,777,694	\$2,051,777	\$11,370,128	\$12,682,030
Deferred Inflows	\$20,554,896	\$15,162,356	\$1,256,841	\$115,224	\$21,811,737	\$15,277,580
Total Liabilities and Deferred Inflows	\$144,864,535	\$144,176,907	\$8,536,013	\$8,897,082	\$153,400,548	\$153,073,989
Net Position						
Net Investment in Capital Assets	\$108,657,023	\$109,971,927	\$54,064,502	\$52,481,077	\$162,721,525	\$162,453,004
Restricted	\$13,672,932	\$13,940,693	\$0	\$0	\$13,672,932	\$13,940,693
Unrestricted (Deficit)	-\$81,592,842	-\$78,676,335	\$2,550,706	\$3,146,393	-\$79,042,136	-\$75,529,942
Total Net Position	\$40,737,113	\$45,236,285	\$56,615,208	\$55,627,470	\$97,352,321	\$100,863,755

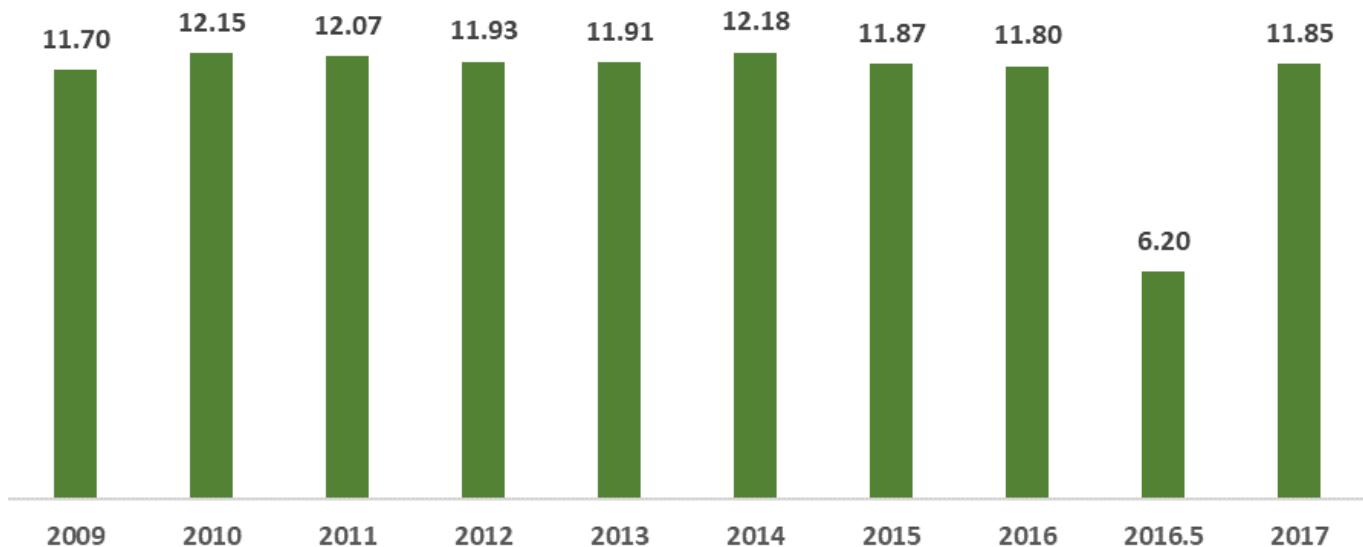
- ⇒ **Net Investment in Capital Assets** — Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- ⇒ **Restricted** — Are funds that are restricted from spending because of constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- ⇒ **Unrestricted (Deficit)** — Net position that is not assigned or not invested in capital assets.

Understanding Sales Tax

Sales taxes are typically the highest revenue source for the City. They are collected by the State and remitted back to the City on a monthly basis (Municipal Retailers Occupation Tax). The general sales tax collected by the State on sales within the corporate boundaries of the City is 6.25%, of which 1% is remitted back to the City. The remainder goes back to the State (5%) and DeKalb County (.25%). In addition, a home rule sales tax of 1.75% is also collected by the State and remitted back to the City on a monthly basis. For FY17 general sales tax revenues were \$5,348,970 compared to Home rule sales tax revenues were \$6,508,901 in FY17.



**Home Rule and Municipal Retailer's Occupation
Sales Tax Revenue - Last 10 Fiscal Years (in millions)**



Source: Illinois Department of Revenue

Sales Tax for the City of DeKalb is broken into four different components to create the Total Sales Tax Rate:

- **City Home Rule Rate:** The sales tax imposed by the City of DeKalb on qualifying purchases (1.75%)
- **Municipal Retailers Occupation Tax:** Tax collected by the State of Illinois on qualifying purchases within a municipality. DeKalb collects a portion of this revenue (1.00% of 6.25%).
- **County Rate:** Tax imposed by DeKalb County on qualifying purchases (0.25%)
- **State Rate:** Tax imposed by the State of Illinois on qualifying purchases (5.00%)
- **Total Sales Tax Rate:** 8.00%



Understanding Property Tax

Each year, the City calculates the necessary funding needed from property taxes (the “levy”). This calculation is based upon the Equalized Assessed Valuation (EAV), or the value of all real property within the City of DeKalb. The result of this analysis affects the City’s property tax rate, or the rate per \$100 in real property value, charged to each property.

Note: Information pertaining to the “Public Library Component Unit” is not included in the tax levy discussion. This information can be found in the Comprehensive Annual Financial Report (CAFR). Additionally, actual revenues collected for 2018 are not yet available.

As indicated by the graphic below, the City of DeKalb receives 8.98 percent of every dollar of property tax collected. The remaining portion of each dollar, 91.02 cents, is allocated to other taxing districts. This important revenue source is used to pay for the City’s employer contributions to the Illinois Municipal Retirement Fund, the Police pension, and Fire pension. The City abates all debt payments with the exception of 2013A issuance for the Library which is a component unit of the City.



Fiscal Year 2016 Tax Levy Allocation

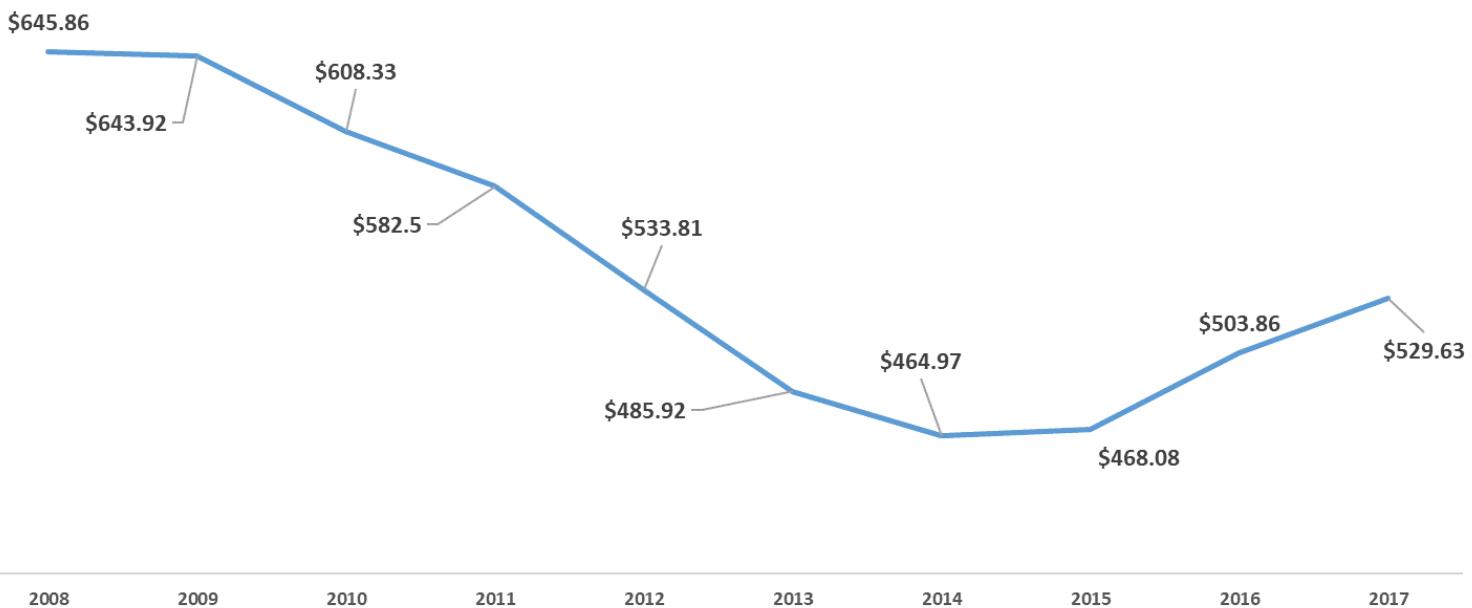


Understanding Equalized Assessed Valuation

When the Equalized Assessed Valuation (EAV) fluctuates, it has a direct effect on the City's property tax rate. The City's tax rate has an inverse relationship with the City's total EAV. In other words, a decline in EAV would mean an increase to the tax rate. The chart at right shows the assessment rate per \$100 over the past decade. "Property Tax Revenue" indicates the City's portion of the revenue. The graph to the right shows the City's EAV trend since 2008. The decline starting in 2009 correlates to the economic downturn spurred by the 2008 recession. This trend is typical in municipalities throughout the State of Illinois. The amount of property tax revenue reflects collections through December 31 2017. Note: 2017 revenue data is not yet available. The EAV in 2017 was \$529,629,464.

Tax Year	EAV	Rate per \$100	Property Tax Revenue
2008	645,855,095	0.8509	3,765,927
2009	643,916,597	0.9293	4,160,967
2010	608,332,947	0.9856	4,107,807
2011	582,504,715	1.0293	4,127,590
2012	533,805,903	1.1321	4,161,753
2013	485,923,623	1.351	4,203,106
2014	464,966,381	1.4113	4,231,993
2015	468,077,742	1.6853	5,049,737
2016	503,861,829	1.2021	5,523,531
2017	529,629,464	1.2268	

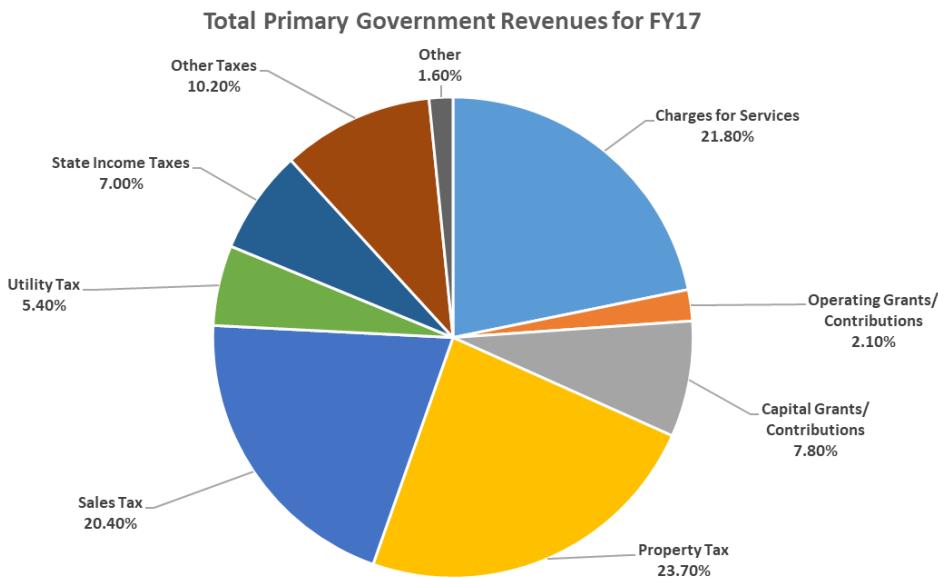
City of Dekalb Equalized Assessed Valuation (in millions)



Key Terms

- ⇒ **Assessed Value** - determined by multiplying the assessment level for a class of property by its fair market value
- ⇒ **Equalized Assessed Valuation (EAV)** - determined by multiplying assessed valuation by the equalization factor.
- ⇒ **Equalization Factor** - The equalization factor is determined by the Illinois Department of Revenue to ensure an equal assessment among the State's counties. This factor may also be called the "multiplier."
- ⇒ **Property Tax** - Property tax is the local tax on the value of real property, land, buildings and homes.

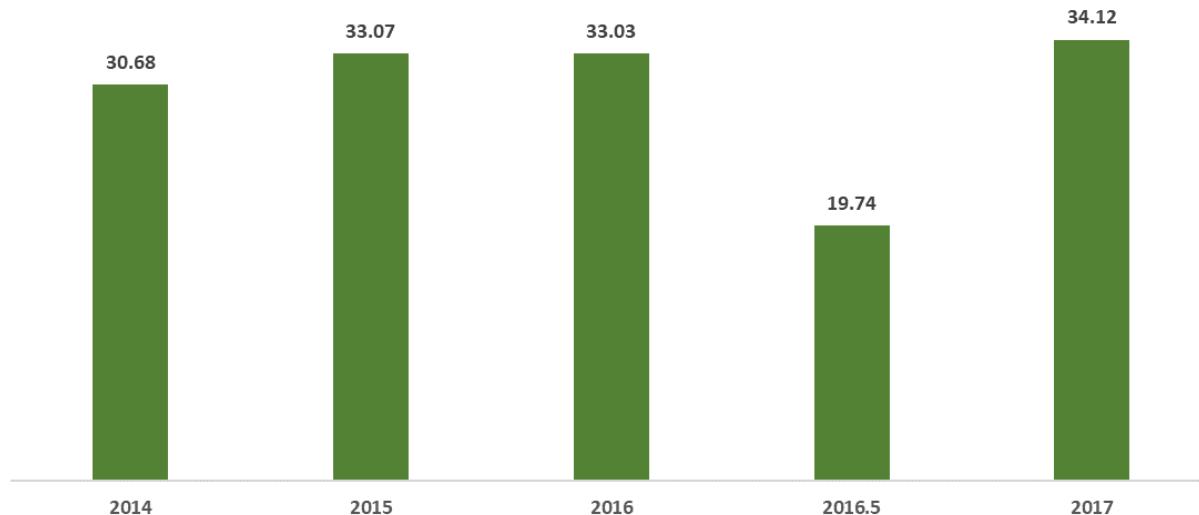
Revenues: Where The Money Comes From



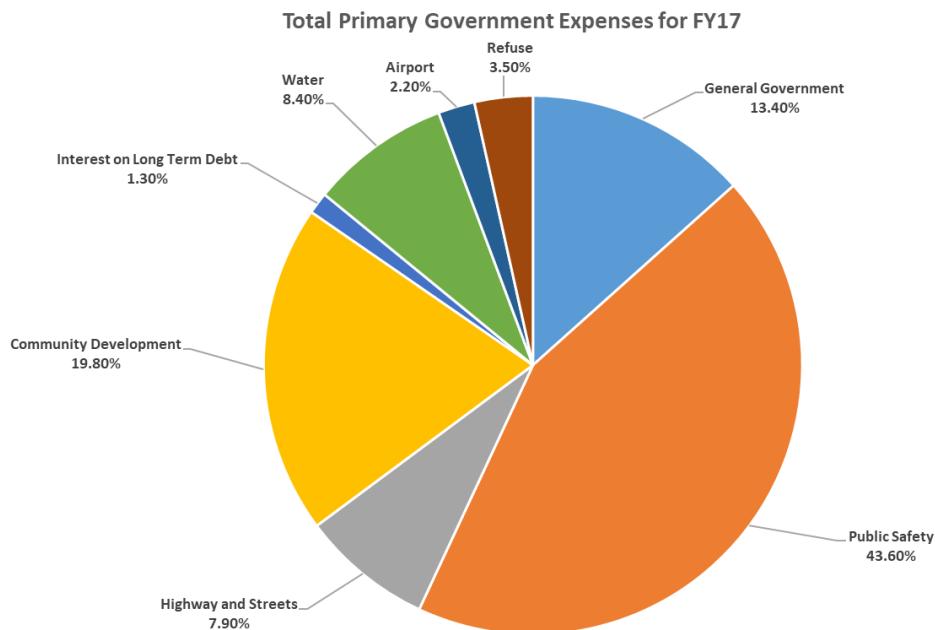
For the FY17 total revenues received by the City for all funds were \$34.9 million. Revenues are composed of the sources shown in the graph above. Financial resources come from a variety of places, including taxes, fines, and program fees. Most program expenses are supported by general revenues of the City and are not specifically allocated to a particular program. Fees for licenses, permits and other expenses for which there is a direct relationship between the cost of providing service and amount charged is reviewed as part of the annual budget process. The graph shown at the top of this page is a comprehensive view of all City revenues and is representative of how the CAFR categorizes revenues and expenditures into three main categories: Governmental Activities, Business-Type Activities, and Total Primary Government (sum of Government and Business-Type Activities).

General Fund Details: The graph below provides details on the General Fund which is primarily supported by sales tax revenues and is used to support departmental operations separate from services the City charges fees for, or programs supported by grants. Total General Fund revenues for Fiscal Year 2017 were \$34,122,094. The chart below displays the General Fund revenues over the last five fiscal years.

General Fund Revenues FY 2014-2017 (in millions)



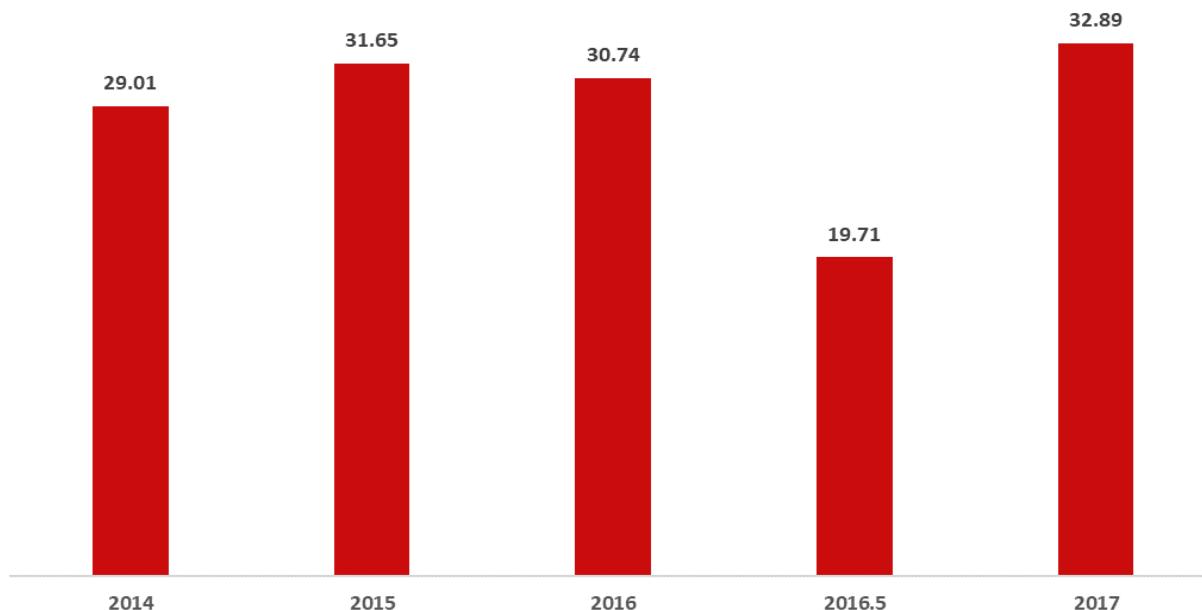
Expenditures: Where The Money Goes



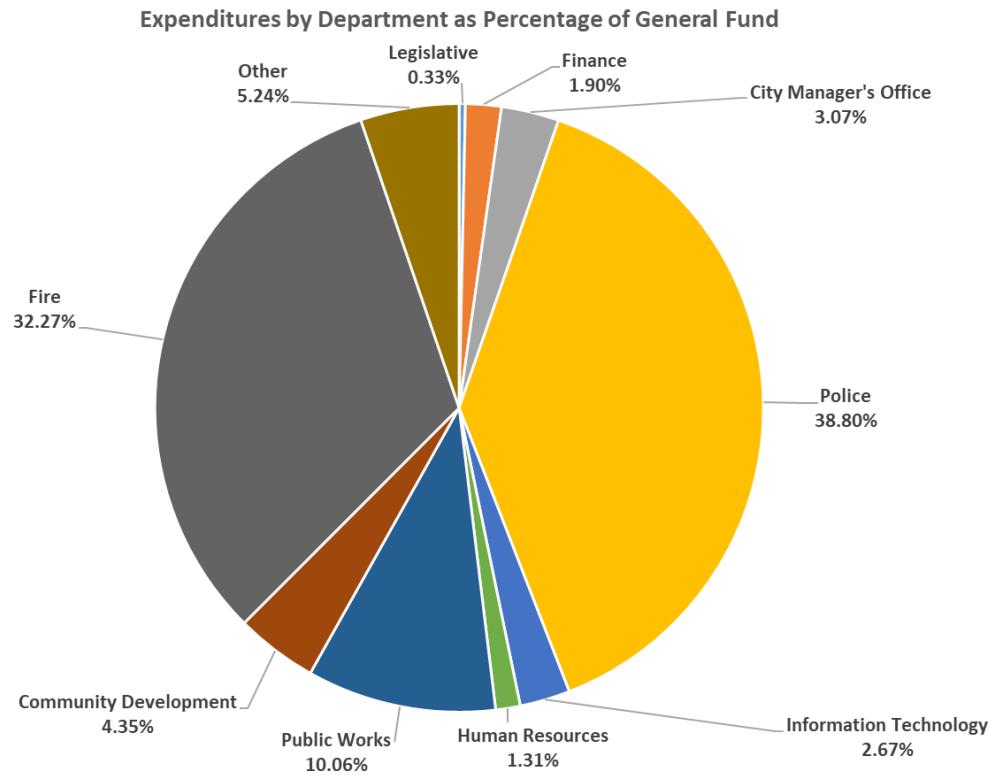
The City's expenses totaled \$35.7 million in FY17. As shown in the graph above, Public Safety (Police and Fire) account for the largest share of expenses at \$26,862,629 or 43.6% of the total. Community Development operations make up the second largest share of expenses as this accounts for all Tax Increment Financing Fund (TIF) expenditures. General Government expenditures primarily account for departmental operations expenses excluding Police and Fire (for purposes of this graph).

General Fund Details: As stated on the previous page, the General Fund is primarily used to support departmental operations. The City Budget document separates the General Fund by department. The General Fund accounts for the primary operations of the City, thus it is important to include in the PAFR. Typically, the largest share of the General Fund expenditures are for Police and Fire operations (public safety). Public Works accounts for the third largest share of General Fund expenditures. Refer to the CAFR and/or FY18 Budget Document for more detailed information regarding the expenditures of each department. General Fund expenditures for the last five fiscal years are shown below:

General Fund Expenditures FY 2014-2017 (in millions)



Where the Money Goes: Expenditures by Function (cont.)



City Manager's Office: The City Manager serves as the City's chief administrative officer and in this capacity is responsible for the administration, coordination, and management of all services and employees. The City Manager's Office also includes Legal Services, which counsels all municipal departments, employees and various boards and commissions.

Finance: The Finance Department assists the citizens of DeKalb and the other departments of the City government by administering a comprehensive and uniform financial management system that conforms to nationally recognized standards. It is also responsible for the preparation of the City's annual budget, property tax levy, capital improvements budgeting, and the development of long-term borrowing strategies for the City.

Human Resources: Human Resources is responsible for elements such as recruitment, training, employee retention, compensation/benefit administration, and labor relations.

Information Technology: Information Technology (IT) is responsible for the technology infrastructure of the City, maintaining the local networks, and facilitating interdepartmental communication.

Legislative: The vision and direction for the City are established at the City Council level. The City Council is responsible for establishing policy and enacting ordinances that protect the health, safety, and welfare of the residents.

Police: The Police Department is responsible for serving and protecting visitors to and residents of our City, preserving the peace, enforcing laws and ordinances, and protecting the Constitutional rights of all citizens.

Fire: The Fire Department provides fire suppression, rescue, emergency medical services, hazardous materials first responder, fire prevention, and public education services to approximately 45,000 people. This service area includes the City of DeKalb, Northern Illinois University, and the DeKalb Fire Protection District.

Public Works: The Public Works Department is responsible for the day-to-day operations of the DeKalb Taylor Municipal Airport, maintenance of all public property owned by the City, including buildings and grounds, streets, parkways, signs, and traffic signals, and oversight of the care, maintenance, and operation of the City water distribution system including wells, water towers, and all water mains.

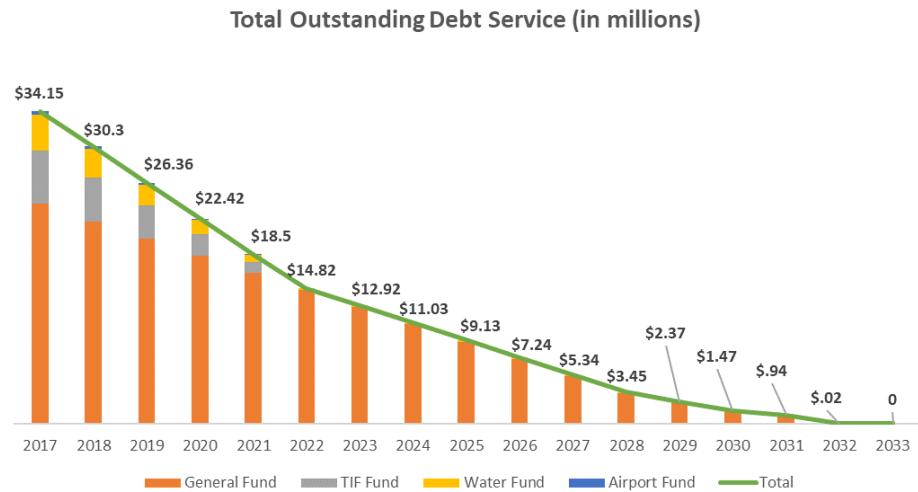
Community Development: Community Development is responsible for the enforcement of locally adopted building codes, providing and maintaining the City's Comprehensive Plan and zoning regulations, facilitating an efficient development process, and influencing investment in the community.

Understanding Municipal Debt

General Obligation Debt:

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies, tax increments accumulated by the Tax Increment Financing (TIF) funds, or other sources of revenue as defined in the bond documents.

In 2014, the City refinanced its debt, which saved the City \$207,156. The chart to the right illustrates the City's Total Outstanding Debt Service and how it can be expected to change over time. Were the City to not issue any more debt, the City's debt would be completely paid off by the year 2033.



Municipal Bond Rating:

Many municipalities use Moody's Investors Service to calculate their bond rating. Moody's uses market position, financial position, debt levels, governance, and covenants to determine a municipality's bond rating. This rating is a reflection of a municipality's ability to repay their debts and how risky of an investment the purchasing of that municipality's bonds are relative to other municipalities. Each factor is evaluated individually and for its effect on the other factors in the context of the municipality's ability to repay its debt. The rating a municipality receives is of great importance as it impacts the affordability of future debts the municipality incurs. Municipalities with higher ratings are able to enjoy lower interest rates, while those with lower ratings must pay higher rates. Any rating below a "B" is considered weak, or speculative, relative to other municipalities and thus municipalities pay a higher rate while any

	Rating Description	Moody's	Standard & Poor's	Fitch
Investment Grade	Highest credit quality; issuer has a strong ability to meet its obligations.	Aaa	AAA	AAA
	Very high credit quality, low risk of default.	Aa1 Aa2 Aa3	AA+ AA AA-	AA
	High credit quality, but more vulnerable to changes in the business or economy.	A1 A2 A3	A+ A A-	A
	Adequate credit quality for now, but more likely to be impaired if conditions worsen.	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB
Non-investment Grade	Below investment grade, but a good chance the issuer can meet commitments.	Ba1 Ba2 Ba3	BB+ BB BB-	BB
	Significant credit risk, but issuer is presently able to meet obligations.	B1 B2 B3	B+ B B-	B
	High default risk.	Caa1 Caa2 Caa3	CCC+ CCC CCC-	CCC CC C
	Issuer failed to meet schedules, interest, or principal payments.	C	D	DDD DD D

municipality with a rating above "B," or "above average," enjoy lower rates. DeKalb is able to leverage its proximity to the Chicago-area market and reasonable level of current debt to enjoy one of Moody's above average municipal bond ratings at A1. As a result of this rating, DeKalb enjoys relatively low interest rates on new debts and—if applicable—when refinancing existing debts.



City Administration

Interim City Manager

Molly Talkington

Police Chief

Gene Lowery

Fire Chief

Eric Hicks

Acting Finance Director

Robert Miller

Public Works Director

Tim Holdeman

Community Development Director

Jo Ellen Charlton

City Attorney

Dean Frieders

Human Resources Director

Cris Randall

Information Technology Director

Marc Thorson

Additional Financial Data

Thank you for reading the 2017 Popular Annual Financial Report. The Comprehensive Annual Financial Report (CAFR), the foundation of this document, can be found on the City's website. The CAFR is a more detailed analysis of the City's fiscal year and offers a more detailed account of the overall financial status of the City of DeKalb.

Online location of 2017 CAFR:

<https://www.cityofdekalb.com/DocumentCenter/View/7704/FY17-Comprehensive-Annual-Financial-Report>

To request a paper copy of the CAFR or the PAFR, or to ask any questions regarding the fiscal condition of the City of DeKalb, call the Finance Department at (815) 748-2000

