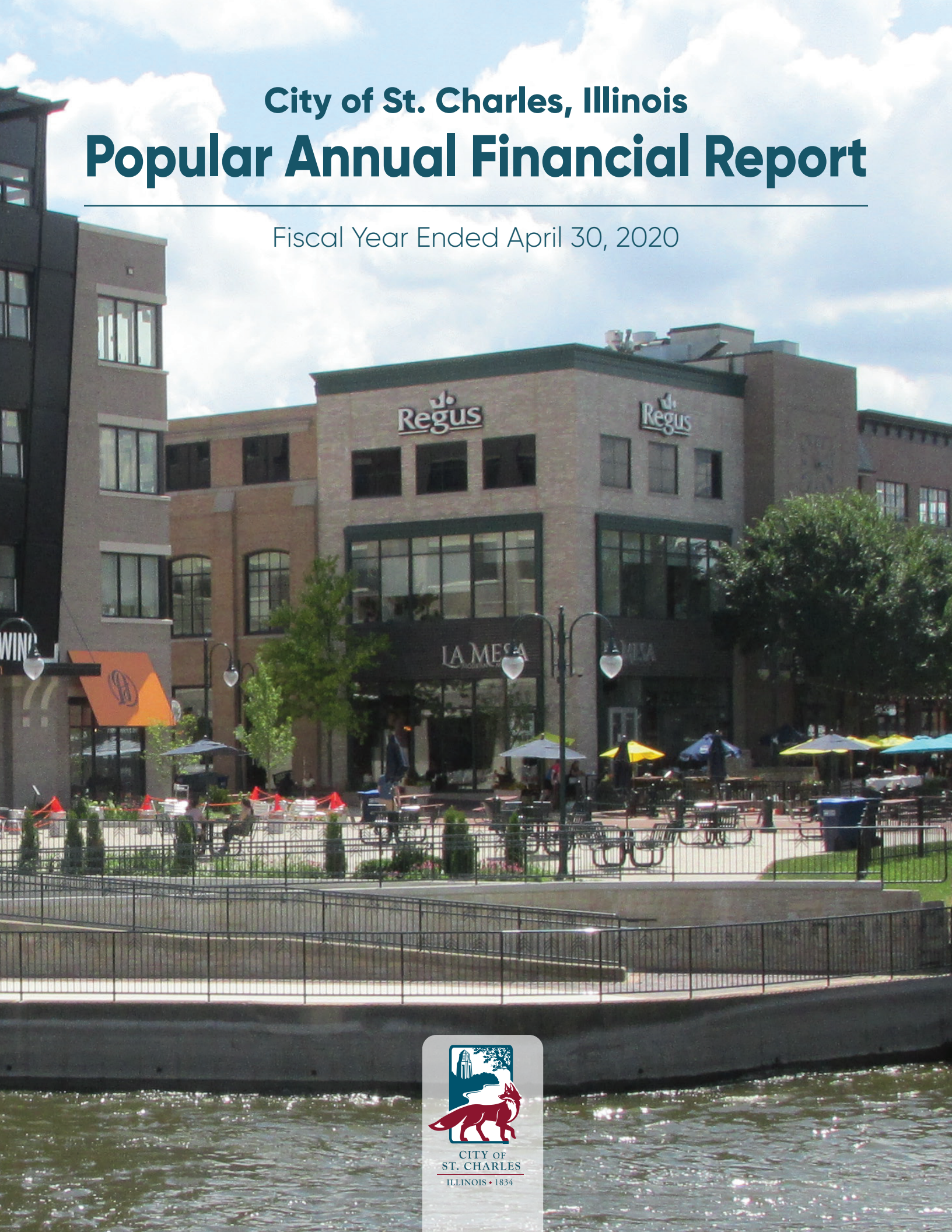


City of St. Charles, Illinois Popular Annual Financial Report

Fiscal Year Ended April 30, 2020



CITY OF
ST. CHARLES
ILLINOIS • 1834

A Message from the Mayor

To the Residents and Businesses of St. Charles:

I am pleased to present the 2020 Popular Annual Financial Report for the City of St. Charles for the fiscal year ending April 30, 2020.

This report was produced specifically to make City finances clear and understandable. The City of St. Charles has a proud tradition of responsible financial stewardship under the direction of our City Council. We believe promoting transparency of the City's financial information is good government and promotes accountability to the citizens we serve.

This Popular Annual Financial Report is a streamlined version of the lengthier Comprehensive Annual Financial Report we also produce every year. Both reports have received Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association.

We hope this report clearly presents the City's financial information and illustrates how resources are allocated to provide the citizens of St. Charles with professional, reliable services and a well-maintained infrastructure. You are entitled to this information and I believe we all benefit when our residents and businesses have an interest in their government.

Acknowledging the COVID-19 pandemic changed local business operations and consumer behavior beginning with the Governor's Stay-at-Home Order issued March 21, 2020, the fiscal year that ends April 30, 2020, reflects limited impacts due to the pandemic. Next year's report, for the fiscal year ending April 30, 2021, would further illustrate these influences.

Please know that all of our financial documents are always available for anyone to review on the City website. I invite you to contact me or our Director of Finance, Christopher Minick, if you have any questions about the City's finances.

Sincerely,

Raymond P. Rogina
Mayor

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City of St. Charles Government Organization

Mayor and City Council



Raymond P. Rogina
Mayor



Dan Stellato
Alderman Ward 1



Ronald Silkaitis
Alderman Ward 1



Rita Anne Payleitner
Alderman Ward 2



Arthur J. Lemke
Alderman Ward 2



Todd Bancroft
Alderman Ward 3



William Turner
Alderman Ward 3



Lora Vitek
Alderman Ward 4



David A. Pietryla
Alderman Ward 4



Ed Bessner
Alderman Ward 5

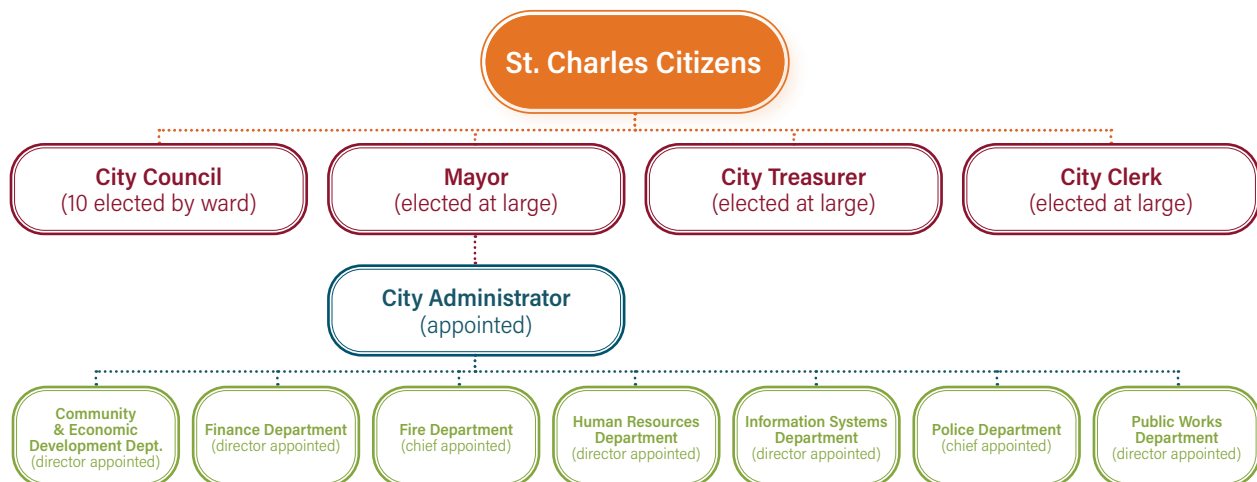


Maureen Lewis
Alderman Ward 5

St. Charles has an Aldermanic-City form of government, which consists of 10 Aldermen, a Mayor and a City Administrator. The Aldermen and Mayor are elected officials who serve four-year terms on the City Council. The City of St. Charles is divided into five wards. Two Aldermen from each ward are elected to represent their ward on the City Council and serve staggered terms. The City Clerk and City Treasurer are elected at large.

The City Council is responsible for establishing policy, passing ordinances, adopting the budget, and appointing the City Administrator and department directors. Other offices and vacancies are filled by appointment by the mayor, with the advice and consent of the City Council.

The City Administrator is responsible for carrying out the policies and ordinances of the City Council and overseeing the day-to-day operations of the City. City services are provided by eight City departments: Administration, Community & Economic Development, Finance, Fire, Human Resources, Information Systems, Police, and Public Works.



City Profile

The City, incorporated as a town in 1853 and as a City in 1874, is located approximately 34 miles west of Chicago with a land area of about 16.4 square miles. The City became a Home Rule community in 1995 due to a special census count conducted in 1994, which resulted in a population count of 25,282. As a result of its Home Rule status, the City has greater local

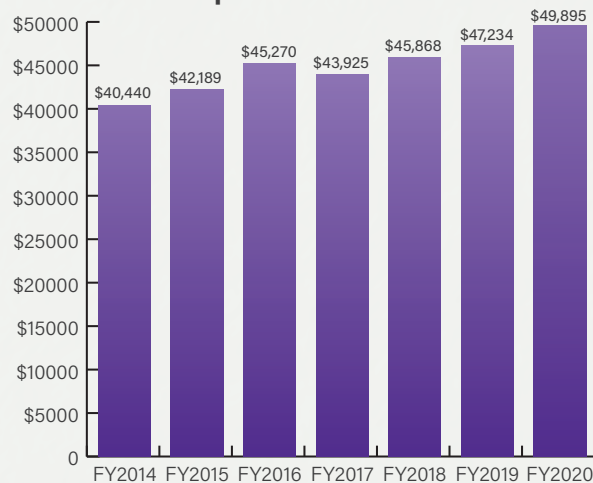
authority to regulate and finance its operations. As of July 1, 2019, the U.S. Bureau of the Census estimates the City's population at 32,887. The City employs 300 people representing approximately 273 full time equivalent employees including 47 full-time sworn firefighters and 58 full-time sworn police officers.

Top Five Principal Employers	# Of Employees
St. Charles Community Unit School District	1,722
RR Donnelley & Sons	795
Nidec Mobility America Corp	470
St. Charles Park District	422
Smithfield Foods	379

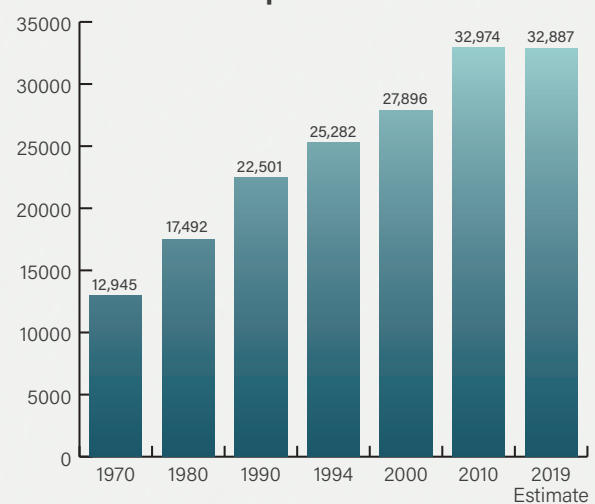
US Census Bureau, 2014-2018 ACS 5-Year Estimates	
Median Home Value	\$291,900
Median Age	43.3

Principal Property Tax Payers	Taxable Assessed Value
Legia St. Charles Associates LLC	24,407,546
Prairie Winds LLC	18,030,793
Q Center LLC	17,407,870
AMVF St Charles LLC	9,349,756
2017 IAVF Windy City LLC	7,831,835
FLT Park Shore LLC	7,508,547
Axiom St. Charles LLC	7,465,920
St. Charles Country Club	6,607,029
Main Street Commons	5,582,775
RR Donnelley & Sons	5,447,728

Per Capita Personal Income



Population





City Initiatives

There were a number of major initiatives that began, continued or were completed during Fiscal 2020, including:

Economic Development

The City's 20-year vision for the First Street Development, located in the core of downtown St. Charles, is nearing the finish line. Structural plans are under review for the development of Building #8, a two-story restaurant and office building. Construction began in 2020. Also, the City is in the process of finalizing a redevelopment agreement for Building #7B which will consist of a four-story multi-family residential building with parking on the first floor.

During FY2020, the City purchased the former Manor Restaurant site located at the southeast corner of Main Street and South First Street. The cost of the property was \$1.0 million and was partially funded with a \$600,000 grant received from Exelon. This property will be used to expand the First Street East Plaza and Riverwalk.

Progress continues on the redevelopment of the former St. Charles Mall property. The multi-phase Prairie Centre project will include mixed use, commercial, and multi-family residential buildings. During FY2020, construction was completed on the first two buildings. The Anthony Place housing development within the project, will be completed

in FY2021. This building is reserved for seniors. Two additional residential buildings are planned.

Semersky Enterprises, Inc. had purchased a majority of the development sites northwest of the Randall Rd. and Rt. 64 intersection. Semersky and the City have negotiated a sales tax sharing agreement to bring an Audi Dealership to this location. Construction of the building is anticipated to begin in the fall of 2020.

The Community and Economic Development department recently updated the vision laid out in the Downtown Sub Area section of the 2013 Comprehensive Plan, which serves as the City's long-range guide for development. Once the Coronavirus pandemic has subsided and the economy stabilizes, the City will be offering the former Police Station site for redevelopment.

Citizen Survey

A resident survey was conducted by the City Administrator's office during FY2020. The survey assessed residents' perspectives on the over-all quality of life in St. Charles. 99% of the residents surveyed said that St. Charles is an excellent or good place to live. The feedback received from residents is used to set City service levels and prioritize funding for infrastructure and economic development projects as well as community initiatives.



Union Contracts

The Human Resources department spearheaded the settlement of three union contracts by May 1, 2020, amidst the backdrop of COVID-19. The IAFF Local 3322 (fire department), the Metropolitan Alliance of Police Chapter 27 (police officers), and the Local union 330 of the International Brotherhood of Teamsters (public works, and building code/development engineering employees) contracts expired on April 30, 2020. Settling these contracts was accomplished with a collaborative approach between the union and City teams. All involved in the negotiations understood the gravity of moving forward together, as public servants, in order to continue providing the essential services expected by the St. Charles community.

Environmental Services Division

During FY2020, the Environmental Services Division completed several projects which improved the wastewater treatment system. The existing lift station located at 7th Avenue and Division Street was replaced with a single wet well, a new valve vault, two pumps and 680 feet of 6-inch force main. The construction and rehabilitation of the digesters at the main wastewater treatment plant and implementation of a permit-mandated phosphorus removal was concluded. The Dunham Road sanitary sewer force main was replaced due to multiple line breaks experienced

in recent years. The design portion of the Westside Wastewater Treatment Plant (WWTP) expansion project was completed. The existing facility functions at 0.7 million gallons a day (MGD) and is reaching capacity to service existing customers and approved developments. The expansion of the WWTP will increase the capacity of the facility to 1.05 MGD, which in turn will ease current demand and serve future developments.

Engineering Division

The Public Works Engineering Division completed Phase I Design related to the widening and reconstruction of Kautz Road between Commerce Drive and the southern City limit. This section of Kautz Road spans from St. Charles into Geneva. Therefore, the two municipalities worked cohesively to plan the roadway improvements. City staff has applied for a Surface Transportation Program grant which will offset construction engineering and construction costs.

The Engineering Division continued work on the 7th Avenue Creek and 7th Avenue Creek Tributary project. Phase 1 of this project was completed in FY2020 and included the purchase and demolition of multiple properties as well as the design, engineering and permitting of future improvements. A portion of this project will be funded with an IEPA Section 219 grant.



Fiscal Condition

The City uses a Statement of Net Position to demonstrate financial condition based on the year's financial activities. In the case of the City of St. Charles, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$236.3 million at the close of FY2020. The statement distinguishes governmental activities (general government, public safety, highways & streets, and economic development) from business-type activities (e.g. electric, wastewater, water). The following table reflects the condensed Statement of Net Position with a comparison to FY2019.

Net Position

At \$227.0 million, the largest portion of the City's net position is its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are

not available for future spending. The next component of the City's net position is restricted net position in the amount of \$5.0 million. Restricted net position represents resources that are subject to use constraints, such as for Highways and Streets and Debt Service.

At April 30, 2020, the City's combined unrestricted net position was \$4.3 million. For business-type activities, the City reported a positive balance of \$34.4 million in unrestricted net position. The deficit net position for the governmental activities of \$30.1 million is the result of the net pension liabilities and related activity for the City's Illinois Municipal Retirement Fund, Police Pension Fund, and Firefighters' Pension. The implementation of a new financial reporting standard in FY2016 resulted in the recognition of net pension liabilities totaling \$52.6 million and deferred outflows of resources amounting to \$11.3 million. Prior to FY2016, the City's obligations to the pension funds did not impact the City's Statement of Net Position.

Statement of Net Position As of April 30, 2020 and 2019 (in millions)

	Government Activities		Business-Type Activities		Total Primary Government	
ASSETS	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$72.1	\$75.7	\$48.5	\$43.6	\$120.6	\$119.3
Capital Assets	197.1	189.4	165.8	163.4	362.9	352.8
Total Assets	269.2	265.1	214.3	207.0	483.5	472.1
Deferred Outflows of Resources	20.6	20.6	1.8	3.5	22.4	24.1
Total Assets and Deferred Outflows of Resources	289.8	285.7	216.1	210.5	505.9	496.2
LIABILITIES						
Current and Other Liabilities	14.8	18.3	10.3	11.4	25.1	29.7
Long-Term Liabilities	163.2	153.6	58.4	59.0	221.6	212.6
Total Liabilities	178.0	171.9	68.7	70.4	246.7	242.3
Deferred Inflows of Resources	21.0	19.0	1.9	0.8	22.9	19.8
Total Liabilities and Deferred Inflows of Resources	199.0	190.9	70.6	71.2	269.6	262.1
NET POSITION						
Net Investment in Capital Assets	115.9	120.4	111.1	108.1	227.0	228.5
Restricted	5.0	4.6	-	-	5.0	4.6
Unrestricted	(30.1)	(30.2)	34.4	31.2	4.3	1.0
Total Net Position	\$90.8	\$94.8	\$145.5	\$139.3	\$236.3	\$234.1

General Fund

The General Fund is the primary operating fund of the City and accounts for resources used to support core municipal services including police and fire protection, public works, and community development. In addition, general government services such as administrative and financial services, information technology, human resources, the City Manager's office, and communications are funded primarily through the general fund.

Revenue Trends

Significant sources of General Fund revenue include property, sales, income, hotel, and liquor taxes as well as franchise fees. Charges for services, license and permit fees, fines, investment income, local fuel taxes, grant, and other miscellaneous revenues also provide the General Fund with income.

In total, FY2020 general fund revenue declined approximately \$546,000 when compared to the previous year. Property tax increased \$498,100 because the prior year tax rate was held constant and revenue grew in proportion to the 4.0% rise in the City's EAV. State income tax disbursements were \$372,500 more than in the previous year. A portion of this growth is assumed to be a catch-up for the adjustments made to tax withholdings resulting from the change in the 2018 federal tax law. Grant revenue fell by approximately \$1.56 million in FY2020. The City's fire department received a \$1.4 million Department of Homeland Security grant in FY2019 which caused this revenue stream to be inordinately high compared to the current year. The City implemented a two-cent local fuel tax and increased the City's existing hotel and alcohol tax rates by one percent during FY2019. These increases were in effect for a full twelve months during FY2020 and contributed to the growth in liquor tax and miscellaneous revenues. Hotel tax revenue fell from the previous year due to the

Coronavirus pandemic and resulting shelter in place mandate which impacted March and April hotel stays. Franchise fees declined because of the reduction in electric revenues.

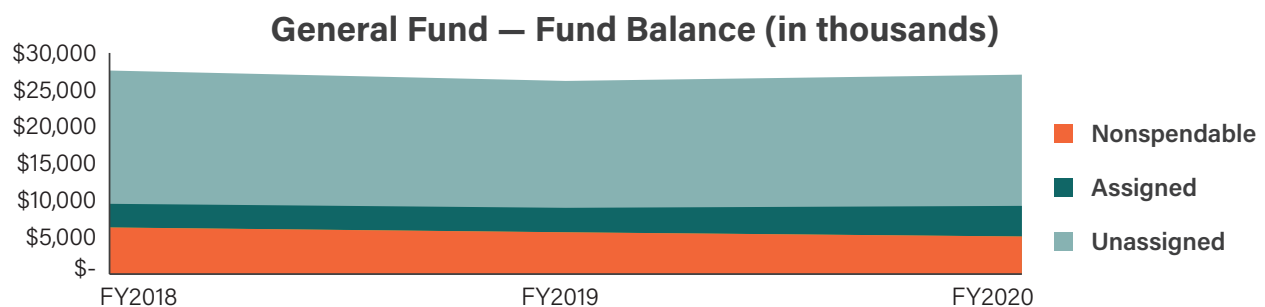
Operating Expenditure Trends

Given that the City is a service organization, the single largest expenditure in the General Fund is personal services. In FY2020, wages and employee benefit costs increased approximately \$737,600. Equipment purchases were \$1.4 million less than the prior year. The fire department purchased \$1.4 million of radios utilizing grant proceeds received from the federal government which elevated expenditures in FY2019. Economic development incentive payments were approximately \$300,000 lower than the prior year due mainly to one sales tax sharing agreement reaching maximum payout early in the year.

Transfers out were \$1.574 million less than FY2019. The General Fund transferred \$2.1 million less to finance capital projects in FY2020 but increased the debt service transfer.

Fund Balance

The fund balance in the General Fund increased \$855,200 in FY2020 as a result of reductions in total expenditures coupled with a receipt of funds transferred in from TIF 1, which represents a reimbursement for expenditures made on behalf of this TIF in previous years. The City has established a policy of maintaining a minimum of 25% of the amount of General Fund expenditures and Transfers Out in unassigned fund balance. As of April 30, 2020, unassigned fund balance represents 47.7 percent of the total General Fund expenditures.

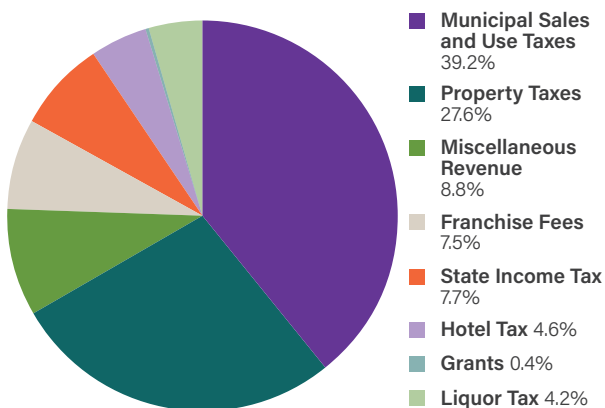


Statement of Revenues, Expenditures, and Changes in Fund Balance

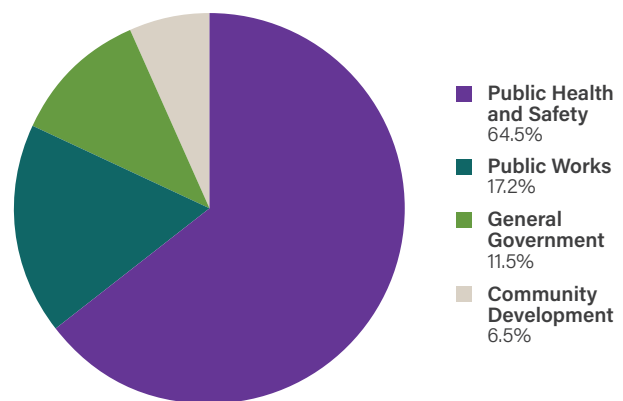
GENERAL FUND (IN THOUSANDS)	FY2020	FY2019	FY2018
REVENUES			
Property Taxes	\$12,893.5	\$12,395.4	\$12,389.9
Municipal Sales and Use Taxes	18,312.0	18,397.1	17,506.9
Franchise Fees	3,500.6	3,746.6	3,695.1
State Income Tax	3,573.9	3,201.4	2,990.1
Hotel Tax	2,136.3	2,312.7	1,939.8
Liquor Tax	1,967.0	1,671.5	1,211.9
Grants	200.2	1,763.6	95.6
Miscellaneous Revenue	4,128.8	3,769.6	3,132.9
Total Revenues	\$46,712.3	\$47,257.9	\$42,962.2
EXPENDITURES			
General Government	\$4,409.7	\$4,421.8	\$3,249.6
Public Health and Safety	24,791.0	25,587.6	23,005.9
Public Works	6,606.1	6,598.8	7,410.1
Community Development	2,488.5	2,920.1	2,589.7
Debt Service	118.2	4.6	4.6
Total Expenditures	\$38,413.5	\$39,532.9	\$36,259.9
Excess Of Revenues Over Expenditures	\$8,298.8	\$7,725.0	\$6,702.3
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Capital Assets	-	3.0	-
Transfers In	290.0	165.0	-
Transfers (Out)*	(7,733.6)	(9,307.7)	(6,900.6)
Total Other Financing Sources (Uses)	\$(7,443.6)	\$(9,140.1)	\$(6,900.6)
NET CHANGE IN FUND BALANCES	\$855.2	\$(1,415.1)	\$(198.3)
Net Position, May 1	26,275.8	27,690.9	27,889.2
Net Position, April 30	\$27,131.0	\$26,275.8	\$27,690.9

*Transfers out are comprised of debt service and capital outlay. These are accounted and tracked in another fund of the City. The revenue in the General Fund supports these operations and therefore transfers money to these funds to cover costs. In FY2019, the General Fund transferred \$3 million of previously accumulated fund balance to the Police Building construction fund.

General Fund FY2020 Operating Revenues



General Fund FY2020 Operating Expenditures



Electric Fund

The City of St. Charles has owned and operated its own electric utility since 1892. This fund is the largest of the City's four proprietary funds in terms of revenue generation. Proprietary funds are intended to be fully self-supporting, receive no tax support, and operate exclusively on the revenue generated from the rates paid by customers. The fees charged should support the cost of operating the utility as well as the maintenance and capital improvements that must be undertaken to ensure the stability of the system.

The electric utility distributes power to more than 15,900 residential, commercial, and municipal customers. The City purchases energy from the Illinois Municipal Electric Association (IMEA). The ability to ensure a long-term and stable power supply prompted the City to execute a power purchase agreement with IMEA that remains in force until 2035.

Revenue Trends

Approximately 99% of the revenue in the Electric Fund is derived from the sale of power as well as user fees. The remaining 1% is comprised of expense reimbursements for work performed by the electric division, administrative fees, and other miscellaneous income. Charges for Service revenue decreased 7.2% in FY2020 as compared to FY2019. There was a significant decline in the total number of kilowatt hours billed as compared to the previous year and a negative power cost adjustment (PCA) was applied to monthly charges throughout FY2020 further reducing revenue.

Operating Expense Trends

The single largest expense in the Electric Fund is the cost to purchase power which is included in the contractual services expense category. The cost of power in FY2020 and FY2019 was \$41.4 million and \$41.5 million respectively. Although fewer kilowatt hours were purchased in FY2020, the price per unit of energy increased 5.29% therefore the total cost of energy remained the same.

Capital additions and improvements to the electric distribution system are ongoing and increase the amount of the fund's depreciable assets causing a rise in depreciation expense. As shown in the table below, the Electric Fund's capital assets, net of depreciation, have grown year over year.

Personnel service costs grew approximately \$364,000 for two reasons. The employees in the electric division were not able to work on capital type projects during the months of March and April as a result of the global pandemic. Therefore, personnel service cost chargebacks related to capital activities were less than in the previous year. Also, in anticipation of employee retirements, additional apprentices have been hired increasing staffing levels.

FY2020, other operating expenses declined from the previous year because of reductions in Electric Excise taxes and Municipal Franchise Fees. The State of Illinois requires the City to collect and remit an excise equal to the lower of 5% of total electric charges or .0032 cents per kilowatt-hour. Also, the City charges a 5% Franchise Fee on the total utility revenue generated in the Electric Fund. The franchise fee is remitted to the General Fund to support the general operations of the City. The reduction in kilowatt hours sold and service revenue lowered these expenses.

Net Position

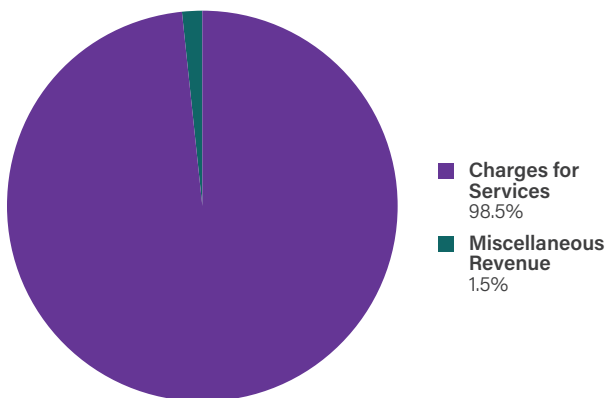
Net position may serve as a useful indicator of the funds financial position. The largest portion of the Electric Fund's net position is its investment in capital assets (e.g., land, infrastructure, buildings machinery, and equipment) which increased \$1.8 million compared to the previous year. The unrestricted share of net position grew \$2.2 million in FY2020 and is available for spending. The trend of the Electric Fund's net position indicates growth in financial strength.

ELECTRIC FUND OPERATING INDICATORS	FY2016	FY2017	FY2018	FY2019	FY2020
Average No. Monthly Customers Billed	15,552	15,613	15,657	15,866	15,983
Billed Kilowatt Hours	518,889,345	526,507,114	514,272,091	523,955,799	497,320,225
Capital Assets (net of depreciation)	\$63,362,375	\$66,126,018	\$69,611,884	\$72,669,942	\$74,133,605

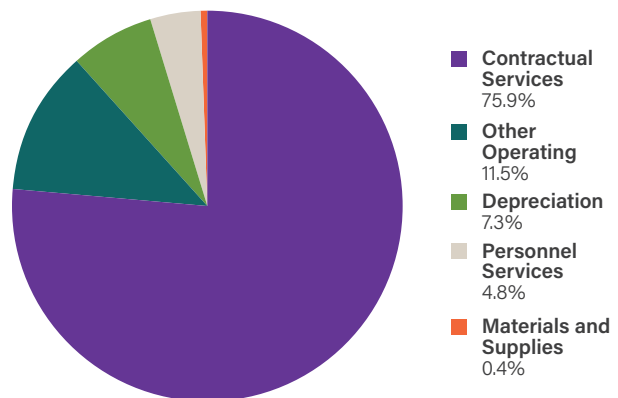
Statement of Revenues, Expenses, and Changes in Net Position

ELECTRIC FUND	FY2020	FY2019	FY2018
OPERATING REVENUES			
Charges for Services	\$58,574,476	\$63,141,325	\$61,835,798
Miscellaneous Revenue	873,517	888,502	1,060,135
TOTAL OPERATING REVENUES	\$59,447,993	\$64,029,827	\$62,895,933
OPERATING EXPENSES			
Personnel Services	\$2,664,465	\$2,300,016	\$2,263,476
Materials and Supplies	227,469	167,035	267,644
Contractual Services	42,359,724	42,137,670	42,212,056
Other Operating	6,441,033	6,736,729	6,898,435
Depreciation	4,084,527	3,784,296	3,588,607
TOTAL OPERATING EXPENSES	\$55,777,218	\$55,125,746	\$55,230,218
OPERATING INCOME (LOSS)	\$3,670,775	\$8,904,081	\$7,665,715
NON OPERATING REVENUE (EXPENSES)	250,758	328,864	153,485
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	\$3,921,533	\$9,232,945	\$7,819,200
TRANSFERS, NET	77,119	(176,551)	(149,692)
CAPITAL GRANTS AND CONTRIBUTIONS	-	-	-
CHANGE IN NET POSITION	\$3,998,652	\$9,056,394	\$7,669,508
Net Position, May 1	84,830,679	75,774,285	67,960,939
Change in Accounting Principle	-	-	143,838
Net Position, April 30	\$88,829,331	\$84,830,679	\$75,774,285
ELECTRIC FUND NET POSITION			
Net Investment in Capital Assets	\$65,116,095	\$63,331,426	\$60,225,020
Unrestricted	23,713,236	21,499,253	15,549,265
TOTAL NET POSITION	\$88,829,331	\$84,830,679	\$75,774,285

Electric Fund FY2020 Operating Revenue



Electric Fund FY2020 Operating Expenses



Sewer Fund

In terms of revenue generation, the Sewer Fund is the second largest of the City's proprietary funds. The City of St. Charles' Wastewater Treatment Division is responsible for ensuring that all wastewater produced by City residents is properly treated and disinfected prior to its return to the environment. The sewer system is comprised of 14 intermediate pumping stations, two wastewater treatment facilities, and approximately 345 miles of sanitary and storm sewers. Both treatment facilities were designed and built according to the standards established by the Illinois Environmental Protection Agency (IEPA) and are capable of treating up to 9.7 million gallons of wastewater daily.

As a matter of good practice and prudent management, the Waste Water Utility has completed a Facility Master Plan which is used to help ensure that the Utility is on course to meet the needs of the community for the next decade.

Revenue Trends

Wastewater user charge revenue is comprised of a usage component and a fixed monthly charge. Nearly 100% of the revenue in the Sewer Fund is derived from usage and service charges. Reimbursements for work performed by the wastewater division and customer account administrative fees are also collected but account for less than 1% of operating revenue. Service charges grew 3.7% in FY2020 as compared to FY2019. This growth is due to the 4.5% rate increase that was implemented with the June 2019 billings. Billed usage declined in FY2020 as compared to FY2019 which caused revenue growth to fall short of the revenue rate increase.

Operating Expense Trends

Depreciation expense is the single largest expense in the Sewer Fund. Continuous enhancements and expansions of the wastewater system increase the amount of the fund's depreciable assets causing depreciation expense to rise. As depicted in the table below, the Sewer Fund's capital assets grew substantially in FY2019. This increase reflects the \$8.3 million of additional costs incurred during construction of the Wastewater Phosphorus Removal and Digester Rehabilitation project. At the end of FY2019, this project was reported as construction in progress. The project was completed in FY2020 at a total cost of \$15.2 million.

Materials and supplies costs rose approximately \$132,000 or 44.8%. The cost of chemicals and safety supplies doubled year over year. Beginning in FY2020, a new chemical needed to remove phosphorus from wastewater was added to the compounds normally purchased. The safety line item increased because an engineered incident analysis that establishes safety protocol was performed in FY2020. Also, self-contained breathing apparatuses and gas detection equipment was purchased for field personnel.

Contractual service expenses declined approximately \$268,000 in FY2020 as compared to FY2019. The number of sewer lining projects completed in March and April fell sharply when compared to the previous year as a result of the COVID-19 pandemic.

Net Position

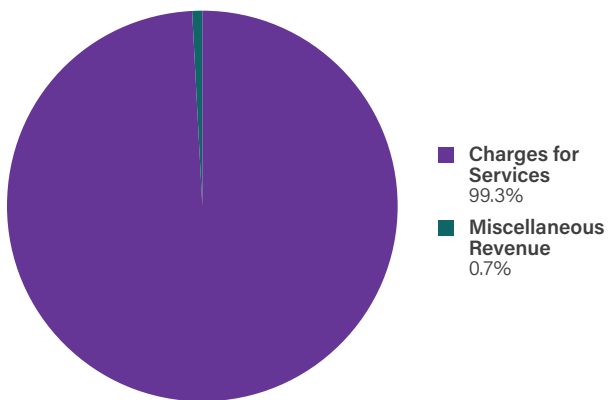
As is true of all of the City's major enterprise funds, the largest portion of the Sewer Fund's net position is its investment in capital assets (e.g., pumping stations, treatment facilities, sewers, and machinery). The unrestricted share of net position is available for spending and grew approximately \$954,000. The trend of the Sewer Fund's net position indicates growth in financial strength.

SEWER FUND OPERATING INDICATORS	FY2016	FY2017	FY2018	FY2019	FY2020
Average No. Monthly Customers Billed	14,876	14,933	15,047	15,275	15,402
Billed Usage	1,127,930	1,109,889	1,130,146	1,134,336	1,073,705
Capital Assets (net of depreciation)	\$46,609,061	\$45,921,299	\$49,219,998	\$58,402,679	\$59,103,698

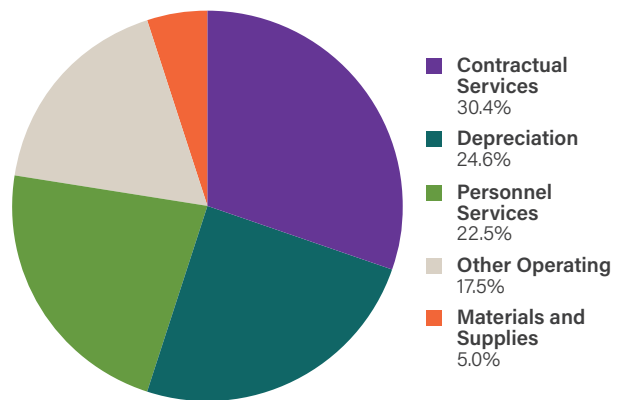
Statement of Revenues, Expenses, and Changes in Net Position

SEWER FUND	FY2020	FY2019	FY2018
OPERATING REVENUES			
Charges for Services	\$10,525,974	\$10,154,067	\$9,551,128
Miscellaneous Revenue	79,286	62,289	57,440
TOTAL OPERATING REVENUES	\$10,605,260	\$10,216,356	\$9,608,568
OPERATING EXPENSES			
Personnel Services	\$1,918,817	\$1,822,721	\$1,979,982
Materials and Supplies	425,398	293,607	282,097
Contractual Services	2,584,885	2,852,686	2,476,301
Other Operating	1,490,611	1,487,215	1,425,141
Depreciation	2,097,133	2,075,587	2,083,144
TOTAL OPERATING EXPENSES	\$8,516,844	\$8,531,816	\$8,246,665
OPERATING INCOME (LOSS)	\$2,088,416	\$1,684,540	\$1,361,903
NON OPERATING REVENUE (EXPENSES)	(269,498)	(303,557)	331,881
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	\$1,818,918	\$1,380,983	\$1,693,784
TRANSFERS, NET	(253,712)	(285,895)	(247,728)
CAPITAL GRANTS AND CONTRIBUTIONS	143,356	1,121,739	136,983
CHANGE IN NET POSITION	\$1,708,562	\$2,216,827	\$1,583,039
Net Position, May 1	32,341,975	30,125,148	28,373,685
Change in Accounting Principle	-	-	168,424
Net Position, April 30	\$34,050,537	\$32,341,975	\$30,125,148
SEWER FUND NET POSITION			
Net Investment in Capital Assets	\$27,046,602	\$26,292,156	\$24,831,236
Unrestricted	7,003,935	6,049,819	5,293,912
TOTAL NET POSITION	\$34,050,537	\$32,341,975	\$30,125,148

Sewer Fund FY2020 Operating Revenue



Sewer Fund FY2020 Operating Expenses



Water Fund

The Water Fund is also considered to be a major utility fund with revenue levels exceeding \$6.3 million. The City of St. Charles' Water Division is responsible for providing safe water to approximately 35,000 customers. The Water Division maintains seven water supply wells, six storage reservoirs, 233 miles of water main, and approximately 12,500 domestic service connections and meters. The water supply is chlorinated and fluoridated as required by State and federal Regulations.

A Ten-Year Master Plan was completed for the Water Utility which plots a course of action that will allow the utility to service all current and prospective customers of the water system.

Revenue Trends

Water service revenue is comprised of a usage component and a fixed monthly charge. Substantially all of the revenue in the Water Fund is derived from charges for service. Customer account administrative fees account for the remainder of operating revenue. User charges were 3.5% higher in FY2020 compared to FY2019. This increase is the result of a 7.09% rate increase that was implemented with the June 2019 billings. The number of water gallons billed declined in FY2020 as compared to FY2019 so revenue growth fell short of the revenue rate increase.

A recently completed rate study has indicated that the water utility's current rate structure does not provide adequate funding given the cost of anticipated capital improvements that must be undertaken to ensure the stability of the water system as identified in the Ten-Year master plan. Therefore, the water rate structure will need to be adjusted in future years.

Operating Expense Trends

There was a significant decline in the Water Fund contractual services expense category when compared to the prior year. FY2019 costs included a \$789,200 charge for painting and repairing the Campton Hills water tower. This project did not qualify for capitalization under the City's capital asset policy.

Personnel service expenses encompass the wages and benefits of those employees responsible for operating and maintaining the water distribution system. Reductions in part-time labor, overtime wages and pension benefits resulted in the overall decline in expenses.

There was a decline in materials and supplies cost during FY2020. Purchases of street repair materials and meter supplies fell considerably because employees in the Water Division were not able to perform routine maintenance work during the months of March and April due to the need to maintain social distancing protocols.

Net Position

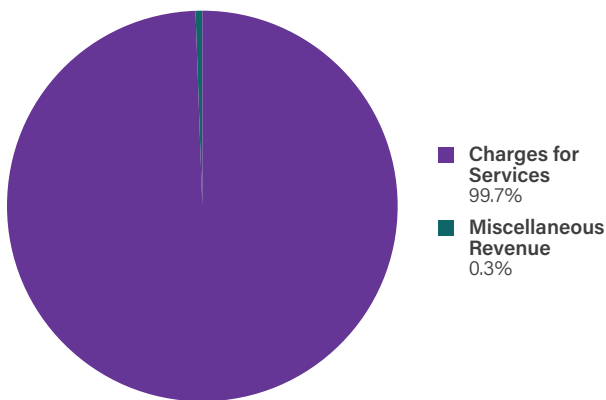
The Water Fund's net position increased in FY2020 when compared to FY2019. The unrestricted balance remained relatively constant while the investment in capital assets component of net position (e.g., supply wells, storage reservoirs, buildings, and machinery) increased approximately \$485,000.

WATER FUND OPERATING INDICATORS	FY2016	FY2017	FY2018	FY2019	FY2020
Average No. Monthly Customers Billed	12,411	12,452	12,473	12,514	12,564
Water Gallons Billed	1,217,727	1,229,948	1,249,809	1,215,590	1,170,088
Capital Assets (net of depreciation)	\$31,828,861	\$32,100,940	\$31,819,908	\$32,333,258	\$32,579,057

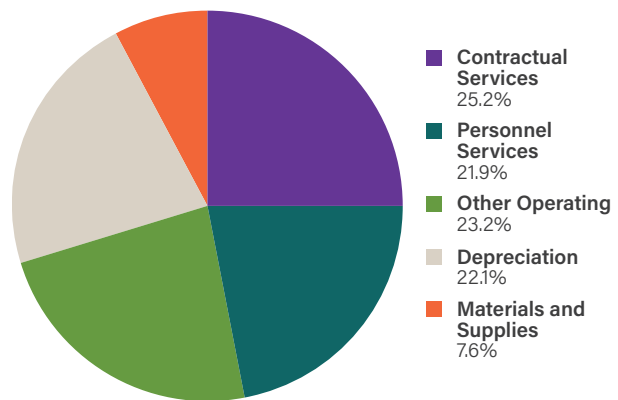
Statement of Revenues, Expenses, and Changes in Net Position

WATER FUND	FY2020	FY2019	FY2018
OPERATING REVENUES			
Charges for Services	\$6,363,747	\$6,148,299	\$6,062,171
Miscellaneous Revenue	22,350	27,513	24,177
TOTAL OPERATING REVENUES	\$6,386,097	\$6,175,812	\$6,086,348
OPERATING EXPENSES			
Personnel Services	\$1,379,088	\$1,443,561	\$1,450,388
Materials and Supplies	485,345	576,956	537,055
Contractual Services	1,585,911	2,291,862	1,266,469
Other Operating	1,460,625	1,369,752	977,808
Depreciation	1,389,640	1,337,535	1,282,379
TOTAL OPERATING EXPENSES	\$6,300,609	\$7,019,666	\$5,514,099
OPERATING INCOME (LOSS)	\$85,488	\$(843,854)	\$572,249
NON OPERATING REVENUE (EXPENSES)	(26,193)	29,784	217,782
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	\$59,295	\$(814,070)	\$790,031
TRANSFERS, NET	(163,953)	(193,211)	(135,596)
CAPITAL GRANTS AND CONTRIBUTIONS	574,479	1,026,199	341,228
CHANGE IN NET POSITION	\$469,821	\$18,918	\$995,663
Net Position, May 1	21,807,396	21,788,478	20,688,551
Change in Accounting Principle	-	-	104,264
Net Position, April 30	\$22,277,217	\$21,807,396	\$21,788,478
SEWER FUND NET POSITION			
Net Investment in Capital Assets	\$18,921,285	\$18,436,156	\$18,032,271
Unrestricted	3,355,932	3,371,240	3,756,207
TOTAL NET POSITION	\$22,277,217	\$21,807,396	\$21,788,478

Water Fund FY2020 Operating Revenue



Water Fund FY2020 Operating Expenses

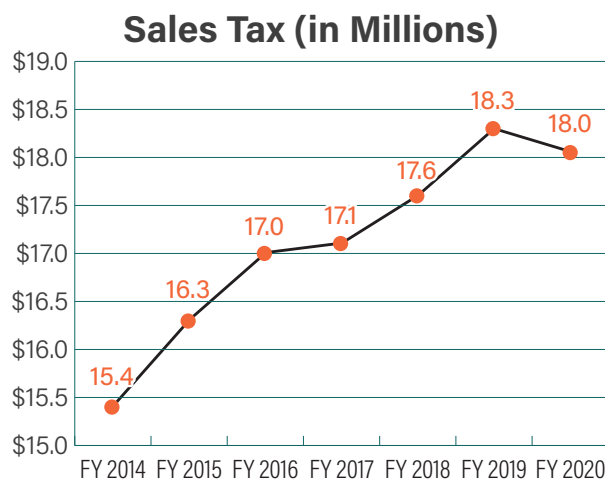


Revenue Trends

The City of St. Charles benefits from a diversified revenue base. Sales tax, property tax, and income tax are three significant governmental revenue sources that the City relies on to provide a high-level of municipal services to our residents and businesses.

Sales Tax

Sales taxes are the largest revenue source for the City. In FY2020 general sales tax revenues were \$11,941,881 and home rule sales tax revenues totaled \$6,118,595. Sales tax is collected by the State and remitted back to the City on a monthly basis. Beginning in FY2011, through FY2019, sales taxes increased year over year at an average rate of 3.1%. However, FY2020 sales tax income declined approximately \$273,000, or 1.49% due to the pandemic's negative impact on the economy during March and April.

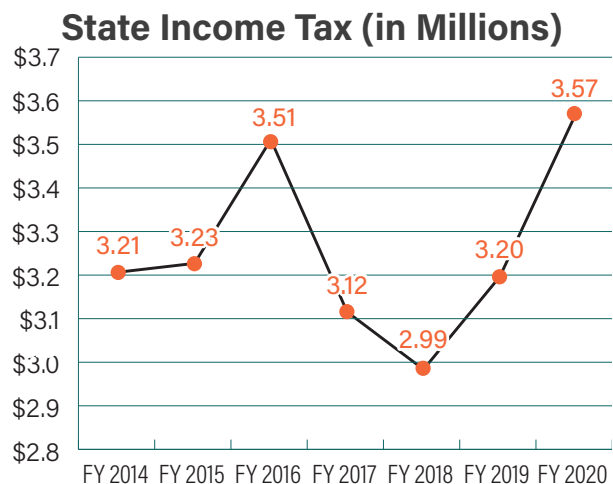


Sales tax collected in the City of St. Charles is comprised of four different components as follows:

State of Illinois	5.00%
City of St. Charles (Municipal and Home Rule)	2.00%
County	0.25%
RTA	0.75%
Total	8.00%

Income Tax

Income tax distributions are based on a funding formula set by the State of Illinois. The amount of revenue is impacted by the city's population as well as overall economic health and income levels. On July 1, 2017, the State of Illinois instituted a 10% reduction in income tax allotments, which negatively impacted the City's revenue stream in FY2018. The 10% reduction in Local Government Distributive Fund (LGDF) disbursements was initially set to conclude after twelve months. However, the State of Illinois commenced a 5% reduction in Income tax allotments effective for an additional twelve months beginning July 1, 2018 (FY2019). The City's state income tax revenue grew 11.6% in FY2020 when compared to the previous year. A portion of this growth is assumed to be a catch-up for the adjustments made to tax personal withholdings resulting from the change in the 2018 federal tax law. The State of Illinois taxes unemployment benefits so even though the pandemic resulted in significant increases in unemployment, FY2020 income tax revenue fared well.

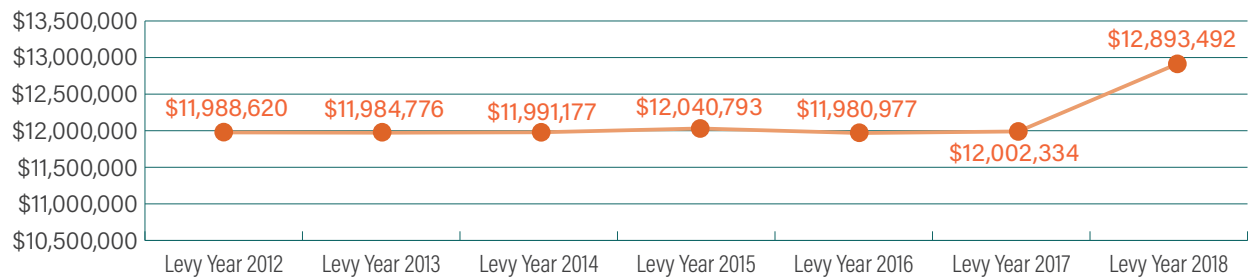


Property Tax

Property tax is the second largest revenue source in the General Fund. In conjunction with the 2008 economic downturn, the equalized assessed value (EAV) of property declined for six consecutive years. In order to stabilize this revenue stream, the property tax levy amount had been held constant for

9 years at \$12,055,117. For the 2018 property tax levy, collected in FY2020, City Council chose to maintain a consistent tax rate which provided additional tax revenue. For the past five levy years there has been year over year growth in property EAV. The City has abated the debt service portion of the property tax levies and satisfied the principal and interest payments utilizing other revenue sources.

General Fund Property Tax



A common misconception about property tax is that all of the money a property tax owner pays is remitted to the City. As indicated by the graphic below, the City of St. Charles received 10 percent of every dollar of property tax levied in 2019. The remaining portion

of each dollar, 90 cents, was allocated to other taxing districts. This important revenue source pays the City's employer contributions to the Police pension and Fire pension funds as well as supports public safety and public works services.

64.4% School District 303

10.0% City of St. Charles

7.6% St. Charles Park District

5.9% Elgin Community College

4.5% Kane County

THE CITY OF ST. CHARLES RECEIVES A PORTION OF YOUR PROPERTY TAXES

About 10% of the total property tax bill.

3.9% St. Charles Library District

1.9% Kane County Forest Preserve

1.1% St. Charles Township Road

.5% St. Charles Township

.2% St. Charles Cemetery

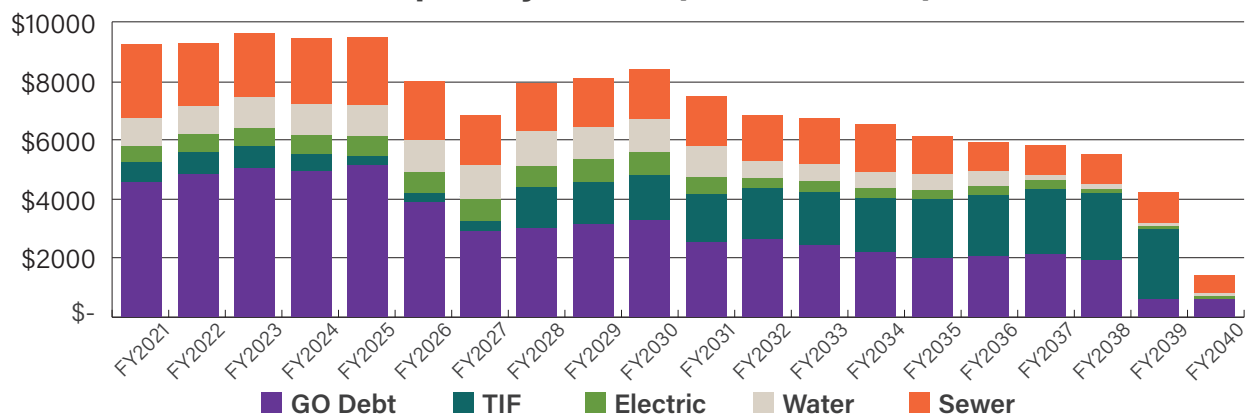
THE LEGACY
BUSINESS CENTER
ST. CHARLES

Debt Status

In the past, the City has issued two major forms of debt in order to fund significant capital purchases and projects. General Obligation Corporate Purpose (GO) Bonds are direct obligations and pledge the full faith and credit of the City and are payable from both the governmental funds and proprietary funds. In addition, the Illinois Environmental Protection Agency

(IEPA) has extended the Water and Sewer Funds low interest or no-interest loans for various projects. As of April 30, 2020, the City had \$101,630,000 of GO Bonds, \$4,275,000 of Revenue Bonds and \$37,317,307 of IEPA loans outstanding. The chart below provides information regarding the amortization of principal on these loans.

Principal Payments* (In Thousands)



*On September 2, 2020 (FY2021) the City issued \$11,440,000 of General Obligation ("GO") Bonds, Series 2020A for the purpose of paying the costs related to certain capital improvements in and for the City. In addition, the City issued \$4,150,00 of GO Refunding Bonds, Series 2020B. These bonds refunded certain outstanding bonds of the City. The principal payments related to these debt issues are not included above.

DEBT RATING

Many municipalities use Moody's Investors Service ("Moody's") to calculate their bond rating. The bond rating is an important process because the rating alerts investors to the quality and stability of the bond. To that end, the rating greatly influences interest rates,

investment appetite and bond pricing. In conjunction with the issuance of the 2020 General Obligation Bonds, the City of St. Charles received a rating of Aal from Moody's. Below is the standard rating scale utilized by Moody's.

Global Long-Term Rating Scale

Aaa Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

NOTE: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

About the PAFR

The Popular Annual Financial Report (PAFR) is a summarized presentation of the City's official financial statements. The information found in this report derives from the City's 2020 Comprehensive Annual Financial Report (CAFR), which contains detailed audited financial statements and conforms to generally accepted accounting principles (GAAP). An electronic version of the Comprehensive Annual Financial Report can be viewed online at stcharlesil.gov/departments/finance.

The PAFR is a specifically designed alternative to the CAFR that allows the City of St. Charles to convey select information about the major aspects of the City's financial condition in a condensed and easily understandable format. Because the PAFR is a summary document, it does not comply with GAAP. The primary focus of the PAFR is the City's General Fund, Electric Fund, Wastewater Fund and Water Fund. These are considered to be the City's most significant funds. The City maintains several other accounting funds.

Questions concerning this report or requests for additional financial information should be directed to:

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