

**VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT
TAX INCREMENT FINANCING FUNDS**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT AND COMPLIANCE
REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDVELOPMENT TAX INCREMENT FINANCING FUNDS
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Village Council
Village of Downers Grove
801 Burlington Avenue
Downers Grove, Illinois 60515

We have audited the accompanying financial statements of the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of management of the Village of Downers Grove. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds and do not purport to, and do not, present fairly, the financial position of the Village of Downers Grove, as of December 31, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds as of December 31, 2010 and its changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

We have also issued a report dated June 2, 2011, on our consideration of the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Fund's compliance with laws, regulations, contracts and grants.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
June 2, 2011

INDEPENDENT AUDITORS' COMPLIANCE REPORT

The Honorable Mayor and Members of the Village Council
Village of Downers Grove
801 Burlington Avenue
Downers Grove, Illinois 60515

We have audited the financial statements of the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds as of and for the year ended December 31, 2010, and have issued our report dated June 2, 2011. The financial statements are the responsibility of the Village of Downers Grove's management. Our responsibility is to express an opinion on the financial statements based upon our audit.

Our audit was made in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Compliance with laws, regulations, contracts and grants applicable to the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds is the responsibility of the Village of Downers Grove's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Village of Downers Grove's compliance with provisions in Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, "An Act in Relation to Tax Increment Financing." However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Village of Downers Grove complied, in all material respects, with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

This report is intended solely for the information and use of the Village Board, management, the State of Illinois, and others within the Village and is not intended to be, and should not be, used by anyone other than the specified parties.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
June 2, 2011

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
 BALANCE SHEET
 FOR THE YEAR ENED DECEMBER 31, 2010

	G.O. Bonds Downtown Redevelopment TIF	Downtown Redevelopment TIF
Assets	<u> </u>	<u> </u>
Cash and investments	\$ 242,074	\$ 800,998
Property tax receivable	-	2,774,828
Other receivable	<u>-</u>	<u>466</u>
 Total assets	 <u>\$ 242,074</u>	 <u>\$ 3,576,292</u>
 Liabilities and Fund Balance		
 Liabilities		
Deferred revenue	<u>\$ -</u>	<u>\$ 2,750,000</u>
 Total liabilities	 <u>-</u>	 <u>2,750,000</u>
 Fund Balance		
Fund balance	<u>242,074</u>	<u>826,292</u>
 Total fund balance	 <u>242,074</u>	 <u>826,292</u>
 Total liabilities and fund balance	 <u>\$ 242,074</u>	 <u>\$ 3,576,292</u>

See Notes to Financial Statements

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	G.O. Bonds Downtown Redevelopment TIF	Downtown Redevelopment TIF
Revenues:		
Property tax revenue	\$ -	\$ 2,650,449
Investment income	<u>1,571</u>	<u>666</u>
Total revenues	<u>1,571</u>	<u>2,651,115</u>
 Expenditures:		
Current		
Community development	-	10,545
Public works	-	9,876
Capital outlay	-	36,155
Debt service		
Principal	1,415,000	-
Interest	1,492,966	-
Issuance costs	<u>167,928</u>	<u>-</u>
Total expenditures	<u>3,075,894</u>	<u>56,576</u>
Excess (deficiency) of revenue over expenditures	<u>(3,074,323)</u>	<u>2,594,539</u>
 Other Financing Sources (Uses)		
Transfers in from other funds	2,375,431	-
Transfers (out) to other funds	-	(2,119,304)
Refunding bonds issued	10,955,000	-
Payment to escrow agent	(11,789,843)	-
Bond premium	<u>1,009,322</u>	<u>-</u>
Total other financing sources (uses)	2,549,910	(2,119,304)
Net change in fund balances	(524,413)	475,235
Fund balance, beginning of year	<u>766,487</u>	<u>351,057</u>
Fund balance, end of year	<u>\$ 242,074</u>	<u>\$ 826,292</u>

See Notes to Financial Statements

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Downtown Redevelopment Tax Increment Financing District Funds of the Village of Downers Grove, Illinois (the Village), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With the measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Village recognizes property taxes when they become both measurable and available and for the period intended to finance. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenues susceptible to accrual are property taxes and investment income.

Long-term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual proceeds received, are reported as expenditures.

Fund Balance

Reserves represent those portions of fund balances not appropriate for expenditure of legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions

Interfund transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
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All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

NOTE 2 – CASH AND INVESTMENTS

Permitted Deposits and Investments

The Village's investment policy authorizes the Village to invest in all investments allowed by Illinois Compiled Statutes. These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value).

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, legality, safety, liquidity, and yield.

At December 31, 2010, the total cash and investments of the Funds was \$1,043,072. The cash and investments were comprised solely of investments in Illinois Funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for cash requirements for ongoing operations in shorter-term securities. As of December 31, 2010, the Funds' investments in Illinois Funds were due on demand.

Credit Risk

Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The Village limits its exposure to credit risk limiting investments to the safest types of securities; pre-qualifying the financial institutions, intermediaries, and advisors with which the Village will conduct business; and diversifying the investment portfolio so that potential losses on individual investments will be minimized. Illinois Funds are rated AAA.

NOTE 3 – RECEIVABLES - TAXES

Property taxes for 2010 attach as an enforceable lien on January of the year of the levy on property values assessed as the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about May 1, 2011 and August 1, 2011, and are payable in two installments, on or about June 1, 2011 and September 1, 2011. Tax Increment Financing (TIF) property tax receipts are received in two installments similar to levied taxes described above. TIF property taxes are not levied, but are paid by the County from incremental property tax receipts of all taxing bodies within a TIF district. The County collects such taxes and remits them periodically. Management has determined that an allowance for uncollectible accounts is not necessary. As the 2010 tax levy is intended to fund expenditures for the 2011 fiscal year, these taxes are deferred as of December 31, 2010.

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 – LONG-TERM DEBT

General Obligation Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

General obligation bonds currently outstanding are as follows:

The changes in the general long-term debt during the year ended December 31, 2010, were as follows:

	<i>Balance December 31, 2009</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance December 31, 2010</i>
\$6,500,000 General Obligation Bonds, Series 1999 dated July 1, 1999 due in installments of \$50,000 to \$1,000,000 plus interest at 4.70% to 6.00% due January 1, 2019. This bond issue was partially defeased in 2005 and 2008.	\$ 250,000	\$ -	\$ 250,000	-
\$6,200,000 General Obligation Bonds, Series 2000 dated May 1, 2000, due in installments of \$35,000 to \$905,000 plus interest ranging from 5.38% to 6.00% due January 1, 2020. This bond issue was partially defeased in 2005 and 2008.	395,000	-	395,000	-
\$6,000,000 General Obligation Bonds, Series 2001 dated August 1, 2001, due in installments of \$20,000 to \$2,690,000 plus interest ranging from 4.5% to 5.125% due January 1, 2021.	5,900,000	-	5,835,000	65,000

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<p>\$6,000,000 General Obligation Bonds, Series 2002 dated August 1, 2002, due in installments of \$105,000 to \$1,205,000 plus interest ranging from 3.5% to 4.75% due January 1, 2021.</p>	\$ 5,605,000	\$ -	\$ 5,385,000	\$ 220,000
<p>\$12,000,000 General Obligation Bonds, Series 2003A, dated November 1, 2003, due in installments of \$175,000 to \$1,120,000 plus interest ranging from 3.0% to 5.0% due January 1, 2021. This bond issue was partially defeased in 2008 and 2009.</p>	750,000	-	750,000	-
<p>\$9,950,000 General Obligation Refunding Bonds, Series 2005, dated March 1, 2005, due in installments of \$120,000 to \$1,820,000 plus interest ranging from 2.30% to 3.85% due January 1, 2020.</p>	9,625,000	-	70,000	9,555,000
<p>\$3,900,000 General Obligation Refunding Bonds, Series 2008B, dated August 13, 2008, due in installments of \$15,000 to \$1,105,000 beginning January 1, 2010 plus interest ranging from 3.0% to 5.0% due January 1, 2021.</p>	3,900,000	-	15,000	3,885,000
<p>\$9,030,000 General Obligation Refunding Bonds, Series 2009, dated April 9, 2009, due in installments of \$880,000 to \$1,130,000 beginning January 1, 2011 plus interest ranging from 2.50% to 5.00% due January 1, 2019.</p>	9,030,000	-	-	9,030,000

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Refundings - General Obligation Bonds

On March 4, 2010, the Village issued \$5,805,000 General Obligation Refunding Bonds, Series 2010 to refund \$225,000 of 2000 General Obligation Bonds and \$5,775,000 of 2001 General Obligation Bonds. As a result of the refunding, the Village achieved a cash flow savings of \$568,503 and a present value savings of \$534,773.

On November 10, 2010, the Village issued \$5,150,000 General Obligation Refunding Bonds, Series 2010B to refund \$5,285,000 of 2002 General Obligation Bonds. As a result of the refunding, the Village achieved a cash flow savings of \$352,011 and a present value savings of \$329,423.

The balance of the Village's defeased bonds outstanding at December 31, 2010 is \$11,060,000.