

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR**  
**TAX INCREMENT FINANCING FUND**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT AND  
COMPLIANCE REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR TAX INCREMENT FINANCING FUND**  
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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the Village Council  
Village of Downers Grove  
Downers Grove, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund, a fund of the Village of Downers Grove, Illinois, as of and for the year ended December 31, 2013, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Honorable Mayor and Members of the Village Council  
Village of Downers Grove

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund as of December 31, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund and do not purport to, and do not present fairly the financial position of the Village of Downers Grove, Illinois, as of December 31, 2013, and the changes in its financial position and, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

**Other Matter**

*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

**Report on Other Legal and Regulatory Requirements**

We have also issued our report dated June 5, 2014 on our consideration of the Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund's compliance with laws, regulations, and contracts. . The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



Oak Brook, Illinois  
June 5, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**

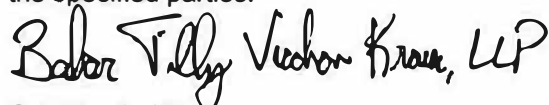
The Honorable Mayor and Members of the Village Council  
Village of Downers Grove  
Downers Grove, Illinois

We have audited the financial statements of Village of Downers Grove Downtown Ogden Avenue Corridor Tax Increment Financing Fund, as of and for the year ended December 31, 2013, and have issued our report thereon dated June 5, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance with laws, regulations, and contracts applicable to the Village of Downers Grove is the responsibility of the Village of Downers Grove's management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatements, we performed tests 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", noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance.

This report is intended solely for the information and use of the Village Council, 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.



Oak Brook, Illinois  
June 5, 2014

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR TAX INCREMENT FINANCING FUND**  
BALANCE SHEET  
AS OF DECEMBER 31, 2013

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**Assets**

Cash and investments	\$ 4,662,471
Property tax receivable	555,495
Interest receivable	<u>2,099</u>
 Total assets	 <u>\$ 5,220,065</u>

**Liabilities, Deferred Inflows of Resources, and Fund Balance**

**Liabilities**

Accounts payable	\$ <u>266,050</u>
 Total liabilities	 <u>266,050</u>

**Deferred Inflows of Resources**

Property taxes levied for future periods	<u>553,866</u>
 Total deferred inflows of resources	 <u>553,866</u>

**Fund Balance**

Restricted for economic development	<u>4,400,149</u>
 Total fund balance	 <u>4,400,149</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 5,220,065</u>

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR TAX INCREMENT FINANCING FUND**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013

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**Revenues:**

Property tax revenue	\$ 636,041
Investment income	<u>13,081</u>
Total revenues	<u>649,122</u>

**Expenditures:**

Community development	<u>502,523</u>
Total expenditures	<u>502,523</u>
Net change in fund balance	<u>146,599</u>
Fund balance, beginning of year	<u>4,253,550</u>
Fund balance, end of year	<u>\$ 4,400,149</u>

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR INCREMENT FINANCING FUND**  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ogden Avenue Corridor Tax Increment Financing District Fund (the Fund) 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.

In March 2012, the GASB issued statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Village implemented this standard effective January 1, 2013.

**Reporting Entity**

The financial statements present only the Ogden Avenue Corridor Tax Increment Financing District Fund, a fund of the Village of Downers Grove. They do not purport to, and do not, present fairly the financial position of the Village of Downers Grove.

**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.

**Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.



**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR INCREMENT FINANCING FUND**  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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**Fund Balance**

Equity is classified as fund balance in the financial statements and displayed in five components:

Non-spendable - includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g. inventory or pre-paid items).

Restricted - includes amounts constrained for a specific purpose by external parties (e.g. Debt Service, Economic Development, State and Federal Grant Funds).

Committed - includes amounts constrained for a specific purpose by a government using its highest level of decision making authority, the Village Council. This formal action (ordinance) must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Council that originally created the commitment.

Assigned - includes amounts constrained for a specific purpose by the Village Council or by an official that has been delegated authority to assign amounts. The Village Council may also take official action to assign amounts. Additionally, all remaining positive spendable amounts in governmental funds that are neither restricted nor committed are considered assigned. Assignments may take place after the end of the reporting period.

Unassigned - includes negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**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.

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR INCREMENT FINANCING FUND**  
NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

At December 31, 2013, the total deposits and investments of the Fund were comprised of the following:

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 917,256	\$ 917,256	Custodial credit risk – deposits
Money market – Illinois Funds	1,380,529	1,380,529	Credit risk
Money market – IMET	2,008,988	2,008,988	Credit risk
Municipal bonds	185,731	185,731	Credit risk, custodial credit risk
			– investments, concentration of
			credit risk, interest rate risk
U.S. Agency obligations	169,967	169,967	Credit risk, custodial credit risk
			– investments, concentration of
			credit risk, interest rate risk
<b>Total Deposits and Investments</b>	<u><u>\$4,662,471</u></u>	<u><u>\$4,662,471</u></u>	

*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, 2013, the Fund's investments in Illinois Funds and Illinois Metropolitan Investment Fund were due on demand.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>Greater than 5</u>
Municipal bonds	\$185,731	\$185,731	\$ -	\$ -
U.S Agency obligations	169,967	-	169,967	-
<b>Totals</b>	<u><u>\$355,698</u></u>	<u><u>\$185,731</u></u>	<u><u>\$169,967</u></u>	<u><u>\$ -</u></u>

*Custodial Credit Risk – Deposits*

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by the Village, an independent third-party or the Federal Reserve Bank in the Village's name. At year end, the Fund did not have any deposits that were exposed to custodial credit risk.

*Custodial Credit Risk – Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Fund did not have any investments that were exposed to custodial credit risk.

**VILLAGE OF DOWNERS GROVE**  
**OGDEN AVENUE CORRIDOR INCREMENT FINANCING FUND**  
 NOTES TO FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, there were no investments subject to concentration of credit risk.

*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.

<u>Investment Type</u>	<u>Standard &amp; Poors</u>	<u>Moody's Investors Services</u>
Illinois Funds	AAAm	N/A
Municipal bonds	AA+ - AAA	Aa1 - Aaa
U.S. Agency obligations	AA+	Aaa

**NOTE 3 – RECEIVABLES - TAXES**

Property taxes for 2013 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, 2014 and August 1, 2014, and are payable in two installments, on or about June 1, 2014 and September 1, 2014. 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 2013 tax levy is intended to fund expenditures for the 2013 fiscal year, these taxes are deferred as of December 31, 2013.

**NOTE 4 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25
- Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27
- Statement No. 69, Government Combinations and Disposals of Government Operations
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

When they become effective, application of these standards may restate portions of these financial statements.