VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT

TAX INCREMENT FINANCING FUNDS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT AND
COMPLIANCE REPORT

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Downers Grove Downtown Redevelopment Tax Increment Financing Funds, funds of the Village of Downers Grove, Illinois, as of and for the year ended December 31, 2015, 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 opinions 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 Downtown Redevelopment Tax Increment Financing Funds' 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 Downtown Redevelopment Tax Increment Financing Funds' 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 opinions.

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

Opinions

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, 2015, and the changes in 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 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, Illinois, as of December 31, 2015,and the changes in financial position, or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 7, 2016 on our tests of its compliance with Illinois State Statutes. 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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
June 7, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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

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, 2015, and have issued our report thereon dated June 7, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Village failed to comply with provisions of Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, "An Act in Relation to Tax Increment Financing", insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Village's noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

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.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
June 7, 2016

VILLAGE OF DOWNERS GROVE

DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS

BALANCE SHEET

AS OF DECEMBER 31, 2015

	G.O. Bonds Downtown Redevelopment TIF	Downtown Redevelopment TIF
Assets		
Cash and investments	$ 393,748	$ 1,059,819
Property tax receivable	-	2,893,292
Total assets	$ 393,748	$ 3,953,111
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Total liabilities	$ -	$ -
Deferred Inflows of Resources		
Property taxes levied for future periods	-	2,893,292
Total deferred inflows of resources	-	2,893,292
Fund Balance		
Restricted for debt service	393,748	-
Restricted for economic development	-	1,059,819
Total fund balance	393,748	1,059,819
Total liabilities, deferred inflows of resources, and fund balance	$ 393,748	$ 3,953,111

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, 2015

	G.O. Bonds Downtown Redevelopment TIF	Downtown Redevelopment TIF
Revenues:		
Property tax revenue	$ -	$ 2,844,329
Investment income	134	194
Total revenues	134	2,844,523
Expenditures:		
Current		
Community development	-	57,608
Public works	-	-
Debt service		
Principal	2,410,000	-
Interest and other	859,887	-
Total expenditures	3,269,887	57,608
Excess (deficiency) of revenue over expenditures	(3,269,753)	2,786,915
Other Financing Sources (Uses)		
Transfers in from other funds	3,269,888	-
Transfers (out) to other funds	-	(2,969,888)
Total other financing sources (uses)	3,269,888	(2,969,888)
Net change in fund balances	135	(182,973)
Fund balance, beginning of year	393,613	1,242,792
Fund balance, end of year	$ 393,748	$ 1,059,819

See Notes to Financial Statements

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.

Reporting Entity

The financial statements present only the Downtown Redevelopment Tax Increment Financing Funds, funds 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.

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.

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.

Fund Balance

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

Nonspendable - 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.

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.

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, 2015, the total cash and investments of the Funds was $1,453,567. The total cash and investments were comprised of deposits at financial institutions of $31,697 and investments in Illinois Funds of $1,421,870.

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, 2015, 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 2015 attach as an enforceable lien on January 1 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, 2016 and August 1, 2016, and are payable in two installments, on or about June 1, 2016 and September 1, 2016. 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 2015 tax levy is intended to fund expenditures for the 2016 fiscal year, these taxes are deferred as of December 31, 2015.

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.

The changes in the general long-term debt related to the TIF during the year ended December 31, 2015, were as follows:

	Balance December 31, 2014	Increases	Decreases	Balance December 31, 2015
$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 3.00% to 5.00% due January 1, 2021.	$ 2,160,000	$ -	$ -	$ 2,160,000
$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. (TIF Portion)	4,430,000	-	680,000	3,750,000

VILLAGE OF DOWNERS GROVE
DOWNTOWN REDEVELOPMENT TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance December 31, 2014	Increases	Decreases	Balance December 31, 2015
$5,805,000 General Obligation Refunding Bonds, Series 2010A, dated March 4, 2010, due in installments of $175,000 to $2,690,000 beginning January 1, 2011 plus interest ranging from 2.00% to 5.00% due January 1, 2021.	$ 5,320,000	$ -	$ 175,000	$ 5,145,000
$5,150,000 General Obligation Refunding Bonds, Series 2010B, dated November 10, 2010, due in installments of $200,000 to $1,210,000 beginning January 1, 2014 plus interest ranging from 3.00% to 4.00% due January 1, 2021.	4,950,000	-	380,000	4,570,000
$8,360,000 General Obligation Refunding Bonds, Series 2013A, dated October 31, 2013, due in installments of $815,000 to $1,775,000 beginning January 1, 2015 plus interest ranging from 2.00% to 3.00% due January 1, 2020.	8,360,000	-	1,175,000	7,185,000
Total	$ 25,220,000	$ -	$ 2,410,000	$ 22,810,000

Debt Service Requirements and Maturities

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	*Interest*	*Total*
2016	$ 2,615,000	$ 792,463	$ 3,407,463
2017	3,235,000	704,101	3,939,101
2018	3,590,000	597,388	4,187,388
2019	3,960,000	478,563	4,438,563
2020	4,405,000	325,411	4,730,411
2021	5,005,000	119,074	5,124,074
Total	$ 22,810,000	$ 3,017,000	$ 25,827,000