

# Village of Downers Grove Ogden Avenue Corridor Tax Increment Financing Fund

**Independent Auditor's Reports and Financial Statements**

December 31, 2016

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**Village of Downers Grove  
Ogden Avenue Corridor  
Tax Increment Financing Fund  
December 31, 2016**

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## Independent Auditor's Report

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 Ogden Avenue Corridor Tax Increment Financing Fund, as of and for the year ended December 31, 2016, 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.

### Auditor's 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 auditor's 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 entity'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 entity'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.

The Honorable Mayor and Members  
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## **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, 2016, 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 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, 2016, 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 opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 9, 2017, 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.

**BKD, LLP**

Oakbrook Terrace, Illinois  
June 9, 2017

**Village of Downers Grove  
Ogden Avenue Corridor  
Tax Increment Financing Fund  
Balance Sheet  
December 31, 2016**

**Assets**

Cash	\$ 5,285,123
Property tax receivable	645,000
Interest receivable	<u>1,864</u>
Total assets	<u><u>\$ 5,931,987</u></u>

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

**Liabilities**

Accounts payable	\$ 225,000
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**Deferred Inflows of Resources**

Property taxes levied for future periods	645,000
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**Fund Balance**

Restricted for economic development	<u>5,061,987</u>
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Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 5,931,987</u></u>
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**Village of Downers Grove  
Ogden Avenue Corridor  
Tax Increment Financing Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended December 31, 2016**

<b>Revenues</b>	
Property tax revenue	\$ 637,399
Investment income	<u>17,409</u>
Total revenues	<u>654,808</u>
<b>Expenditures</b>	
Community development	319,076
Public works	<u>1,314</u>
Total expenditures	<u>320,390</u>
<b>Net Change in Fund Balance</b>	334,418
<b>Fund Balance, Beginning of Year</b>	<u>4,727,569</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 5,061,987</u></u>

**Village of Downers Grove  
Ogden Avenue Corridor  
Tax Increment Financing Fund  
Notes to Financial Statements  
December 31, 2016**

**Note 1: Summary of Significant Accounting Policies**

The financial statements of the Ogden Avenue Corridor Tax Increment Financing Fund (Fund) of the Village of Downers Grove, Illinois (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 Ogden Avenue Corridor Tax Increment Financing 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, Illinois.

***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.

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***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.

**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,

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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, 2016, the total cash and investments of the Fund was \$5,285,123, all of which was comprised of deposits at financial institutions.

***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.

***Custodial Credit Risk***

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.

**Note 3: Receivables – Taxes**

Property taxes for 2016 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, 2017 and August 1, 2017, and are payable in two installments, on or about June 1, 2017 and September 1, 2017. 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

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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 2016 tax levy is intended to fund expenditures for the 2017 fiscal year, these taxes are deferred as of December 31, 2016.

## Independent Auditor's Report on Compliance

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Village of Downers Grove (Village) Ogden Avenue Corridor Tax Increment Financing Fund, which comprise the balance sheet as of December 31, 2016, and the related statement of revenues, expenditures and changes in fund balance for the year then ended, and have issued report thereon dated June 9, 2017.

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 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.

*BKD, LLP*

Oakbrook Terrace, Illinois  
June 9, 2017