

**VILLAGE OF LONG GROVE**  
**DOWNTOWN TAX INCREMENTAL DISTRICT**  
Long Grove, Illinois

FINANCIAL STATEMENTS

As of and for the Year Ended April 30, 2012

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

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As of and for the Year Ended April 30, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Village of Long Grove  
Long Grove, Illinois

We have audited the accompanying Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the Village of Long Grove's Downtown Tax Incremental District (the "district") as of and for the year ended April 30, 2012. These financial statements are the responsibility of the village's management. 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 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.

As discussed in Note 1, the financial statements present only the transactions of the district and do not purport to, and do not, present fairly the financial position of the Village of Long Grove as of April 30, 2012 and the changes in its financial position 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 previously present fairly, in all material respects, the financial position of the district through April 30, 2012, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the district adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective May 1, 2011.

The Village of Long Grove's Downtown Tax Incremental District has not presented 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, economical, or historical context. Our opinion on the financial statements is not affected by the missing information.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
February 27, 2013

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

BALANCE SHEET  
As of April 30, 2012

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**ASSETS**

Cash and investments	\$ 952,575
Receivables	
Taxes	225,628
Accounts	585,767
Due from other funds	18,141
Advances to other funds	548,166
Restricted cash and investments	<u>611,903</u>

**TOTAL ASSETS** \$ 2,942,180

**LIABILITIES AND FUND BALANCE**

Liabilities	
Deferred revenues	\$ 193,013
Advances from other funds	<u>4,507,071</u>
Total Liabilities	<u>4,700,084</u>

Fund Balance	
Restricted for debt service	611,903
Unassigned (deficit)	<u>(2,369,807)</u>
Total Fund Balance (Deficit)	<u>(1,757,904)</u>

**TOTAL LIABILITIES AND FUND BALANCE** \$ 2,942,180

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
For the Year Ended April 30, 2012

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**REVENUES**

Taxes	\$ 279,100
Investment income	<u>66</u>
Total Revenues	<u>279,166</u>

**EXPENDITURES**

Current	
Conservation and development	32,364
Capital outlay	686,564
Interest expenditures	333,750
Interest on advances	<u>150,429</u>
Total Expenditures	<u>1,203,107</u>

Excess (deficiency) of revenues over (under) expenditures	<u>(923,941)</u>
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**OTHER FINANCING SOURCES (USES)**

Transfers in	14,770
Transfers out	<u>(62,067)</u>
Total Other Financing Sources (Uses)	<u>(47,297)</u>

<b>Net Change in Fund Balance</b>	(971,238)
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FUND BALANCE (DEFICIT) - Beginning of Year	<u>(786,666)</u>
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<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (1,757,904)</u>
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**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended April 30, 2012

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

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The accounting policies of the Village of Long Grove's Downtown Tax Incremental District (the "district") conform to generally accepted accounting principles as applicable to governmental units.

The Village of Long Grove uses the criteria set forth by the Governmental Accounting Standards Board to determine the scope of the reporting entity of the Downtown Tax Incremental District. The accompanying financial statements reflect all the significant operations of the Village of Long Grove's Downtown Tax Incremental District.

In February 2009, the GASB issued Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The district made the decision to implement this standard effective May 1, 2011.

**A. DESCRIPTION OF FUND STRUCTURE**

This report contains the financial information of the Village of Long Grove's Downtown Tax Incremental District. The summary statements were prepared from data recorded in the following:

Special Revenue Fund – Downtown Tax Incremental District

Detailed descriptions of the purpose of this fund can be found in the Village of Long Grove's basic financial statements.

The district was created under the provisions of Illinois Statue Section 65 ILCS 5/11-74.4. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. The tax on the increased value is called a tax increment.

**B. BASIS OF ACCOUNTING**

The modified accrual basis of accounting was followed in the preparation of these statements. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Project costs, other than interest on long-term debt, are recorded when the related fund liability is incurred.

District increments are recorded as revenues in the year due. Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the village is entitled to the aids.

Other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended April 30, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***C. USE OF ESTIMATES***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***D. MEASUREMENT FOCUS***

The measurement focus of all governmental funds is the funds flow concept. Under the funds flow concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or nonspendable fund balance. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are shown in the long-term debt footnote disclosure. The related expenditures are recognized when the liabilities are liquidated.

***E. PROJECT PLAN BUDGET***

The estimated revenues and expenditures of the district are adopted in the project plan. Those estimates are for the entire life of the district, and may not be comparable to interim results presented in this report.

***F. RECEIVABLES***

Property taxes for levy year 2011 attaches as an enforceable lien on January 1, 2011, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The tax levy, which attached as an enforceable lien on the property as of January 1, has been recorded as a receivable as of April 30, 2012.

Tax bills for levy years are prepared by Lake County and issued on or about March 1, and September 1, and are payable in two installments, on or about April 1, and October 1, or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2011 property tax levy is recognized as a receivable and deferral in fiscal 2012, net of amounts already collected. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2012, the property taxes receivable and deferred tax revenue consisted of the estimated amount collectible from the 2011 levy.

***G. LONG-TERM DEBT***

Short-term debt is recorded as a fund liability. All other long-term liabilities are shown in the long-term debt footnote disclosure.

Proceeds of long-term debt issues not recorded as fund liabilities are reflected as "Sources of Funds" in the operating statement of the recipient fund. Retirement of these issues is reported as an expenditure in the year in which the debt matures or is repaid, whichever is earlier.

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended April 30, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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***H. CLAIMS AND JUDGMENTS***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are disclosed in the long-term debt footnote when the related liabilities are incurred.

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**NOTE 2 – CASH AND TEMPORARY INVESTMENTS**

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The district invests its funds in accordance with the provisions of the Illinois Statutes.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The district, as a fund of the village, maintains separate cash and investment accounts at the same financial institutions utilized by the village. At April 30, 2012, the district did not have any deposits or investments exposed to custodial credit risk.

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**NOTE 3 – RESTRICTED ASSETS**

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The district reports restricted assets in the amount of \$611,903. \$445,000 of this balance is to account for resources set aside in a bank account called the Reserve Fund. The remaining \$166,903 has been deposited in a capitalized interest account of the Bond Fund to pay interest first coming due on the bonds as required by the Limited Obligation Tax Increment Revenue Bonds, Series 2010.

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**NOTE 4 – REVENUE DEBT**

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The village has pledged future tax increment and other tax revenues, net of specified operating expenses, to repay \$4,500,000 in limited obligation tax increment revenue bonds issued in September of 2010. Proceeds from the bonds provided financing for the Sunset Grove project. The bonds are payable solely from incremental taxes, business district taxes, and certain sales tax revenues from property described as the Sunset Grove Property pursuant to the Indenture and by other pledged revenues and are payable through January 1, 2030. Annual principal and interest payments on the bonds are expected to require 40.0% of net revenues. The total principal and interest remaining to be paid on the bonds is \$8,637,625. Interest paid for the current year and total net revenues were \$333,750 and \$279,100, respectively. Principal payments begin in 2014.



**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended April 30, 2012

**NOTE 4 – REVENUE DEBT (cont.)**

Revenue debt payable at April 30, 2012, consists of the following:

<i>Revenue Debt</i>	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance April 30, 2012
Limited obligation tax increment revenue bonds, Series 2010	9/29/2010	01/01/2030	7.50%	\$ 4,450,000	\$ 4,450,000
Total Revenue Debt					<u>\$ 4,450,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 333,750
2014	75,000	333,750
2015	110,000	328,125
2016	150,000	319,875
2017	120,000	308,625
2018 – 2022	885,000	1,384,125
2023 – 2027	1,635,000	949,125
2028 – 2030	1,475,000	230,250
Totals	<u>\$ 4,450,000</u>	<u>\$ 4,187,625</u>

**NOTE 5 – ADVANCES FROM OTHER FUNDS**

The general fund of the village is advancing funds to the district. The amount advanced at April 30, 2012 was \$2,468,946. The advance is the combination of two amounts: 1) \$2,392,530 from funds advanced since the district's inception as authorized on December 8, 2009, the date upon which Ordinance No. 2009-O-44 was approved by the village board. This ordinance provided for the borrowing of up to \$3,000,000 between the general fund and district at a rate of 4% with scheduled principal payments of \$250,000 every December 1, commencing on December 1, 2010 and continuing through December 1, 2021. Interest and arrearage charges are paid current on the portion of the advance from December 8, 2009 through April 30, 2012; and 2) \$76,416 of interest being charged on the portion of the advance prior to December 8, 2009. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception.

**VILLAGE OF LONG GROVE  
DOWNTOWN TAX INCREMENTAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended April 30, 2012

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**NOTE 5 – ADVANCES FROM OTHER FUNDS (cont.)**

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The open spaces fund of the village is advancing funds to the district. The amount advanced at April 30, 2012 was \$2,038,125. The advance has been authorized by two Ordinances. Ordinance No. 2009-O-43 provides for the borrowing of up to \$1,500,000 between open spaces and the district, and 2011-O-07 provides for the borrowing of up to \$950,000 between Open Spaces and the district. The rate being charged according to these ordinances is 4%. Scheduled principal payments are required every December 1. The balance between open spaces and the district consists of only principal. All interest and arrearage charges are paid current as of April 30, 2012.

The district has advanced \$548,166 to the Special Service Area Water fund to record amounts that have been paid by the district for costs incurred within the Special Service Area Water fund, which lies within and is a part of the TIF district, for the deep water well construction costs. No interest is being charged.

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**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

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From time to time, the district is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is of the opinion of management and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the district's financial position or results of operations.

The district has incurred cumulative costs of \$448,067 through April 30, 2012 for initial development costs of a project within the TIF district. The village has entered into a Redevelopment Agreement with the developer that requires the developer to reimburse the village for these costs if certain conditions within the agreement are not met. If conditions are met, the village is required to waive specified maximum amounts as stipulated in the agreement. These costs are included in the accounts receivable balance at year end.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
THE STATE OF ILLINOIS PUBLIC ACT 85-1142

To the Village Board  
Village of Long Grove  
Long Grove, Illinois

We have audited the accompanying Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance of the Village of Long Grove's Downtown Tax Incremental District (the "district") as of and for the year ended April 30, 2012 and have issued our report thereon dated February 27, 2013. The financial statements are the responsibility of the village'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 misstatement. 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 Long Grove is the responsibility of the Village of Long 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 Long 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 Long 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*

Madison, Wisconsin  
February 27, 2013