

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

Long Grove, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended April 30, 2014

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements.

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 district'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 district'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 Village Board
Village of Long Grove

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the district as of April 30, 2014 and the changes in its financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, Illinois, as of April 30, 2014, 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 district adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective May 1, 2013. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted 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 December 1, 2014 on our tests of its compliance with the State of Illinois Public Act 85-1142. 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

Madison, Wisconsin
December 1, 2014

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

BALANCE SHEET
As of April 30, 2014

ASSETS

Cash and investments	\$ 630,532
Receivables	
Taxes	300,802
Accounts	525,641
Due from other funds	10,201
Restricted cash and investments	<u>445,004</u>

TOTAL ASSETS \$ 1,912,180

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

Liabilities	
Accounts payable	\$ 155
Advances from other funds	<u>5,023,307</u>
Total Liabilities	<u>5,023,462</u>

Deferred Inflows of Resources	
Unearned revenue	229,410
Unavailable revenue	<u>21,112</u>
Total Deferred Inflows of Resources	<u>250,522</u>

Fund Balance	
Restricted for debt service	445,004
Unassigned (deficit)	<u>(3,806,808)</u>
Total Fund Balance (Deficit)	<u>(3,361,804)</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES** \$ 1,912,180

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2014

REVENUES

Taxes	
Tax increment	\$ 208,157
Business district sales taxes	28,971
Non-home rule sales taxes	32,615
Sales taxes	222,261
Investment income	221
Total Revenues	<u>492,225</u>

EXPENDITURES

Current	
Conservation and development	30,265
Capital outlay	647,009
Debt service	
Principal on long-term debt	75,000
Interest on bonds	333,750
Interest on advances	230,999
Total Expenditures	<u>1,317,023</u>

Excess (deficiency) of revenues over (under) expenditures	<u>(824,798)</u>
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OTHER FINANCING SOURCES (USES)

Transfers in	20,816
Transfers out	<u>(548,166)</u>
Total Other Financing Sources	<u>(527,350)</u>

Net Change in Fund Balance	(1,352,148)
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FUND BALANCE (DEFICIT) - Beginning of Year	<u>(2,009,656)</u>
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FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (3,361,804)</u></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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. This standard was implemented effective May 1, 2013.

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 Statute 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. Sales taxes are recorded when they are measurable and available. 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, 2014

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

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 2013 attach as an enforceable lien on January 1, 2013, 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, 2014.

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 2013 property tax levy is recognized as a receivable and deferred inflow in fiscal 2014, net of amounts already collected. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2014, the property taxes receivable and unavailable tax revenue consisted of the estimated amount collectible from the 2013 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, 2014

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

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.

NOTE 2 – CASH AND TEMPORARY INVESTMENTS

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. Federal depository and National Credit Union Administration insurance applies to the Village of Long Grove as an individual municipality, and, accordingly, the amount of insured funds is not determinable for the district.

NOTE 3 – RESTRICTED ASSETS – RESERVE FUND

The district reports restricted assets in the amount of \$445,004. This balance is to account for resources held in a bank account according to the Tax Compliance Certificate and Agreement dated September 29, 2010. These funds were part of \$4,450,000 limited obligation tax increment revenue bonds issued in 2010. The amount required to be maintained in the reserve fund is specified by the Indenture.

NOTE 4 – REVENUE DEBT

The village has pledged future tax increment and other tax revenues, net of specified operating expenses, to repay \$4,450,000 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 the 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 37.92% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$7,895,125. Principal and interest paid for the current year and total gross revenues were \$408,750 and \$358,616, respectively.

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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2014

NOTE 4 – REVENUE DEBT (cont.)

Revenue debt payable at April 30, 2014, consists of the following:

<i>Revenue Debt</i>	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance April 30, 2014
Limited obligation tax increment revenue bonds, Series 2010	9/29/2010	01/01/2030	7.50%	\$ 4,450,000	\$ <u>4,375,000</u>
Total Revenue Debt					\$ <u><u>4,375,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years Ended April 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 110,000	\$ 328,125
2016	150,000	319,875
2017	120,000	308,625
2018	130,000	299,625
2019	150,000	289,875
2020 – 2024	1,145,000	1,242,000
2025 – 2029	2,015,000	690,375
2030	<u>555,000</u>	<u>41,625</u>
Totals	<u>\$ 4,375,000</u>	<u>\$ 3,520,125</u>

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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2014

NOTE 5 – ADVANCES FROM OTHER FUNDS

Following is a summary of the advances from other funds:

General Fund	\$ 2,775,230
Open Spaces Fund	<u>2,248,077</u>
Total	<u>\$ 5,023,307</u>

The general fund of the village is advancing funds to the district. The amount advanced at April 30, 2014 was \$2,775,230. The advance is the combination of four amounts: 1) \$2,463,763 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; 2) \$197,769 of interest due on the advance; 3) \$37,282 of arrearage charges applied to the unpaid, scheduled principal and interest payments; and 4) \$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.

The open spaces fund of the village is advancing funds to the district. 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, commencing December 1, 2010 and continuing through December 1, 2019. The balance between open spaces and the downtown TIF fund consists of: 1) \$2,038,125 from funds advanced since the TIF's inception; 2) \$163,050 of interest due on the advance; and 3) \$46,902 of arrearage charges applied to the unpaid, scheduled principal and interest payments. All interest and arrearage charges are paid current as of April 30, 2014.

NOTE 6 – TRANSFERS

The district transferred \$548,166 to the Special Service Area (SSA) Water fund for deep water well construction costs incurred within the SSA Water fund, which lies within and is a part of the TIF district.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

From time to time, the village 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 village's financial position or results of operations.

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

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended April 30, 2014

NOTE 7 – COMMITMENTS AND CONTINGENCIES (cont.)

The Downtown TIF fund has incurred cumulative costs of \$515,641 through April 30, 2014 for the 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.

The Redevelopment Agreement establishes a TIF Note whereby developer expenses for public improvements including right-of-way improvements along Aptakisic Road and Illinois Route 83, may be reimbursed to the developer, subject to reductions set forth in the agreement. The actual amount due and owed by the TIF will be reflective of the developer expenses as certified. These costs will be considered principal, and shall bear interest at the rate of 9%, with a maximum of 20 years, following the closing date of the agreement. The TIF issued limited obligation bonds, of which a portion of the proceeds were used to finance these costs. The proceeds were placed in an escrow for the benefit of the developer. As of April 30, 2014, \$10,000 remained in escrow subject to final approval of landscaping and other final costs of the improvements.

The Redevelopment Agreement also authorizes the village to sell certain property, commonly known as the Archer lots, to the developer. The lots, which the village owned prior to the establishment of the Downtown TID, are within the TID and could be sold for redevelopment purposes. Negotiations continue with the developer for this possible sale.



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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, Illinois Downtown Tax Incremental District (the "district") as of and for the year ended April 30, 2014 and have issued our report thereon dated December 1, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance with tax increment financing laws, regulations, contracts and the project plan 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 tests 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," noncompliance with which could have a direct and material effect on the determination of the financial statements 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 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
December 1, 2014