

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

Long Grove, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of April 30, 2016 and From the
Date of Creation Through April 30, 2016

**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 Historical Summary of Sources, Uses, and Status of Funds of the Village of Long Grove's Tax Incremental District ("the district") as of April 30, 2016 and from the date of creation through April 30, 2016, 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 and the sources, uses, and status of funds from the date of creation through April 30, 2016, 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 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, 2016, and the changes in financial position, or, where applicable, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the district's financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated October 14, 2016 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
October 14, 2016

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

BALANCE SHEET
As of April 30, 2016

ASSETS

Cash and investments	\$ 267,191
Receivables	
Taxes	409,943
Due from other funds	8,771
Restricted cash and investments	<u>448,830</u>

TOTAL ASSETS \$ 1,134,735

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

Liabilities	
Accounts payable	\$ 69,255
Advances from other funds	<u>5,594,884</u>
Total Liabilities	<u>5,664,139</u>

Deferred Inflows of Resources	
Unearned revenue	339,566
Unavailable revenue	<u>24,631</u>
Total Deferred Inflows of Resources	<u>364,197</u>

Fund Balance	
Restricted for debt service	448,830
Unassigned (deficit)	<u>(5,342,431)</u>
Total Fund Balance (Deficit)	<u>(4,893,601)</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES** \$ 1,134,735

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

HISTORICAL SUMMARY OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through April 30, 2016

SOURCES OF FUNDS

Taxes	
Tax increment	\$ 1,070,904
Business district sales taxes	118,180
Non-home rule sales taxes	128,000
Sales taxes	1,140,196
Investment income	11,233
Proceeds of long-term debt	4,450,000
Miscellaneous	147
Transfers in	<u>667,243</u>
Total Sources of Funds	<u>7,585,903</u>

USES OF FUNDS

General government	130,764
Conservation and development	1,349,037
Capital outlay	6,615,722
Debt service	
Bond issuance costs	300,000
Principal on long-term debt	335,000
Interest on bonds	1,734,542
Interest on advances	1,370,429
Transfers out	<u>644,010</u>
Total Uses of Funds	<u>12,479,504</u>

FUND BALANCE (DEFICIT) - END OF YEAR \$ (4,893,601)

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

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2016 and From the Date of Creation Through April 30, 2016

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.

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. 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2016 and From the Date of Creation Through April 30, 2016

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

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 unavailable or unearned 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 2015 attach as an enforceable lien on January 1, 2015, 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, 2016.

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 2015 property tax levy is recognized as a receivable and deferred inflow in fiscal 2016, net of amounts already collected. As the taxes become available to finance current expenditures, they are recognized as revenues. At April 30, 2016, the property taxes receivable and unavailable tax revenue consisted of the estimated amount collectible from the 2015 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 April 30, 2016 and From the Date of Creation Through April 30, 2016

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 \$448,830. 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 35.74% of gross revenues. The total principal and interest remaining to be paid on the bonds is \$6,987,125. Principal and interest paid for the current year and total gross revenues were \$469,875 and \$610,964, respectively.

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

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2016 and From the Date of Creation Through April 30, 2016

NOTE 4 – REVENUE DEBT (cont.)

Revenue debt payable at April 30, 2016, consists of the following:

<i>Revenue Debt</i>					
Revenue Debt	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance April 30, 2016
Limited obligation tax increment revenue bonds, Series 2010	9/29/2010	01/01/2030	7.50%	\$ 4,450,000	\$ <u>4,115,000</u>
Total Revenue Debt					\$ <u><u>4,115,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years Ended April 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 120,000	\$ 308,625
2018	130,000	299,625
2019	150,000	289,875
2020	175,000	278,625
2021	200,000	265,500
2022 - 2026	1,465,000	1,059,000
2027 - 2030	<u>1,875,000</u>	<u>370,875</u>
Totals	<u><u>\$ 4,115,000</u></u>	<u><u>\$ 2,872,125</u></u>

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

NOTES TO FINANCIAL STATEMENTS
As of April 30, 2016 and From the Date of Creation Through April 30, 2016

NOTE 5 – ADVANCES FROM OTHER FUNDS

Following is a summary of the advances from other funds:

General Fund	\$ 3,115,854
Open Spaces Fund	<u>2,479,030</u>
Total	<u>\$ 5,594,884</u>

The general fund of the village is advancing funds to the district. The amount advanced at April 30, 2016 was \$3,115,854. The advance is the combination of four amounts: 1) \$2,545,141 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) \$399,676 of interest due on the advance; 3) \$94,621 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) \$326,100 of interest due on the advance; and 3) \$114,805 of arrearage charges applied to the unpaid, scheduled principal and interest payments.

NOTE 6 – 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.

The Downtown TIF fund has incurred cumulative costs of \$527,086 through April 30, 2016 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.

On December 8, 2015, the village developer entered into a purchase and sale agreement for properties known as the "Archer lots." Within this agreement, the \$527,086 is deferred until January 1, 2020, and provides for the potential of a waiver for all or a part of this amount based on the status of the sale of the Archer lots. The village currently has an allowance setup for 100% of these costs.

SUPPLEMENTAL INFORMATION

**Detailed Schedule of Sources, Uses, and
Status of Funds Follows**

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

DETAILED SCHEDULE OF SOURCES, USES, AND STATUS OF FUNDS
From the Date of Creation Through April 30, 2016

	2008	2009	2010	2011
SOURCES OF FUNDS				
Taxes				
Tax increment	\$ -	\$ -	\$ 21,913	\$ 65,370
Business district sales taxes	-	-	-	-
Non-home rule sales taxes	-	-	-	-
Sales taxes	-	-	-	48,536
Investment income	-	-	-	116
Proceeds of long-term debt	-	-	-	4,450,000
Miscellaneous	-	-	-	147
Transfers in	-	-	-	560,152
Total Sources of Funds	<u>-</u>	<u>-</u>	<u>21,913</u>	<u>5,124,321</u>
USES OF FUNDS				
General Government	-	-	87,949	42,815
Conservation and development	142,055	-	-	300,000
Capital outlay	1,846	1,385,838	1,565,046	1,703,483
Debt service				
Bond issuance costs	-	-	-	300,000
Principal on long-term debt	-	-	-	-
Interest on bonds	-	-	-	85,292
Interest on advances	-	-	76,416	208,383
Transfers out	<u>33,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Uses of Funds	<u>177,678</u>	<u>1,385,838</u>	<u>1,729,411</u>	<u>2,639,973</u>

FUND BALANCE - APRIL 30, 2016

2012	2013	2014	2015	2016	Totals	Project Plan Estimate
\$ 60,419	\$ 175,312	\$ 208,157	\$ 229,416	\$ 310,317	\$ 1,070,904	\$ 22,007,942
-	23,355	28,971	30,356	35,498	118,180	-
-	23,899	32,615	35,263	36,223	128,000	-
218,681	191,237	222,261	230,555	228,926	1,140,196	-
66	18	221	4,708	6,104	11,233	-
-	-	-	-	-	4,450,000	-
-	-	-	-	-	147	-
14,770	17,531	20,816	22,942	31,032	667,243	-
293,936	431,352	513,041	553,240	648,100	7,585,903	22,007,942
-	-	-	-	-	130,764	-
32,364	41,315	30,265	551,921	251,117	1,349,037	6,500,000
686,564	94,035	647,009	303,580	228,321	6,615,722	29,000,000
-	-	-	-	-	300,000	-
-	-	75,000	110,000	150,000	335,000	7,400,000
333,750	333,750	333,750	328,125	319,875	1,734,542	1,500,000
150,429	214,004	230,999	242,115	248,083	1,370,429	-
62,067	-	548,166	-	-	644,010	-
1,265,174	683,104	1,865,189	1,535,741	1,197,396	12,479,504	44,400,000
					\$ (4,893,601)	

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

DETAILED SCHEDULE OF CAPITAL EXPENDITURES
From the Date of Creation Through April 30, 2016

	Actual	Project Plan Estimate
CAPITAL EXPENDITURES		
Stemple Lot	\$ 9,936	\$ -
Public Water Supply Establishment	88,463	-
Archer Lot	28,008	-
Comed Burial Expense	2,146,998	-
Covered Bridge Repair	15,000	-
Modern Roundabout-Old McHenry	224,159	-
Streetscapes Expense	93,120	-
Legal Expense	50,053	-
Downtown Wayfinding Signage	148,801	-
IL83/Downtown Public Water System	9,351	-
Robert Parker Coffin Road Paving	741,298	-
Sunset Grove Capital Improvements	231,794	-
Sunset Grove Redevelopment	2,822,677	-
Roads	3,520	-
Streetscapes Expense	170	-
Engineering	1,920	-
Archer Road Watermain Loop	357	-
Property Assembly Costs	97	-
Rehabilitation Costs	-	5,000,000
Construction of Public Works or Improvements	-	1,000,000
Additional Capital Expenditures	-	18,000,000
	-	5,000,000
TOTAL CAPITAL EXPENDITURES	\$ 6,615,722	\$ 29,000,000

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, 2016 and have issued our report thereon dated October 14, 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 district 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 district'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 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
October 14, 2016