

VILLAGE OF ELWOOD, ILLINOIS

DEER RUN INDUSTRIAL PARK ECONOMIC
DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT

FINANCIAL AND COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED
APRIL 30, 2016

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN INDUSTRIAL PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

October 14, 2016

The Honorable President
Members of the Board of Trustees
Deer Run Industrial Park Economic Development Project Area
Tax Incremental Financing District
Village of Elwood, Illinois

We have audited the accompanying financial statements of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District of the Village of Elwood, Illinois, as of and for the year ended April 30, 2016, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the Village of Elwood's management. Our responsibility is to express an opinion on these basic 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 basic 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 described in the Notes to the Financial Statements, the basic financial statements present only the Deer Run Industrial Park Economic Development Area Tax Incremental Financing District of the Village of Elwood, Illinois, and are not intended to present fairly the financial position or results of operations of the entire Village of Elwood, Illinois, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District of the Village of Elwood, Illinois as of April 30, 2016, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also issued a report dated October 14, 2016 on our consideration of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District of the Village of Elwood, Illinois' compliance with laws, regulations, contracts and grants.

Lauterbach + Amen LLP

LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

**Balance Sheet
April 30, 2016**

ASSETS

Cash and Investments	\$ 4,976,800
Receivable - Net of Allowances Property Taxes	<u>9,273,264</u>
Total Assets	<u><u>14,250,064</u></u>

LIABILITIES

Accounts Payable	65,709,848
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DEFERRED INFLOWS OF RESOURCES

Property Taxes	<u>9,273,264</u>
Total Liabilities and Deferred Inflows of Resources	74,983,112

FUND BALANCES

Unassigned	<u>(60,733,048)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>14,250,064</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended April 30, 2016**

	<u>Actual</u>
Revenues	
Taxes	
Property Taxes	\$ 9,358,536
Interest	16,040
Total Revenues	<u>9,374,576</u>
Expenditures	
General Government	
Management Fees	8,021
Debt Service	
Principal Retirement	8,593,001
Interest and Fiscal Charges	14,435,592
Total Expenditures	<u>23,036,614</u>
Net Change in Fund Balance	(13,662,038)
Fund Balance - Beginning	<u>(47,071,010)</u>
Fund Balance - Ending	<u><u>(60,733,048)</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ELWOOD, ILLINOIS

DEER RUN INDUSTRIAL PARK ECONOMIC DEVELOPMENT PROJECT AREA TAX INCREMENTAL FINANCING DISTRICT

Notes to the Financial Statements

April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Elwood, Illinois, is a municipal corporation governed by an elected president and six-member Board of Trustees. In August of 2000 the Village established the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District, pursuant to the Economic Development Project Area Tax Increment Allocation Act of 1995. Private construction and development within the District is the responsibility of the developer(s). The tax increment allocation financing is intended to entice development of the District by financing a portion of the cost of certain improvements to be made within the District.

REPORTING ENTITY

In determining the financial reporting entity, the Village complies with the provisions of GASB Statement No. 61, “The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No.34,” and includes all component units that have a significant operational or financial relationship with the Village. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

The operations of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District are accounted for as a debt service fund of the Village.

BASIS OF PRESENTATION

The financial transactions of the Village are reported in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures.

Governmental Funds

The focus of the governmental funds’ measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District Fund of the Village:

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Village maintains one debt service fund, the Deer Run TIF Fund, which accounts for revenues received from incremental property and sales taxes and expenditures for debt service payments related to tax increment financing bonds.

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN INDUSTRIAL PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

**Notes to the Financial Statements
April 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the basic financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The Village recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes and interest revenue. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN INDUSTRIAL PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

Notes to the Financial Statements

April 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

**ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET
POSITION OR EQUITY – Continued**

Receivables Property Taxes

In the financial statements, receivables consist of all property tax revenues accrued at year-end and not yet received. Allowances for uncollectible receivables are based upon historical trends.

NOTE 3 – DETAIL NOTES ON THE FINANCIAL STATEMENTS

DEPOSITS AND INVESTMENTS

The Village is authorized to make deposits in commercial banks and savings and loan institutions, and to make investments in obligations of the U.S. Treasury and other U.S agencies, obligations of state and their political subdivisions, savings accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds. Cash and investments represent the fund's share of pooled cash and investments of the Village.

TAXES

The incremental taxes consist of the property taxes on real property within the District arising from tax levies by any and all taxing districts or municipal corporations having the power to tax real property in the District. Taxes are attributable to the increase in the then current equalized assessed valuation of each parcel of real property within the District over and above the certified initial equalized assessed value of each such piece of property.

Property taxes for 2015 attach as an enforceable lien on January 1, on property values assessed as of 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 Will County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically.

LONG-TERM DEBT

TIF Notes Payable

The Village has issued tax increment financing notes to finance the costs of certain improvements within the District. These notes are limited obligations of the Village payable solely from the pledged revenue of the tax incremental financing district and are reported in the Village's financial statements. The notes do not constitute an indebtedness of the Village for the purpose of any limitation imposed by law.

VILLAGE OF ELWOOD, ILLINOIS

**DEER RUN INDUSTRIAL PARK ECONOMIC DEVELOPMENT PROJECT AREA
TAX INCREMENTAL FINANCING DISTRICT**

**Notes to the Financial Statements
April 30, 2016**

LONG-TERM DEBT – Continued

TIF Notes Payable – Continued

Tax increment financing notes currently outstanding are as follows:

<u>Issue</u>	<u>Beginning Balance</u>	<u>Issuances/ Accretion</u>	<u>Retirements</u>	<u>Ending Balance</u>
Tax Increment Financing Note of 2003.	\$ 152,250,310	14,077,551	23,028,593	143,299,268



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GENERALLY
ACCEPTED AUDITING STANDARDS**

October 14, 2016

The Honorable President
Members of the Board of Trustees
Deer Run Industrial Park Economic Development Project Area
Tax Incremental Financing District
Village of Elwood, Illinois

We have audited the basic financial statements of the Deer Run Industrial Park Economic Development Project Area Tax Incremental Financing District of the Village of Elwood, Illinois, 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.

Compliance

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the Village of Elwood's management. As part of obtaining reasonable assurance about whether financial statements are free of material misstatement, we performed tests of the Village's compliance with certain provisions of laws, regulations, contracts and grants applicable to the District, including the Village's compliance with subsection (q) of Section 11-74.4-3 of the State of Illinois 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 financial statement 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 with the provisions referred to in the preceding paragraph.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Deer Run Industrial Park Development Project Area Tax Incremental Financing District of the Village of Elwood, Illinois, we considered the Village of Elwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the

Deer Run Industrial Park Economic Development Project Area
Tax Incremental Financing District
Village of Elwood, Illinois
October 14, 2016

risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the members of the Board of Trustees and management, and is not intended to be used and should not be used by anyone other than these specified parties.



LAUTERBACH & AMEN, LLP