

VILLAGE OF ELWOOD, ILLINOIS

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

FINANCIAL AND COMPLIANCE REPORT

YEAR ENDED APRIL 30, 2005

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

June 22, 2005

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, 2005, as listed in the accompanying table of contents. These financial statements are the responsibility of the Village of Elwood'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 described in the Notes to the Financial Statements, the 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 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, 2005, 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 June 22, 2005 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, 2005**

ASSETS	
Cash and investments	\$ 1,540,042
Receivable - net of allowances	
Property taxes	<u>2,630,195</u>
Total Assets	<u><u>4,170,237</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Deferred revenue	2,630,195
Fund Balance	
Reserved - debt service	<u>1,540,042</u>
Total Liabilities and Fund Balance	<u><u>4,170,237</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 - Budget and Actual
Year Ended April 30, 2005

	<u>Budget</u>	<u>Actual</u>
Revenues		
Taxes		
Property taxes	\$ -	2,688,025
Intergovernmental		
Incremental sales taxes	-	6,993
Interest	-	17,701
Total Revenues	<u>-</u>	<u>2,712,719</u>
Expenditures		
General government		
Management fees	-	21,455
Administrative reimbursement	-	108,243
Debt service		
Principal retirement	210,500	2,285,264
Total Expenditures	<u>210,500</u>	<u>2,414,962</u>
Net Change in Fund Balance	<u>(210,500)</u>	297,757
Fund Balance - Beginning		<u>1,242,285</u>
Fund Balance - Ending		<u><u>1,540,042</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, 2005

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. 14, "The Financial Reporting Entity," and includes all component units that have a significant operational or financial relationship with the Village.

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, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and liabilities 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 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, sales taxes and interest revenue. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

ASSETS, LIABILITIES, AND NET ASSETS 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, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, LIABILITIES, AND NET ASSETS 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.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

Fund Equity

In the financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. Prior to April 30, the Village Clerk submits to the Village Board a proposed operating budget for the fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to July 31, the budget is legally enacted through passage of an ordinance.

The Village Clerk is authorized to transfer budgeted amounts between departments within any fund; however, the Village Board must approve revisions that alter the total expenditures of any fund. Budgeted amounts are as originally adopted by the Board of Trustees. Expenditures may not legally exceed budgeted appropriations at the fund level. During the year several supplementary appropriations were necessary.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

The fund had an excess of actual expenditures over budget of \$2,204,462 for the fiscal year.

VILLAGE OF ELWOOD, ILLINOIS

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

**Notes to the Financial Statements
April 30, 2005**

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 2005 attach as an enforceable lien on January 1, 2005, 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, 2006, and September 1, 2006. The County collects such taxes and remits them periodically.

In addition to the incremental property taxes, the Village imposed, under the home Rule Municipal Service Occupation Tax Act, a tax of 1% of the gross receipts of sales of specified tangible personal property.

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, 2005**

NOTE 3 – DETAIL NOTES ON THE FINANCIAL STATEMENTS - Continued

LONG-TERM DEBT - Continued

TIF Notes Payable - Continued

Tax increment financing notes currently outstanding are as follows:

Issue	Balances May 1			Balances
	As Restated	Issuances	Retirements	April 30
Tax Increment Financing Notes of 2003	\$ 115,529,382	11,703,839	2,285,264	124,947,957

FUND EQUITY

Restatements

During the current fiscal year, the Village decreased beginning fund equity in the District of \$1,597,148 by \$354,863 to reflect correction an error in recognition of receivables. In addition, the Village restated the beginning balance of the TIF notes payable to reflect the accreted value of the TIF notes at the beginning of the fiscal year.

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

June 22, 2005

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 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, 2005, and have issued our report thereon dated June 22, 2005. 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
June 22, 2005

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
LAUTERBACH & AMEN, LLP