

**VILLAGE OF CHANNAHON, ILLINOIS
TAX INCREMENT FINANCING
DISTRICT FUND**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S AND
ACCOUNTANT'S REPORTS**

FOR THE YEAR ENDED APRIL 30, 2016

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To the Village President and Board of Trustees
Village of Channahon
Channahon, Illinois

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Tax Increment Financing (TIF) District Fund of the Village of Channahon, Illinois, (Village) as of and for the year ended April 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

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.

Auditor's 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TIF District Fund of the Village of Channahon, Illinois, as of April 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TIF District Fund and do not purport to, and do not present fairly the financial position of the Village of Channahon, Illinois, as of April 30, 2016, and the changes in its financial position 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.

Report on Other Legal and Regulatory Requirements

We have also issued a report dated October 3, 2016, on our consideration of the Village of Channahon, Illinois's compliance with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Werner, Rogers, Doran & Ruyon, LLC

October 3, 2016

**VILLAGE OF CHANNAHON, ILLINOIS
TIF DISTRICT FUND**

Balance Sheet
April 30, 2016

ASSETS

Current Assets

Investments	\$ 518,411
Property Taxes Receivable, Net of Allowance for Uncollectible Amounts	<u>7,710,199</u>
Total Assets	<u>\$ 8,228,610</u>

DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Deferred Inflows of Resources

Deferred Revenue - Property Tax	<u>7,710,199</u>
Total Deferred Inflows of Resources	<u>7,710,199</u>

Fund Balance

Assigned	<u>518,411</u>
Total Fund Balance	<u>518,411</u>
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 8,228,610</u>

The Accompanying Notes are an Integral Part of This Financial Statement.

**VILLAGE OF CHANNAHON, ILLINOIS
TIF DISTRICT FUND**

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

Revenue		
Property Taxes	\$	6,863,087
Interest Earnings		1,111
Total Revenue		6,864,198
Expenditures		
Taxing District Surplus Distribution		4,248,168
Redevelopment Agreement Payments		1,862,620
Legal and Other Professional Fees		791
Audit Fees		6,760
Dues and Subscriptions		1,300
Bond Principal		650,000
Bond Interest and Fees		144,800
Total Expenditures		6,914,439
Net Change in Fund Balance	(50,241)
Fund Balance, Beginning of Year		568,652
Fund Balance, End of Year	\$	518,411

The Accompanying Notes are an Integral Part of This Financial Statement.

VILLAGE OF CHANNAHON, ILLINOIS TIF DISTRICT FUND

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies

Introduction

The Village of Channahon (Village) is incorporated as a village under the laws of the state of Illinois. The Tax Incremental Financing (TIF) District Fund of the Village is a special revenue fund. The Village maintains several other governmental type funds which are not presented. Since the financial statements present only the TIF District Fund, they are not intended to, and do not present fairly the financial position of the Village of Channahon, Illinois, and its changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The financial statements reflect modified accrual basis accounting, under which revenues are recorded when they become measurable and available to finance expenditures of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially three types of these revenues. For one type, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. For the second type, monies are received in advance and recorded as deferred revenues until the appropriate expenditures are made, at which time the revenues are recorded. For the third type, revenues are virtually unrestricted as to purpose of expenditure and nearly irrevocable or revocable only for failure to comply with the prescribed requirements, such as equal employment opportunity provisions. These resources are reflected as revenues at the time of receipt or earlier if they meet the "available" criteria.

Investments

Investments are reported at fair value, which is determined using selected bases. Mutual funds are reported at estimated fair value as determined by fund managers based on sales prices.

Fund Balance

The Village's fund balances are required to be reported using five separate classifications as follows: Nonspendable, restricted, committed, assigned and unassigned. The TIF Fund's fund balance is classified as assigned.

Assigned fund balance - Amounts that are constrained by the Village's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Village President, Village Board or Finance Director. With the exception of the Village's General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

VILLAGE OF CHANNAHON, ILLINOIS TIF DISTRICT FUND

Notes to Financial Statements
April 30, 2016

1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, deferred inflows of resources, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Deposits and Investments

Deposits

Custodial Credit Risk – This is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As of April 30, 2016, the TIF District Fund did not have any deposits with banks; however, the TIF District Fund held varying deposit balances throughout the fiscal year which were fully insured by the Federal Deposit Insurance Corporation.

Investments

Statutes authorize the Village to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, pre-refunded municipal obligations, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, corporate debt guaranteed by any corporation that is rated by Moody's and S & P in their two highest rating categories, repurchase agreements with maturities of 30 days or less, prime commercial paper of a United States corporation, public housing bonds issued by public agencies, shares of a diversified open-end management investment company or state pooled investment funds.

The Village's investments recorded in the TIF District Fund at April 30, 2016 are in bank trust mutual investment funds. These investments have a carrying and market value of \$518,411. The investments held in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The relationship between the Village and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship. Additional information about the Village's investment policy and other deposits and investments of the Village are disclosed in the Village's April 30, 2016 Comprehensive Annual Financial Report.

3. Property Taxes

Property tax levies are recognized as revenues in the fiscal period they are intended to finance. The amounts recorded as revenue for fiscal year 2016 represent the taxes from the 2014 and prior year levies that have been collected by Will and Grundy Counties and have been distributed to the Village within sixty days of fiscal year-end.

**VILLAGE OF CHANNAHON, ILLINOIS
TIF DISTRICT FUND**

Notes to Financial Statements
April 30, 2016

3. Property Taxes, Continued

The budget and appropriations ordinance anticipate that the 2015 property tax levy will be used to finance fiscal year 2017 expenditures. The 2015 levy has been recognized as a receivable, less an allowance for uncollectible property taxes amounting to 1 percent, as of April 30, 2016, but recognition as revenue has been deferred to fiscal year 2017.

The calendar for the 2015 property tax levy is as follows:

Levy Date – December 21, 2015
Lien Date - January 1, 2015
Due Date(s) – on or about June 1 and September 1, 2016
Estimated Collection Dates - May 16, 2016 through December 15, 2016

4. Long-Term Debt

The Village issued \$4,740,000 of Limited Obligation Tax Increment Revenue Bonds on April 16, 2013, at an interest rate of 4.00 percent, to provide resources to refund the Series 2000 Limited Obligation Tax Increment Revenue Bonds. Repayment of the Series 2013 bonds is to be made in annual installments through January 1, 2020, and will be financed by the TIF District property tax revenues. The Village used the proceeds of this issue to refund the remaining outstanding 2000 Tax Increment Revenue Bonds on May 16, 2016. The remaining principal balance of the 2013 bonds at April 30, 2016 is \$2,870,000. Annual debt service payments required to service these bonds as of April 30, 2016 are as follows:

<u>Years Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 675,000	\$ 114,800	\$ 789,800
2018	705,000	87,800	792,800
2019	730,000	59,600	789,600
2020	<u>760,000</u>	<u>30,400</u>	<u>790,400</u>
	<u>\$ 2,870,000</u>	<u>\$ 292,600</u>	<u>\$ 3,162,600</u>

The long-term debt attributed to the TIF District Fund described above is not reported in these financial statements, since these are fund financial statements.



To the President and Board of Trustees
Village of Channahon
Channahon, Illinois

**Independent Accountant's Report on Compliance with Requirements
Applicable to the Tax Increment Financing District**

We have examined the Village of Channahon, Illinois (Village)'s compliance with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act during the year ended April 30, 2016. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the year ended April 30, 2016.

This report is intended solely for the information and use of management, the State of Illinois and the appropriate taxing districts with tax authority in the TIF District and is not intended to be and should not be used by anyone other than these specified parties.

Werner, Rogers, Doran & Ruzon, LLC

October 3, 2016

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