



X Financial Assessment

District Overview

The Wood Dale Park District’s management is responsible for the establishment and maintenance of internal controls to protect the District’s assets and to ensure proper accounting data and information for use in preparation of financial statements consistent with the generally accepted accounting principles.

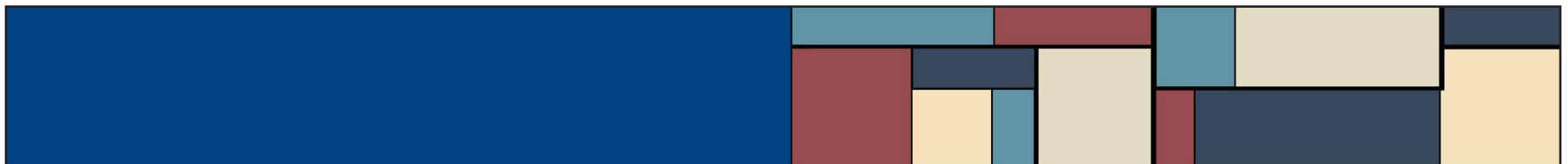
A budget is prepared for each fund and reviewed monthly for actual expenditures compared to budget.

In addition to typical governmental funds:

- General Fund – general operating fund of the District;
- Special Revenue Funds – accounts for proceeds of specific revenue sources;
- Debt Service Fund – accounts for accumulation of funds for payment of principal and interest on long term debt; and,
- Capital Improvements Fund – accounts for financial resources used for the purchase, acquisition, and construction of major capital facilities.

The District also manages a Proprietary Fund (Enterprise Fund) which is used to account for the operations of the Salt Creek Golf Course and Clubhouse.

This Enterprise Fund accounts for operations financed and operated in a manner similar to private business enterprises. The District’s intent is to track the costs (expenses including depreciation) of providing goods or services to the general public where the costs are recovered primarily through user charges; as well as to periodically determine revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.



The District has further classified funds as either Major or Non-major Funds.

Major funds are:

- General Fund
- Recreation Fund
- Debt Service Fund
- Capital Improvement Fund
- Enterprise Fund

Non-major Funds are:

- Audit Fund
- Special Recreation Fund
- Municipal Retirement Fund (IMRF)
- Museum
- Paving and Lighting
- Police
- Vehicle Replacement

Fund Balances

All District Funds showed positive fund balances as of April 30, 2014.

The District utilizes interfund receivables and payables to account for services provided to or provided by various funds to other funds. These transfers are typically temporary in nature with these transfers repaid in the next fiscal year. Recently the Golf Course and Clubhouse needed additional funds which were provided by these interfund transfers, however the Golf Course and Clubhouse have been unable to repay these funds due to the distressed market and the downturn in the economy.

Data Reviewed

Following is a list of the cost and activity data reviewed by the consulting team:

- Comprehensive Annual Financial Reports for year ending April 30, 2014
- Operating data and information for the Salt Creek Golf Club and Clubhouse

The financial statements and budget reports were analyzed to assess the District's budgeting strategies, spending practices, and financial condition.

Financial Profile

The Wood Dale Park District is an independent local government entity with a financial structure that includes five Major Governmental Funds and seven Non-major Governmental Funds. As previously noted the District has a historical record of having fund reserves each year.

Excluding the Golf Course, Wood Dale Park District historically generates just under 74% of its total revenues from tax (Real Estate and Replacement Tax) sources. The balance of revenues comes from Fees & Charges, Rental, Interest, Grants, and Miscellaneous sources as identified in the annual audit.

A review of the year ending April 30, 2014 identifies several operating funds showed expenditures in excess of revenues, however, all funds showed positive fund balances as of April 30th as noted earlier.

The District has the potential for growth in both the non-tax revenue sector and the real estate tax revenue sector.

Real Estate Taxes

Bonding Authority:

The District is limited to a maximum level of indebtedness of 2.875% of its Equalized Assessed Valuation (EAV). In the District's audit for the year ending April 30, 2014 page 85 identifies the legal debt margin over the last ten years. While the District's current bonded debt limit is just under \$15 million they have just over \$11.5 million available. The District's non-referendum legal debt limit is 0.575% of assessed value, yielding just under \$3 million of which just over \$817,000 is available.

There are two mechanisms available for the District to access any of the bond funding available. One mechanism is by referendum while the second would utilize the District's non-referendum bonding authority.

Should the District determine a specific need that would require substantial capital, the option of a referendum is available. Utilization of this option would require the District to document the financial need and then proceed to referendum to request the voter's support and approval of the identified need. This approach is consistent with the requirements of the state statutes.

Budgeting

The District has demonstrated a conservative approach to annual budgeting for many years. Under the current state statute, the District's annual tax increases are limited by the Property Tax Limitation Law (PTELL) described below. The recent economic downturn that began in 2007 has had a significant impact on the District's funding capabilities.

Even though the national and state economy is beginning to rebound the recovery rate has been very slow. During this recent period the District has planned its annual growth at 2% per year.

The Consumer Price Index (CPI) for the twelve months ending December 2014 rose 1.4% (not seasonally adjusted) for the Chicago-Gary-Kenosha Area.

According to the Federal Planning Bureau (FPB) the CPI-U for the Midwest advanced 0.7 percent in 2014. This marks the third time since the series began in 1967 that prices increased less than 1.0 percent in a calendar year. Food prices increased 3.5 percent in 2014 and the energy index, which includes motor fuel and household fuels, was down 8.8 percent. Excluding food and energy, the CPI-U rose 1.4 percent from December 2013 to December 2014.

Trading Economics indicates the US annual inflation rate slowed to 0.8 percent in December from 1.3 percent in the previous month. Which is the lowest rate of increase since October of 2009. This decline is directly related to the significant decrease in the cost of energy.

If the CPI growth continues to decline, the PTELL limitation will significantly impact the District's ability to increase its tax revenues. This will shift the potential revenue growth opportunities to non-tax revenue sources such as user fees and grants.

The District's approach to its fiscal management has resulted in the following tax levies over the past four fiscal years.

The District's Tax Levy Extension has grown; EAV has declined; resulting in an increase in the actual rate while the actual monies generated by the 2.57% average annual levy increase. Table 2 identifies the EAV trend since 2011.

The economic recession that has impacted the country over the past several years has impacted the housing market and is reflected locally in the significant decline in home values. This decline directly affects the EAV which is the basis for the District's real estate tax revenues. The trend in EAV is outlined in table 2.

The District's EAV has dropped significantly since 2009 losing almost a third of the total EAV.

The total EAV is comprised of residential, farm, commercial and industrial land values. The farm value of the Wood Dale Park District is virtually zero, while residential comprises just under 43% of the total EAV and commercial and industrial combined make up the remaining 57% of EAV.

The downward spiral of the economy has

Table 1

Tax Levy Year	Tax Levy Extension	\$ Change from Yr. to Yr.	% Change from Yr. to Yr.
2010	\$ 2,323,507		
2011	\$ 2,413,480	89,973	3.87%
2012	\$ 2,488,024	74,544	3.09%
2013	\$ 2,507,831	19,807	0.80%

Table 2

Fiscal Year	Equalized Assessed Valuation (EAV)	\$ Change from Yr. to Yr.	% Change from Yr. to Yr.
2011	\$ 604,125,383		
2012	\$ 548,385,256	\$ (55,740,127)	(9.23%)
2013	\$ 516,865,494	\$ (75,131,174)	(5.75%)

Table 3

Fiscal Year	Tax Rate	\$ Change from Yr. to Yr.	% Change from Yr. to Yr.
2011	0.3995		
2012	0.4537	0.04470	13.57 %
2013	0.4852	0.05420	6.94 %

adversely affected residential real estate values (-37.84%) more than the commercial (-25.86%) and industrial (24.55%) since the peak in 2009.

As noted earlier, as EAV declines the District must be more aggressive in pursuing revenues from non-real estate tax sources. It may be several years before the EAV recovers to pre recession levels.

The District should continue its fiscal planning approach to maintain stable real estate tax collections. The impact of the EAV on the real estate tax levy is shown in the following table: The impact of the EAV on the real estate tax levy is shown in Table 3.

This tax levy history represents an almost 22% increase in the period 2011 to 2013. This

is deceptive, as the rate increase is directly attributable to the significant decline in the EAV upon which the rate is calculated. The actual dollars collected increased by just slightly over \$94,300.

Historically, the District's EAV has shown a steady decline since 2009 and a significant drop since the peak in 2009 (pre-economic downturn). In the 6 year period from 2004 to 2009 the EAV grew from \$589,603,003 to its peak of \$750,157,746 or an approximate 4.9% annually. Since the 2009 peak the District's EAV has dropped by almost 8.9% per year.

Property Tax Extension Limitation Law

The District's tax levy is further broken down into a variety of funds with specific tax rates and limitations. The District is subject to the Property Tax Extension Limit Law (PTELL). The PTELL is designed to limit the increases in property tax extensions (total taxes billed) for non-home rule taxing districts. Commonly referred to as "tax caps", this can be misleading. PTELL does not "cap" either individual property tax bills or individual property assessments. PTELL allows a taxing district to receive a limited inflationary increase in tax extensions on existing property, plus an additional amount for new construction. This limitation slows revenue growth to taxing bodies equal to the cost of living or 5% whichever is lowest.

Summary

The District should attempt to capture all new real estate growth through increased tax levies. If it is necessary for the District to hold a Truth-in-Taxation Hearing, the District should not hesitate in its attempts to obtain all new revenues over 5% of the previous fiscal year.

The district should levy at the highest possible levels to ensure capturing the maximum available tax revenues permitted under the PTELL requirements. Additionally, the District should:

1. Explore alternative revenue sources such as naming rights for facilities and other means;
2. Explore additional opportunities to add new profit centers or recreational facilities capable

of generating revenues in excess of operating expenses.

3. Pursue grant opportunities for capital development projects and needs;
4. Explore non-tax revenue opportunities such as user fees, while maintaining an eye toward financial capability of users to afford the various programs and activities, and,
5. Explore justified revenue enhancement by either the referendum or the non-referendum process to fund needed capital improvement and capital replacement needs.

We compliment the District on maintaining good financial records.

