

# **CITY OF ZION, ILLINOIS**

**DEVELOPMENT TIF AREA #1**

**FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2011

# CITY OF ZION, ILLINOIS

TABLE OF CONTENTS
-------------------

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1
BASIC FINANCIAL STATEMENTS:	
Combined Balance Sheet.....	2
Development TIF Area #1 Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	3
TIF #1 Capital Projects Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	4
TIF #1 Bond Series 2002A Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6 - 10
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE .....	11

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Zion, Illinois

We have audited the accompanying financial statements of the City of Zion, Illinois, Development Tax Increment Financing (TIF) Area #1, TIF #1 Capital Projects Fund, and TIF #1 Bond Series 2002A Fund (Development TIF Area #1) as of and for the year ended April 30, 2011. These financial statements are the responsibility of the City of Zion's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statements and, in our report dated May 27, 2011 we expressed an unqualified opinion on those financial statements.

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 Note A, the financial statements present only the Development Tax Increment Financing Area #1 fund and do not purport to, and do not, present fairly the financial position of the City of Zion, Illinois as of April 30, 2011, and the changes in its financial position, or where applicable, its cash flows for the year then ended 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 City of Zion, Illinois, Development Tax Increment Financing Area #1 as of April 30, 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**JENKINS & VOJTISEK, S.C.**



Racine, Wisconsin  
May 1, 2012

**CITY OF ZION, ILLINOIS**

***BASIC FINANCIAL STATEMENTS***

**CITY OF ZION, ILLINOIS**  
**DEVELOPMENT TIF AREA #1**  
**COMBINED BALANCE SHEET**  
April 30, 2011  
(With Comparative Actual Totals for 2010)

	<b>ASSETS</b>				
	Development TIF Area #1	TIF #1 Capital Projects	TIF #1 Bond Series 2002A	2011 Total	2010 (Memorandum Only) Total
<b>ASSETS</b>					
Cash and equivalents	\$ 0	\$ 135	\$ 53,881	\$ 54,016	\$ 53,083
Taxes receivable, net of allowance for uncollectables of \$12,950	1,282,017	0	0	1,282,017	1,140,753
Other receivables and current assets	5,288	0	0	5,288	5,288
<b>TOTAL ASSETS</b>	<b><u>\$ 1,287,305</u></b>	<b><u>\$ 135</u></b>	<b><u>\$ 53,881</u></b>	<b><u>\$ 1,341,321</u></b>	<b><u>\$ 1,199,124</u></b>
	<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>					
Accounts payable	\$ 140,048	\$ 0	\$ 0	\$ 140,048	\$ 213,870
Due to other funds	1,296,908	0	0	1,296,908	945,911
Deferred revenue - property taxes	650,720	0	0	650,720	602,072
<b>TOTAL LIABILITIES</b>	<b><u>2,087,676</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>2,087,676</u></b>	<b><u>1,761,853</u></b>
<b>FUND BALANCES</b>					
Unreserved					
Undesignated	( 800,371)	135	53,881	( 746,355)	( 562,729)
<b>TOTAL FUND BALANCES</b>	<b><u>( 800,371)</u></b>	<b><u>135</u></b>	<b><u>53,881</u></b>	<b><u>( 746,355)</u></b>	<b><u>( 562,729)</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,287,305</u></b>	<b><u>\$ 135</u></b>	<b><u>\$ 53,881</u></b>	<b><u>\$ 1,341,321</u></b>	<b><u>\$ 1,199,124</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF ZION, ILLINOIS**  
**DEVELOPMENT TIF AREA #1 FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Year Ended April 30, 2011  
 (With Comparative Actual Totals for 2010)

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 1,152,275	\$ 1,152,275	\$ 1,248,550	\$ 96,275	\$ 1,032,954
Miscellaneous	0	0	1,245	1,245	0
<b>TOTAL REVENUES</b>	<u>1,152,275</u>	<u>1,152,275</u>	<u>1,249,795</u>	<u>97,520</u>	<u>1,032,954</u>
<b>EXPENDITURES</b>					
Personal Services					
Regular wages	0	0	0	0	8,854
Total Personal Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,854</u>
Contractual Services					
Promotional	329,737	329,737	1,024,019	( 694,282)	526,605
Surplus distributions	70,000	70,000	70,000	0	70,000
Legal	5,750	5,750	1,460	4,290	600
Consultants	2,500	2,500	19,768	( 17,268)	3,595
Appraisals	2,000	2,000	900	1,100	0
Miscellaneous	260,000	260,000	141,822	118,178	169,529
Total Contractual Services	<u>669,987</u>	<u>669,987</u>	<u>1,257,969</u>	<u>( 587,982)</u>	<u>770,329</u>
Materials and Supplies					
Contingent	0	0	0	0	28,055
Total Materials and Supplies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,055</u>
Repairs and Maintenance					
Motor equipment	0	0	0	0	401
Total Repairs and Maintenance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>401</u>
Capital Outlay					
Proposed projects unapproved	0	0	65,194	( 65,194)	0
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>65,194</u>	<u>( 65,194)</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u>669,987</u>	<u>669,987</u>	<u>1,323,163</u>	<u>( 653,176)</u>	<u>807,639</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>482,288</u>	<u>482,288</u>	<u>( 73,368)</u>	<u>( 555,656)</u>	<u>225,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers (out)	( 514,185)	( 514,185)	( 513,648)	537	( 538,041)
Operating transfers in	31,897	31,897	402,457	370,560	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>( 482,288)</u>	<u>( 482,288)</u>	<u>( 111,191)</u>	<u>371,097</u>	<u>( 538,041)</u>
<b>NET CHANGE IN FUND BALANCE</b>	0	0	( 184,559)	( 184,559)	( 312,726)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	( 615,812)	( 615,812)	( 615,812)	0	( 303,086)
<b>FUND BALANCE - END OF YEAR</b>	<u>(\$ 615,812)</u>	<u>(\$ 615,812)</u>	<u>(\$ 800,371)</u>	<u>(\$ 184,559)</u>	<u>(\$ 615,812)</u>

The accompanying notes are an integral part of this statement.

**CITY OF ZION, ILLINOIS**  
**TIF #1 CAPITAL PROJECTS FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Year Ended April 30, 2011  
 (With Comparative Actual Totals for 2010)

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Interest	\$ 0	\$ 0	\$ 2	\$ 2	\$ 36
TOTAL REVENUES	0	0	2	2	36
<b>EXPENDITURES</b>	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	2	2	36
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	2	2	36
FUND BALANCE - BEGINNING OF YEAR	133	133	133	0	97
FUND BALANCE - END OF YEAR	<u>\$ 133</u>	<u>\$ 133</u>	<u>\$ 135</u>	<u>\$ 2</u>	<u>\$ 133</u>

The accompanying notes are an integral part of this statement.

**CITY OF ZION, ILLINOIS**  
**TIF #1 BOND SERIES 2002A FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Year Ended April 30, 2011  
 (With Comparative Actual Totals for 2010)

	2011			Variance with Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Interest	\$ 0	\$ 0	\$ 931	\$ 931	\$ 14,400
TOTAL REVENUES	<u>0</u>	<u>0</u>	<u>931</u>	<u>931</u>	<u>14,400</u>
<b>EXPENDITURES</b>					
Debt Service					
Principal retirement	360,000	360,000	360,000	0	325,000
Interest and fiscal charges	<u>154,185</u>	<u>154,185</u>	<u>153,648</u>	<u>537</u>	<u>167,153</u>
Total Debt Service	<u>514,185</u>	<u>514,185</u>	<u>513,648</u>	<u>537</u>	<u>492,153</u>
TOTAL EXPENDITURES	<u>514,185</u>	<u>514,185</u>	<u>513,648</u>	<u>537</u>	<u>492,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>( 514,185)</u>	<u>( 514,185)</u>	<u>( 512,717)</u>	<u>1,468</u>	<u>( 477,753)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	<u>514,185</u>	<u>514,185</u>	<u>513,648</u>	<u>( 537)</u>	<u>492,153</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>514,185</u>	<u>514,185</u>	<u>513,648</u>	<u>( 537)</u>	<u>492,153</u>
NET CHANGE IN FUND BALANCE	0	0	931	931	14,400
FUND BALANCE - BEGINNING OF YEAR	52,950	52,950	52,950	0	38,550
FUND BALANCE - END OF YEAR	<u>\$ 52,950</u>	<u>\$ 52,950</u>	<u>\$ 53,881</u>	<u>\$ 931</u>	<u>\$ 52,950</u>

The accompanying notes are an integral part of this statement.



**CITY OF ZION, ILLINOIS**  
DEVELOPMENT TIF AREA #1

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2011

<b>NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
--

The Sheridan Road Tax Increment Redevelopment Area (Development TIF Area #1) was established to account for transactions related to the Tax Increment Redevelopment Project Area established by the City on September 1, 1993. The purpose of Development TIF Area #1 is to develop the community with a strong, diverse economy, to provide employment opportunities for Zion residents, to provide locations attractive to desirable businesses and industries, and improve the City's tax base. The sources of funds to pay for the redevelopment costs associated with Development TIF Area #1 are derived principally from property tax increment revenues, proceeds from municipal obligations to be retired primarily with tax increment revenues, and interest earned on resources available but not immediately needed for redevelopment projects.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Development TIF Area #1 financial statements are prepared on the modified accrual basis of accounting.

**Modified Accrual:**

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 within 60 days after year-end. 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 general obligation long-term debt, if any, is recognized when due.

**Financial Statement Amounts**

**Cash and Equivalents:**

For the purpose of the Combined Balance Sheet, Development TIF Area #1 has defined cash and equivalents to include cash on hand and demand deposits.

Custodial credit risk is the risk that in the event of a bank failure, Development TIF Area #1's deposits may not be returned to it. Pledged collateral will be held in safekeeping by an independent third party depository or by the Federal Reserve Bank. At year-end the carrying amount of the Development TIF Area #1's deposits totaled \$54,016.

**Interfund Receivables and Payables:**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

**CITY OF ZION, ILLINOIS**  
DEVELOPMENT TIF AREA #1

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2011

<b>NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)</b>
--

**Receivables:**

GASB No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” requires the recognition of receivables associated with nonexchange transactions as follows:

- Derived tax receivables (such as sales and use taxes, motor fuel taxes, and hotel/motel taxes) are recognized when the underlying exchange transaction has occurred.
- Imposed nonexchange receivables (such as property taxes, fines, and penalties) are recognized when an enforceable legal claim on the resources has arisen.
- Government-mandated and voluntary nonexchange receivables (such as state mandated road improvements, grants, and donations) are recognized when all eligibility requirements have been met.

**Prepaid Expenses:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

**Fixed Assets:**

In the financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

**Deferred Revenues:**

Deferred revenues include amounts collected before revenue recognition criteria are met. The deferred revenue consists primarily of property taxes.

**Long-Term Debt:**

Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of the principal and interest are reported as expenditures.

**Use of Estimates:**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF ZION, ILLINOIS**  
DEVELOPMENT TIF AREA #1

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2011

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Control**

Development TIF Area #1 prepares an appropriation ordinance annually and makes it available to public inspection prior to council approval of the ordinance in the middle of July. The level of budgetary control, on which expenditures may not legally exceed appropriations, is in accordance with Illinois Compiled Statutes. Development TIF Area #1 also adopts an annual budget, reflected in the fund financial statements, which sets forth estimated revenues and expenditures. The budget is used for management control only as the appropriation ordinance is what sets the legal restrictions on expenditures/expenses. All appropriations lapse at year-end.

**Excess of Actual Expenditures/Expenses Over Budget in Individual Funds**

The following is detail of the appropriation ordinance, amended budget, and actual expenditures/expenses (including operating transfers out) by individual fund. The surplus/(deficit) column is determined by comparing actual expenditures/expenses with the approved appropriations.

	Budgeted	Appropriation	Actual	Surplus/(Deficit)
Development TIF Area #1	\$ 1,184,172	\$ 1,184,172	\$ 1,836,811	(\$ 652,639)
TIF #1 Capital Projects	0	0	0	0
TIF #1 Bond Series 2002A	514,185	514,185	513,648	537
	<u>\$ 1,698,357</u>	<u>\$ 1,698,357</u>	<u>\$ 2,350,459</u>	<u>(\$ 652,102)</u>

**NOTE C – PROPERTY TAXES**

**General Property Taxes**

The Lake County Property Assessor as of January 1 assesses real and personal property values on a countywide basis each year. Development TIF Area #1 levies a property tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning May 1. The tax levy must be filed with the County Clerk no later than the last Tuesday in December.

Property taxes levied by Development TIF Area #1 and all other tax authorities within the county are centrally billed and collected by Lake County, with monthly remittance to Development TIF Area #1 of the proportional share of collected taxes. Taxes are billed on May 1, at which time the property owner can elect to pay the bill in full or in two installments due around June 1 and September 1. Full payment is due no later than the September date. After the September date, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning December 1, tax certificates representing delinquent amounts are sold by Lake County, with remittance to Development TIF Area #1 for its share of those receipts. Liens are attached on January 1 of each tax year. 2010 taxes became an enforceable lien on January 1, 2011.

**CITY OF ZION, ILLINOIS**  
DEVELOPMENT TIF AREA #1

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2011

**NOTE C – PROPERTY TAXES (continued)**

At April 30, uncollected current year amounts are classified as delinquent taxes receivable and offset by an allowance for uncollectibles in a like amount. Generally, Development TIF Area #1 collects more than 99% of current year property taxes during the year in which they are due. Delinquent taxes collected in subsequent periods are recognized as revenues for the fiscal year in which they are received.

At the time Development TIF Area #1 was formed, the County Clerk certified the assessed valuation of the property in the TIF boundaries. Each year Development TIF Area #1 receives property taxes equal to the increase in the assessed valuation over the initial certified valuation multiplied by the tax rate of all taxing bodies, including Development TIF Area #1. Eligible expenditures are as stated in approved project and plan documents, which involve redevelopment projects within Development TIF Area #1. The incremental increase of assessed valuation as assessed and equalized by the State Department of Revenue and extension for the year 2010 was as follows:

TIF #1 assessed valuation was \$10,985,469 and the tax extension was \$1,294,967.

**NOTE D – INTERFUND TRANSACTIONS AND BALANCES**

As of April 30, 2011, Development TIF Area #1 has recorded \$1,296,908 due to other funds. That liability is comprised of:

- \$1,296,908 due to General fund for General funded projects within the Development TIF Areas' boundaries.

As of April 30, 2011, Development TIF Area #1 has recorded \$402,457 of operating net transfers in from other governmental funds and an eliminating transfer between Development TIF Area #1 funds of \$513,648. These transfers are comprised of:

- \$402,457 operating transfer from Development TIF Area #3 for the balancing of expenses and revenues.
- \$513,648 operating transfer to TIF #1 Bond Series 2002A from Development TIF Area #1 for Bond Debt Service.

**NOTE E – LONG TERM DEBT**

General Obligation Bonds (Special Tax Allocation Fund Alternate Revenue Source) 2002-A

General Obligation Bonds, Series 2002-A were issued on June 1, 2002 in the amount of \$4,975,000 with varying interest rates, ranging from 3.35% to 5.00%, payable June 30 and December 30 each year. Proceeds will be used to finance various street improvements designated as the Sheridan Road Redevelopment Project (generally along Sheridan Road from 25th street to 29th street), and to pay the costs of issuance. These bonds are secured by (a) incremental taxes received from the Sheridan Road Redevelopment Project Area, and (b) from taxes to be levied upon all of the taxable property in the City. Debt service requirements to maturity are as follows:

**CITY OF ZION, ILLINOIS**  
DEVELOPMENT TIF AREA #1

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2011

**NOTE E – LONG TERM DEBT (continued)**

General Obligation Bonds (Special Tax Allocation Fund Alternate Revenue Source) 2002-A (continued)

Year Ending April 30,	Principal	Interest	Total
2012	\$ 395,000	\$ 137,785	\$ 532,785
2013	430,000	120,405	550,405
2014	465,000	101,055	566,055
2015	500,000	79,433	579,433
2016	545,000	55,682	600,682
2017	585,000	29,250	614,250
	\$ 2,920,000	\$ 523,610	\$ 3,443,610

**NOTE F – SUBSEQUENT EVENTS**

Development TIF Area #1 did not have any other subsequent events through May 1, 2012, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended April 30, 2011.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Honorable Mayor and  
Members of the City Council  
City of Zion, Illinois

We have audited the accompanying financial statements of the City of Zion, Illinois, Development Tax Increment Financing Area #1 as of and for the year ended April 30, 2011, and have issued our report thereon dated May 1, 2012.

We have also audited the City of Zion, Illinois' compliance with the provisions of Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) as it relates to the eligibility of expenditures for costs incurred incidental to the implementation of the Development Tax Increment Financing Area #1. The management of the City of Zion, Illinois is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements.

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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence supporting the compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Zion, Illinois complied, in all material respects, with the requirements of Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) as it relates to the eligibility of expenditures for costs incurred incidental to the implementation of the Development Tax Increment Financing Area #1.

**JENKINS & VOJTISEK, S.C.**



Racine, Wisconsin  
May 1, 2012