

# **CITY OF ZION, ILLINOIS**

**DEVELOPMENT TIF AREA #1**

FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

# CITY OF ZION, ILLINOIS

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Zion, Illinois, Development Tax Increment Financing (TIF) Area #1 as of and for the year ended April 30, 2013, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note A; 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 auditors' 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 opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, of City of Zion, Illinois Development Tax Increment Financing Area #1 as of April 30, 2013, and the change in financial position for the year then ended, in conformity with the basis of accounting described in Note A.

**Reporting Entity**

As discussed in Note A, the financial statements present only the Development Tax Increment Financing Area #1 fund and are not intended to present fairly the financial position of the City of Zion, Illinois, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

**Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on a basis in conformity with the accounting practices prescribed by the State of Illinois which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Restrictions on Use**

This report is intended solely for the information and use of the City Council, the State of Illinois, management and the overlapping taxing districts, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Milwaukee, Wisconsin  
February 5, 2014

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

Balance Sheet  
April 30, 2013

**ASSETS**

	Development TIF Area #1	TIF #1 Capital Projects	TIF #1 Bond Series 2002A	2013 Total
<b>ASSETS</b>				
Cash and equivalents	\$ -	\$ 135	555,203	\$ 555,338
Taxes receivable, net of allowance for uncollectables of \$9,642	1,928,357	-	-	1,928,357
Due from other funds	490,238	-	-	490,238
<b>TOTAL ASSETS</b>	<u>\$ 2,418,595</u>	<u>\$ 135</u>	<u>\$ 555,203</u>	<u>\$ 2,973,933</u>

**LIABILITIES AND NET POSITION**

<b>LIABILITIES</b>				
Due to other funds	\$ 1,501,029	\$ -	\$ 490,238	\$ 1,991,267
Deferred revenue - property taxes	1,928,357	-	-	1,928,357
<b>TOTAL LIABILITIES</b>	<u>3,429,386</u>	<u>-</u>	<u>490,238</u>	<u>3,919,624</u>
<b>FUND BALANCE (DEFICIT)</b>				
Restricted	-	135	64,965	65,100
Unassigned	(1,010,791)	-	-	(1,010,791)
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<u>(1,010,791)</u>	<u>135</u>	<u>64,965</u>	<u>(945,691)</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,418,595</u>	<u>\$ 135</u>	<u>\$ 555,203</u>	<u>\$ 2,973,933</u>

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, 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,667,334	\$ 1,667,334	\$ 1,661,004	\$ (6,330)
Interest	-	-	39	39
<b>TOTAL REVENUES</b>	<u>1,667,334</u>	<u>1,667,334</u>	<u>1,661,043</u>	<u>(6,291)</u>
<b>EXPENDITURES</b>				
Contractual Services				
Promotional	715,717	715,717	724,690	(8,973)
Surplus distributions	70,000	70,000	70,000	-
Legal	12,250	12,250	11,793	457
Appraisals	1,000	1,000	-	1,000
Miscellaneous	375	375	375	-
Total Contractual Services	<u>799,342</u>	<u>799,342</u>	<u>806,858</u>	<u>(7,516)</u>
Capital Outlay				
Future projects	73,000	73,000	-	73,000
Total Capital Outlay	<u>73,000</u>	<u>73,000</u>	<u>-</u>	<u>73,000</u>
<b>TOTAL EXPENDITURES</b>	<u>872,342</u>	<u>872,342</u>	<u>806,858</u>	<u>65,484</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>794,992</u>	<u>794,992</u>	<u>854,185</u>	<u>59,193</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	(559,405)	(559,405)	(517,704)	41,701
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(559,405)</u>	<u>(559,405)</u>	<u>(517,704)</u>	<u>41,701</u>
CHANGE IN FUND BALANCE	235,587	235,587	336,481	100,894
FUND BALANCE - BEGINNING OF YEAR	(1,347,272)	(1,347,272)	(1,347,272)	-
FUND BALANCE - END OF YEAR	<u>\$ (1,111,685)</u>	<u>\$ (1,111,685)</u>	<u>\$ (1,010,791)</u>	<u>\$ 100,894</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, 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
<b>EXPENDITURES</b>				
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES	-	-	-	-
CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	135	135	135	-
FUND BALANCE - END OF YEAR	\$ 135	\$ 135	\$ 135	\$ -

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, 2013

	2013			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal retirement	430,000	430,000	430,000	-
Interest and fiscal charges	121,605	121,605	68,820	52,785
Bond issuance costs	-	-	45,185	(45,185)
Total Debt Service	<u>551,605</u>	<u>551,605</u>	<u>544,005</u>	<u>7,600</u>
<b>TOTAL EXPENDITURES</b>	<u>551,605</u>	<u>551,605</u>	<u>544,005</u>	<u>7,600</u>
EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES)	<u>(551,605)</u>	<u>(551,605)</u>	<u>(544,005)</u>	<u>7,600</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Bond proceeds	-	-	2,215,000	2,215,000
Discount on bond issuance	-	-	(16,989)	(16,989)
Payment to refunding escrow agent	-	-	(2,152,826)	(2,152,826)
Transfers in	551,605	551,605	509,904	(41,701)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>555,089</u>	<u>45,185</u>
CHANGE IN FUND BALANCE	(551,605)	(551,605)	11,084	52,785
FUND BALANCE - BEGINNING OF YEAR	53,881	53,881	53,881	-
FUND BALANCE - END OF YEAR	<u>\$ (497,724)</u>	<u>\$ (497,724)</u>	<u>\$ 64,965</u>	<u>\$ 52,785</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, 2013

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

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 \$555,338. Federal depository insurance applies to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Development TIF Area #1 fund separately.

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

<b>NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)</b>
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**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.”

**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.

**Capital Assets:**

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

**Deferred Revenues:**

The deferred revenue consists solely of property taxes levied for the subsequent year’s budget.

**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.

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

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

**Fund Balances:**

Within the governmental fund types, Development TIF Area #1's fund balances are reported in one of the following classifications:

Nonspendable – includes amounts that cannot be spent because they are either; (1) not in spendable form; or (2) legally or contractually required to be maintained intact.

Restricted – includes amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either; (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or; (2) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City uses the same action it originally took to commit the amounts to remove the commitment. The specified highest level of decision making authority rests with the City Council. The City passes ordinances and resolutions to commit fund balances.

Assigned – includes amounts that are constrained by Development TIF Area #1's intent to be used for specific purposes, but that are neither restricted nor committed. Intent is expressed by: (1) the City Council itself; (2) a body of officials to which the Council has delegated the authority to assign amounts to be used for specific purposes. The City's Council has not delegated authority to any other body or official to assign amounts for a specific purpose.

Unassigned – includes the deficit fund balances of governmental funds other than the general fund.

Development TIF Area #1 considers restricted amounts to have been spent first, followed by committed amounts and assigned amounts.

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

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

**Budgetary Control**

The City prepares an appropriation ordinance which includes Development TIF Area #1 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. The City 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***

	Budgeted	Appropriation	Actual	Surplus/(Deficit)
Development TIF Area #1	\$ 1,431,747	\$ 1,412,072	\$ 1,324,562	\$ 87,510
TIF #1 Bond Series 2002A	551,605	551,605	3,265,425	(2,713,820)
	\$ 1,983,352	\$ 1,963,677	\$ 4,589,987	\$ (2,626,310)

**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. 2012 taxes became an enforceable lien on January 1, 2013.

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

**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 2012 was as follows:

TIF #1 assessed valuation was \$11,550,506 and the tax extension was \$1,928,357.

**NOTE D – INTERFUND TRANSACTIONS AND BALANCES**

As of April 30, 2013, Development TIF Area #1 has recorded \$490,238 due from other funds and \$1,991,267 due to other funds. That asset and liability is comprised of:

- \$490,238 due from TIF #1 Bond Series 2002A for the funding of debt service transactions relating to the refunding of the General Obligation Bond Series 2002A.
- \$1,501,029 due to the City's General fund for cash overdrafts deemed to have been funded by the General Fund.

As of April 30, 2013, Development TIF Area #1 has recorded \$517,704 of operating net transfers out to other governmental funds and an eliminating transfer between Development TIF Area #1 funds of \$509,904. These transfers are comprised of:

- \$517,704 of transfers were made to the Development TIF Area #3 in the amount of \$509,904 and to the General Fund in the amount of \$7,800 to cover debt service payments.

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended April 30, 2013

**NOTE E – LONG TERM DEBT**

General Obligation Refunding Bonds (Special Tax Allocation Fund Alternate Revenue Source) 2012-A

General Obligation Bonds, Series 2012-A were issued on December 17, 2012 in the amount of \$2,215,000 with an interest rate of 1.80%, payable June 30 and December 30 each year. Proceeds were used to refund the General Obligation Bonds (Special Tax Allocation Fund Alternate Revenue Source), Series 2002-A and to pay the related 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:

Year Ending April 30,	Principal	Interest	Total
2014	\$ 515,000	\$ 40,202	\$ 555,202
2015	540,000	30,600	570,600
2016	570,000	20,880	590,880
2017	590,000	10,620	600,620
	<u>\$ 2,215,000</u>	<u>\$ 102,302</u>	<u>\$ 2,317,302</u>

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$57,826. The advance refunding was completed to reduce its total debt service payments over the next 4 years by \$95,704 and results in an economic gain (difference between the present values of the old and new debt service payments) of \$35,924.

**NOTE F – SUBSEQUENT EVENTS**

Management evaluated subsequent events through February 5, 2014, the date the financial statements were available to be issued. Events or transactions occurring after April 30, 2013, but prior to February 5, 2014 that provided additional evidence about conditions that existed at April 30, 2013, have been recognized in the financial statements for the year ended April 30, 2012. Events or transactions that provided evidence about conditions that did not exist at April 30, 2013 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended April 30, 2013.

This information is an integral part of the accompany financial statements.



**Independent Auditors' Report on Compliance with Requirements  
of Tax Incremental Financing District Laws and Regulations**

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 which are comprised of the balance sheet and statements of revenues, expenditures, and changes in fund balance – budget and actual as of and for the year ended April 30, 2013, and have issued our report thereon dated February 5, 2014.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Zion, Illinois' Development TIF Area #1's financial statements are free from material misstatement, we performed tests of its compliance with provisions of Subsection (q) of Section 11-74.4-3 of Public Act 85-1142 and the project plan, 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 that are required to be reported under Section 11-74.4-3 of Public Act 85-1142.

**Restrictions on Use**

This report is intended solely for the information and use of the City Council, the State of Illinois, management and the overlapping taxing districts and is not intended to be, and should not be, used by anyone other than the specified parties.

*CliftonLarsonAllen LLP*

Milwaukee, Wisconsin  
February 5, 2014