

CITY OF ZION, ILLINOIS

DEVELOPMENT TIF AREA #3

FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

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 Development TIF Area #3 Fund and the TIF #3 Capital Projects Fund of the City of Zion, Illinois, Development Tax Increment Financing (TIF) Area #3 as of and for the year ended April 30, 2014, and the related notes to the financial statements which collectively comprise entity's basic financial statements as presented 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 the basis of accounting as 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 #3 as of April 30, 2014, 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 #3 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 generally accepted accounting principles.

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 regulatory 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
January 9, 2015

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

BALANCE SHEET
April 30, 2014

ASSETS

	Development TIF Area #3	Area 3 South Sheridan Road Project (Debt Service)	Total
ASSETS			
Cash and equivalents	\$ 839,203	\$ 191,780	\$ 1,030,983
Taxes receivable, net of allowance for uncollectables of \$3,242	645,228	-	645,228
Due from other funds	191,780	-	191,780
TOTAL ASSETS	\$ 1,676,211	\$ 191,780	\$ 1,867,991

LIABILITIES AND NET POSITION

LIABILITIES			
Due to other funds	\$ -	\$ 191,780	\$ 191,780
Accounts payable	173	-	173
TOTAL LIABILITIES	173	191,780	191,953

DEFERRED INFLOWS OF REVENUE

Unavailable revenue - property taxes	645,228	-	645,228
TOTAL DEFERRED INFLOWS OF RESOURCES	645,228	-	645,228

FUND BALANCE (DEFICIT)

Restricted	1,030,810	-	1,030,810
TOTAL FUND BALANCE (DEFICIT)	1,030,810	-	1,030,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,676,211	\$ 191,780	\$ 1,867,991

The accompanying notes are an integral part of this statement.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3 FUND

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

For the Year Ended April 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 640,188	\$ 640,188	\$ 561,048	\$ (79,140)
Interest	-	-	75	75
TOTAL REVENUES	<u>640,188</u>	<u>640,188</u>	<u>561,123</u>	<u>(79,065)</u>
EXPENDITURES				
Contractual Services				
Professional	750	750	2,500	(1,750)
Appraisal	-	-	1,400	(1,400)
Total Contractual Services	<u>750</u>	<u>750</u>	<u>3,900</u>	<u>(3,150)</u>
TOTAL EXPENDITURES	<u>750</u>	<u>750</u>	<u>3,900</u>	<u>(3,150)</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>639,438</u>	 <u>639,438</u>	 <u>557,223</u>	 <u>(82,215)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(198,100)	(207,016)	(198,100)	8,916
TOTAL OTHER FINANCING SOURCES (USES)	<u>(198,100)</u>	<u>(207,016)</u>	<u>(198,100)</u>	<u>8,916</u>
 CHANGE IN FUND BALANCE	 441,338	 432,422	 359,123	 (73,299)
FUND BALANCE - BEGINNING OF YEAR	671,687	671,687	671,687	-
 FUND BALANCE - END OF YEAR	 <u>\$ 1,113,025</u>	 <u>\$ 1,104,109</u>	 <u>\$ 1,030,810</u>	 <u>\$ (73,299)</u>

The accompanying notes are an integral part of this statement.

CITY OF ZION, ILLINOIS
TIF #3 CAPITAL PROJECTS FUND

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

For the Year Ended April 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TOTAL REVENUES	\$ -	\$ -	\$ 5	\$ -
EXPENDITURES				
Debt Service				
Principal retirement	140,000	140,000	180,000	40,000
Interest and fiscal charges	64,116	64,116	58,180	(5,936)
TOTAL EXPENDITURES	<u>204,116</u>	<u>204,116</u>	<u>238,180</u>	<u>34,064</u>
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(204,116)</u>	<u>(204,116)</u>	<u>(238,175)</u>	<u>(34,059)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	204,116	204,116	195,200	(8,916)
Proceeds from issuance of long-term debt	-	-	1,230,000	1,230,000
Bond payoff	-	-	(1,178,168)	(1,178,168)
Discount on bond	-	-	(7,319)	(7,319)
TOTAL OTHER FINANCING SOURCES (USES)	<u>204,116</u>	<u>204,116</u>	<u>239,713</u>	<u>(8,916)</u>
CHANGE IN FUND BALANCE	-	-	1,538	1,538
FUND BALANCE - BEGINNING OF YEAR	(1,538)	(1,538)	(1,538)	-
FUND BALANCE - END OF YEAR	<u>\$ (1,538)</u>	<u>\$ (1,538)</u>	<u>\$ -</u>	<u>\$ 1,538</u>

The accompanying notes are an integral part of this statement.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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The Sheridan Road Tax Increment Redevelopment Area (Development TIF Area #3) was established to account for transactions related to the Tax Increment Redevelopment Project Area established by the City on October 1, 1999. The purpose of Development TIF Area #3 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 #3 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 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.

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 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:

Custodial credit risk is the risk that in the event of a bank failure, Development TIF Area #3'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 #3's deposits totaled \$1,030,983 Federal depository insurance applies to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the Development TIF Area #3 fund separately.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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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:

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. Revenue is recognized when the receivable criteria have met and the cash has been received within the period of availability.
- Imposed nonexchange receivables (such as property taxes) are recognized when an enforceable legal claim on the resources has arisen. Revenue is recognized in the period for which the taxes have been levied.
- Government-mandated and voluntary nonexchange receivables (such as state mandated road improvements, grants, and donations) are recognized when all eligibility requirements have been met. Revenue is recognized when the receivable criteria have met and the cash has been received within the period of availability.

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

Deferred Inflows of Resources:

The deferred inflows of resources consists primarily 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 is reported as expenditures.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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Use of Estimates:

The preparation of the financial statements 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 #3'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 their fund balances.

Assigned – includes amounts that are constrained by Development TIF Area #3'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 deficit fund balances of governmental funds other than the General Fund..

Development TIF Area #3 considers restricted amounts to have been spent first, followed by committed amounts and assigned amounts.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Control

The City 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. 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

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 #3	\$ 207,766	\$ 357,766	\$ 202,000	\$ 155,766
Area 3 South Sheridan Road Project (Debt Service)	204,116	204,116	271,348	(67,232)
	\$ 411,882	\$ 561,882	\$ 473,348	\$ 88,534

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 #3 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.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE C – PROPERTY TAXES (continued)

Property taxes levied by Development TIF Area #3 and all other tax authorities within the county are centrally billed and collected by Lake County, with monthly remittance to Development TIF Area #3 of the proportions 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 #3 for its share of those receipts. Liens are attached on January 1 of each tax year. 2013 taxes became an enforceable lien on January 1, 2014.

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 #3 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 #3 was formed, the County Clerk certified the assessed valuation of the property in the TIF boundaries. Each year Development TIF Area #3 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 #3. Eligible expenditures are as stated in approved project and plan documents, which involve redevelopment projects within Development TIF Area #3. The incremental increase of assessed valuation as assessed and equalized by the State Department of Revenue and extension for the year 2011 was as follows:

TIF #3 assessed valuation was \$3,734,444 and the tax extension was \$648,470.

NOTE D – INTERFUND TRANSACTIONS AND BALANCES

As of April 30, 2014, Development TIF Area #3 has recorded \$191,780 due to General Fund for General funded projects within the Development TIF Areas' boundaries.

As of April 30, 2014, Development TIF Area #3 has recorded \$2,900 of net transfers out to other governmental funds and an eliminating transfer between Development TIF Area #3 funds of \$195,200. These transfers are comprised of:

- \$2,900 transfer to General Fund for the balancing of expenses and revenues.
- \$195,200 transfer to Area 3 South Sheridan Road Project (Debt Service) fund from Development TIF area #3 fund for debt service.

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE E – LONG TERM DEBT

General Obligation Bonds (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Source), Series 2004

General Obligation Bonds, Series 2004 were issued on August 1, 2004 in the amount of \$2,200,000 with varying interest rates, ranging from 4.45% to 5.7%, payable June 30 and December 30 each year, commencing December 30, 2004. Proceeds are being used to provide for the payment and reimbursement of certain qualified redevelopment project costs within the South Sheridan Road Tax Increment Redevelopment Area #3 and to pay the costs of issuance. These bonds are secured by (a) incremental taxes received from the South Sheridan Road Tax Increment Redevelopment Area #3, and (b) from taxes to be levied upon all of the taxable property in said City, without limitation as to rate or amount. Effective XX/XX/XXX, these bonds were paid in their entirety resulting in no outstanding balance as of June 25, 2013.

Taxable General Obligation Refunding Bonds (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Source), Series 2013

Taxable General Obligation Bonds (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Source), Series 2013 were issued on June 25, 2013 in the amount of \$1,230,000 with an interest rate of 2.55%, payable June 30 and December 30 each year. Proceeds were used to refund the General Obligation Bonds (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Source), Series 2004 and to pay the related costs of issuance. These bonds are secured by (a) incremental taxes received from the Area 3 South Sheridan Road Redevelopment Project Area, as deposited into the Area 3 South Sheridan Road Redevelopment Project Area Special Tax Allocation Fund, and (b) taxes to be levied upon all of the taxable property in said City, without limitation as to rate or amount. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2015	165,000	26,775	191,775
2016	170,000	22,568	192,568
2017	170,000	18,233	188,233
2018	175,000	13,898	188,898
2019-2022	370,000	14,280	384,280
	<u>\$ 1,050,000</u>	<u>\$ 95,754</u>	<u>\$ 1,145,754</u>

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2014

NOTE E – LONG TERM DEBT (continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$33,168. The advance refunding was completed to reduce its total debt service payments over the next 8 years by \$44,932 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$38,475.

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



**Independent Auditors' Report
On Compliance with Illinois Municipal Code
Subsection (q) Section 11-74.4-3 of Public Act 85-1142**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zion, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements and have issued our report thereon dated October 29, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Zion, Illinois failed to comply with Subsection (Q) of Section 11-74.4-3 of Public Act 85-1142, insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced Illinois Municipal Code, insofar as it relates to accounting matters.

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
January 9, 2015