

CITY OF ZION, ILLINOIS

DEVELOPMENT TIF AREA #3

FINANCIAL STATEMENTS
For the Year Ended April 30, 2016

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 #3 (the District), which comprise the Balance Sheet, Statements of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual for the year ended April 30, 2016, 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 conformity with the accounting practices and procedures prescribed by the State of Illinois, a special purpose framework (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). Management is also responsible for 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 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 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 opinion.

Opinion

In our opinion, the statements referred to above present fairly, in all material respects, the financial position, and the revenues, expenditures and changes in net position for the year ended April 30, 2016, in conformity with the basis of accounting described in Note 1.

Reporting Entity

As discussed in Note 1, the financial statements present only the transactions of the District and are not intended to present fairly the financial position of the City of Zion, Illinois, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in conformity with the accounting practices and procedures prescribed by the State of Illinois, a special purpose framework (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). 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.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
February 16, 2017

CITY OF ZION, ILLINOIS
DEVELOPMENT TIF AREA #3

BALANCE SHEET
April 30, 2016

ASSETS

	Development TIF Area #3	Area 3 South Sheridan Road Project (Debt Service)	Total
ASSETS			
Cash and equivalents	\$ 1,435,178	\$ 1	\$ 1,435,179
Taxes receivable, net of allowance for uncollectables of \$3,866	773,294	-	773,294
Due from other funds	-	-	-
TOTAL ASSETS	\$ 2,208,472	\$ 1	\$ 2,208,473

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE

LIABILITIES

Due to other funds	\$ -	\$ -	\$ -
Accounts payable	76,508	-	76,508
TOTAL LIABILITIES	76,508	-	76,508

DEFERRED INFLOWS OF RESOURCES

Subsequent year tax levy	773,294	-	773,294
TOTAL DEFERRED INFLOWS OF RESOURCES	773,294	-	773,294

FUND BALANCE (DEFICIT)

Restricted	1,358,670	1	1,358,671
TOTAL FUND BALANCE (DEFICIT)	1,358,670	1	1,358,671
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,208,472	\$ 1	\$ 2,208,473

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 648,127	\$ 648,127	\$ 785,761	\$ 137,634
Interest	75	75	50	(25)
TOTAL REVENUES	<u>648,202</u>	<u>648,202</u>	<u>785,811</u>	<u>137,609</u>
EXPENDITURES				
Contractual Services:				
Professional	1,250	1,250	1,250	-
Appraisal	3,000	3,000	1,600	1,400
Legal	7,500	7,500	5,114	2,386
Consultant - Other	-	-	1,101	(1,101)
Total Contractual Services	<u>11,750</u>	<u>11,750</u>	<u>9,065</u>	<u>2,685</u>
Capital Outlay:				
Future Projects	410,000	410,000	689,259	(279,259)
TOTAL EXPENDITURES	<u>421,750</u>	<u>421,750</u>	<u>698,324</u>	<u>(276,574)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>226,452</u>	<u>226,452</u>	<u>87,487</u>	<u>(138,965)</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers out	(196,818)	(196,818)	(196,741)	77
TOTAL OTHER FINANCING SOURCES (USES)	<u>(196,818)</u>	<u>(196,818)</u>	<u>(196,741)</u>	<u>77</u>
CHANGE IN FUND BALANCE	29,634	29,634	(109,254)	(138,888)
FUND BALANCE - BEGINNING OF YEAR	<u>1,467,924</u>	<u>1,467,924</u>	<u>1,467,924</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,497,558</u>	<u>\$ 1,497,558</u>	<u>\$ 1,358,670</u>	<u>\$ (138,888)</u>

The accompanying notes are an integral part of this statement.

CITY OF ZION, ILLINOIS
AREA 3 SOUTH SHERIDAN ROAD PROJECT (DEBT SERVICE)

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

For the Year Ended April 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TOTAL REVENUES	\$ -	\$ -	\$ 77	\$ (20)
EXPENDITURES				
Debt Service:				
Principal retirement	170,000	170,000	170,000	-
Interest and fiscal charges	23,818	23,818	23,793	(25)
TOTAL EXPENDITURES	<u>193,818</u>	<u>193,818</u>	<u>193,793</u>	<u>(25)</u>
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(193,818)</u>	<u>(193,818)</u>	<u>(193,716)</u>	<u>102</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193,818	193,818	193,741	(77)
TOTAL OTHER FINANCING SOURCES (USES)	<u>193,818</u>	<u>193,818</u>	<u>193,741</u>	<u>(77)</u>
CHANGE IN FUND BALANCE	-	-	25	(24)
FUND BALANCE - BEGINNING OF YEAR	<u>(24)</u>	<u>(24)</u>	<u>(24)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (24)</u>	<u>\$ (24)</u>	<u>\$ 1</u>	<u>\$ (24)</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, 2016

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 #3 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 \$1,435,179. 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, 2016

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 is 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 been 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 been met and the cash has been received within the period of availability.

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, 2016

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

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 Balance:

Within the governmental fund types, Development TIF Area #3's fund balances are reported in 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; or (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, 2016

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
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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	\$ 618,568	\$ 618,568	\$ 895,065	\$ (276,497)
Area 3 South Sheridan Road				
Project (Debt Service)	193,818	193,818	193,793	25
	\$ 812,386	\$ 812,386	\$ 1,088,858	\$ (276,472)

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, 2016

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. 2015 taxes became an enforceable lien on January 1, 2016.

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 2015 was as follows:

TIF #3 assessed valuation was \$4,100,923 and the tax extension was \$781,105.

NOTE D – INTERFUND TRANSACTIONS AND BALANCES

As of April 30, 2016, Development TIF Area #3 has recorded \$3,000 of net transfers out to other governmental funds and an eliminating transfer between Development TIF Area #3 funds of \$196,818. These transfers are comprised of:

- \$3,000 transfer to General Fund for the balancing of expenses and revenues.
- \$193,818 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, 2016

NOTE E – LONG TERM DEBT

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
2017	\$ 170,000	\$ 18,233	\$ 188,233
2018	175,000	13,897	188,897
2019	180,000	9,435	189,435
2020	190,000	4,845	194,845
	\$ 715,000	\$ 46,410	\$ 761,410

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, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements and have issued our report thereon dated February 16, 2017.

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

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
February 16, 2017