

# **CITY OF ZION, ILLINOIS**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
For the Year Ended April 30, 2019



CPAs | CONSULTANTS | WEALTH ADVISORS

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# CITY OF ZION, ILLINOIS

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying 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 (the City), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed 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 accounting principles generally accepted in the United States of America; 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 did not audit the financial statements of the City of Zion Police Pension Fund, which represent 55.94 percent, 63.66 percent, and 31.74 percent, respectively, of the assets, net position and fund balances, and revenues and additions of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Zion Police Pension Fund, is based solely on the report of the other auditors. We did not audit the financial statements of the City of Zion, Illinois Firefighters' Pension Fund, which represent 32.57 percent, 37.05 percent, and 23.45 percent, respectively, of the assets, net position and fund balances, and revenues and additions of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Zion, Illinois Firefighters' Pension Fund, is based solely on the report of the other auditors. 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 City'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 City'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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 April 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis-of-Matter – Implementation of a New Standard***

As discussed in Note A to the financial statements, in 2019, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation, the City reported a restatement of beginning net position as of May 01, 2018. Our opinion is not modified with respect to this matter.

***Emphasis-of-Matter – Report on Prior-Year Comparative Information***

We have previously audited the City's 2018 financial statements and we expressed an unmodified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated September 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this information.

***Other Information***

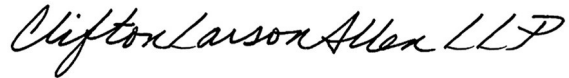
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet – nonmajor governmental funds and the combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – nonmajor governmental funds and the combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Milwaukee, Wisconsin  
April 2, 2024

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF NET POSITION**  
April 30, 2019

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 2,336,814	\$ 498,680	\$ 2,835,494
Restricted cash and equivalents	746,404	689,941	1,436,345
Taxes receivable, net of allowance for uncollectables	8,652,489	-	8,652,489
Net trade accounts receivable	314,686	1,378,487	1,693,173
Other receivables and current assets	728,247	24,103	752,350
Due from other governmental agencies	1,296,613	-	1,296,613
Internal balances	(1,845,908)	1,845,908	-
Prepaid insurance	307,022	10,554	317,576
Capital assets, net of accumulated depreciation	35,857,477	4,354,946	40,212,423
<b>TOTAL ASSETS</b>	<b>48,393,844</b>	<b>8,802,619</b>	<b>57,196,463</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	19,500,739	870,745	20,371,484
OPEB related	180,371	13,390	193,761
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>19,681,110</b>	<b>884,135</b>	<b>20,565,245</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>LIABILITIES</b>			
Reconciled overdraft	746,404	-	746,404
Accounts payable	765,775	173,340	939,115
Due to other governmental agencies	58,050	-	58,050
Due to fiduciary funds	344,447	-	344,447
Accrued payroll	383,051	26,981	410,032
Unearned revenue	-	321,720	321,720
Customer deposits	-	384,003	384,003
Accrued interest	122,316	70,938	193,254
Current portion of long-term obligations	2,132,332	250,672	2,383,004
Long-term obligations - net of current portion	72,736,333	1,573,652	74,309,985
<b>TOTAL LIABILITIES</b>	<b>77,288,708</b>	<b>2,801,306</b>	<b>80,090,014</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	15,314,904	360,817	15,675,721
Subsequent year tax levy	8,652,489	-	8,652,489
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>23,967,393</b>	<b>360,817</b>	<b>24,328,210</b>
<b>NET POSITION</b>			
Net investment in capital assets	29,031,682	3,879,946	32,911,628
Restricted for:			
Debt service	683,834	-	683,834
Development TIF Area #3	2,806,636	-	2,806,636
Other purposes	960,561	-	960,561
Unrestricted (deficit)	(66,663,860)	2,644,685	(64,019,175)
<b>TOTAL NET POSITION</b>	<b>\$ (33,181,147)</b>	<b>\$ 6,524,631</b>	<b>\$ (26,656,516)</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended April 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
Governmental activities:							
General government	\$ 1,332,364	\$ 780,445	\$ 16,821	\$ -	\$ (535,098)	\$ -	\$ (535,098)
Public health and safety	19,837,631	-	64,991	-	(19,772,640)	-	(19,772,640)
Public works and engineering	4,604,147	-	-	339,406	(4,264,741)	-	(4,264,741)
Economic development and promotion	1,239,158	-	-	-	(1,239,158)	-	(1,239,158)
Debt service	334,565	-	-	-	(334,565)	-	(334,565)
<b>Total governmental activities</b>	<b>27,347,865</b>	<b>780,445</b>	<b>81,812</b>	<b>339,406</b>	<b>(26,146,202)</b>	<b>-</b>	<b>(26,146,202)</b>
Business-type activities:							
Water and sewer	3,856,739	4,476,186	-	-	-	619,447	619,447
Waste collection	1,867,081	1,927,837	-	-	-	60,756	60,756
<b>Total business-type activities</b>	<b>5,723,820</b>	<b>6,404,023</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>680,203</b>	<b>680,203</b>
<b>Total primary government</b>	<b>\$ 33,071,685</b>	<b>\$ 7,184,468</b>	<b>\$ 81,812</b>	<b>\$ 339,406</b>	<b>(26,146,202)</b>	<b>680,203</b>	<b>(25,465,999)</b>
General revenues:							
Property taxes					8,375,297	-	8,375,297
Permits and other fees					4,592,745	-	4,592,745
Fines and forfeitures					324,571	-	324,571
Other taxes					8,217,264	-	8,217,264
Interest					53,065	15,759	68,824
Gain on sale of capital assets					25,219	-	25,219
Miscellaneous					316,845	-	316,845
Transfers					1,260,000	(1,260,000)	-
<b>Total general revenues</b>					<b>23,165,006</b>	<b>(1,244,241)</b>	<b>21,920,765</b>
Change in net position					(2,981,196)	(564,038)	(3,545,234)
Net position - beginning, as restated					(30,199,951)	7,088,669	(23,111,282)
Net position - ending					<b>\$ (33,181,147)</b>	<b>\$ 6,524,631</b>	<b>\$ (26,656,516)</b>

The accompanying notes are an integral part of the basic financial statements.



**CITY OF ZION, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
April 30, 2019

	<b>ASSETS</b>			
	<b>General</b>	<b>Special Revenue Fund Development TIF Area #3</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and equivalents	\$ 50,243	969,728	\$ 1,316,843	\$ 2,336,814
Restricted cash and equivalents	-	-	746,404	746,404
Taxes receivable, net of allowance	4,050,006	770,879	3,831,604	8,652,489
Utility taxes and franchise fees	314,686	-	-	314,686
Other receivables	695,099	-	33,148	728,247
Due from other governmental agencies	1,242,576	-	54,037	1,296,613
Due from other funds	2,121,850	1,836,908	389,277	4,348,035
Prepaid expenses	307,022	-	-	307,022
<b>TOTAL ASSETS</b>	<u>\$ 8,781,482</u>	<u>\$ 3,577,515</u>	<u>\$ 6,371,313</u>	<u>\$ 18,730,310</u>
	<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>			
<b>LIABILITIES</b>				
Reconciled overdraft	\$ -	\$ -	\$ 746,404	\$ 746,404
Accounts payable	454,460	-	303,551	758,011
Due to other governmental agencies	-	-	58,050	58,050
Due to other funds	3,682,816	-	1,755,545	5,438,361
Advance due to fiduciary funds	344,447	-	-	344,447
Accrued payroll	362,370	-	20,681	383,051
<b>TOTAL LIABILITIES</b>	<u>4,844,093</u>	<u>-</u>	<u>2,884,231</u>	<u>7,728,324</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Subsequent year tax levy	4,050,006	770,879	3,831,604	8,652,489
Unavailable revenue	801,954	-	8,587	810,541
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>4,851,960</u>	<u>770,879</u>	<u>3,840,191</u>	<u>9,463,030</u>
<b>FUND BALANCE (DEFICIT)</b>				
Nonspendable	307,022	-	-	307,022
Restricted	-	2,806,636	1,692,340	4,498,976
Committed	-	-	-	-
Unassigned	(1,221,593)	-	(2,045,449)	(3,267,042)
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<u>(914,571)</u>	<u>2,806,636</u>	<u>(353,109)</u>	<u>1,538,956</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)</b>	<u>\$ 8,781,482</u>	<u>\$ 3,577,515</u>	<u>\$ 6,371,313</u>	<u>\$ 18,730,310</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
April 30, 2019

Total fund balance - governmental funds \$ 1,538,956

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Capital assets	\$ 61,116,660	
Accumulated depreciation	(25,259,183)	
Net capital assets		35,857,477

Some receivables that are not currently available are reported as deferred inflows in the fund financial statements but are recognized as revenue when earned in the government-wide statements. 810,541

Internal service funds are used by management to charge the cost the City of Zion's self insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. (763,346)

Some deferred inflows and outflows of resources are not related to the current period and, therefore, are not reported in the funds:

Pension related, net	\$ 4,185,835	
OPEB related, net	180,371	
Total deferred outflows of resources, net		4,366,206

Some liabilities reported in the statement of net position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities are as follows:

General obligation bonds payable	\$ 5,487,039	
General obligation notes payable	1,299,324	
Capital lease obligations	50,178	
Accrued vacation	627,696	
Net pension liability	63,084,113	
Net OPEB liability	4,331,061	
Accrued interest	122,316	
Discount on general obligation bonds payable	(10,746)	
Total long-term liabilities		(74,990,981)

Net position of governmental activities \$ (33,181,147)

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the Year Ended April 30, 2019

	General	Special Revenue Fund		Total Governmental Funds
		Development TIF Area #3	Nonmajor Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 3,855,270	\$ 776,139	\$ 3,743,888	\$ 8,375,297
Other taxes	7,135,140	-	745,379	7,880,519
Permits and other fees	3,994,412	-	433,750	4,428,162
Fines and forfeitures	324,571	-	-	324,571
Charges for services	780,445	-	-	780,445
Intergovernmental	69,218	-	516,583	585,801
Interest	17,096	100	35,869	53,065
Donations and grants	10,650	-	-	10,650
Sale of easement and other city property	25,219	-	-	25,219
Miscellaneous	59,890	-	246,305	306,195
<b>TOTAL REVENUES</b>	<b>16,271,911</b>	<b>776,239</b>	<b>5,721,774</b>	<b>22,769,924</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,245,132	-	10,876	1,256,008
Public health and safety	15,692,305	-	87,113	15,779,418
Public works and engineering	2,256,649	-	1,203,181	3,459,830
Economic development and promotion	640,886	22,030	247,624	910,540
Debt Service:				
Principal retirement	-	-	1,883,273	1,883,273
Interest and fiscal charges	-	-	350,040	350,040
Debt issuance costs	-	-	4,355	4,355
Capital Outlay	-	56,461	1,871,891	1,928,352
<b>TOTAL EXPENDITURES</b>	<b>19,834,972</b>	<b>78,491</b>	<b>5,658,353</b>	<b>25,571,816</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,563,061)</b>	<b>697,748</b>	<b>63,421</b>	<b>(2,801,892)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,039,531	-	1,589,510	5,629,041
Transfers (out)	(1,345,221)	(196,298)	(2,827,522)	(4,369,041)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,694,310</b>	<b>(196,298)</b>	<b>(1,238,012)</b>	<b>1,260,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(868,751)</b>	<b>501,450</b>	<b>(1,174,591)</b>	<b>(1,541,892)</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>(45,820)</b>	<b>2,305,186</b>	<b>821,482</b>	<b>3,080,848</b>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ (914,571)</b>	<b>\$ 2,806,636</b>	<b>\$ (353,109)</b>	<b>\$ 1,538,956</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
For the Year Ended April 30, 2019

Net change in fund balance - total governmental funds \$ (1,541,892)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$	1,928,352
Less: capital outlay expensed in the statement of activities		(67,707)
Depreciation		<u>(1,629,041)</u>

Capital outlay in excess of depreciation and dispositions 231,604

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds:

(Increase)/decrease in other post employment benefits	\$	959
(Increase)/decrease in compensated absences		227,217
Pension expense		<u>(4,025,900)</u>

Total expenses of non-current resources (3,797,724)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. 336,745

The issuance of long-term debt (e.g., bonds, leases, etc.) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds.

Principal retirement of long-term debt and capital lease	\$	1,883,273
Accrued interest		52,112
Amortization of discounts and deferred amounts		<u>(32,282)</u>

Net effect of bond activity 1,903,103

The internal service fund is used by management to charge the costs of self insurance to individual funds. The net expenditures of certain activities of internal service funds is reported with governmental activities. (113,032)

Change in net position of governmental activities \$ (2,981,196)

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended April 30, 2019**  
(With Comparative Information for the Year Ended April 30, 2018)

	2019			Variance with Final Budget Positive (Negative)	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 11,154,696	\$ 11,154,696	\$ 10,990,410	\$ (164,286)	\$ 10,578,339
Licenses, permits, and fees	4,464,000	4,464,000	3,994,412	(469,588)	4,086,944
Fines and forfeitures	592,200	592,200	324,571	(267,629)	531,769
Charges for services	870,250	870,250	780,445	(89,805)	768,743
Intergovernmental	213,000	213,000	69,218	(143,782)	109,637
Interest	7,500	7,500	17,096	9,596	15,934
Donations and grants	-	-	10,650	10,650	10,050
Sale of easement and other city property	5,000	5,000	25,219	20,219	8,224
Miscellaneous	30,000	30,000	59,890	29,890	61,558
<b>TOTAL REVENUES</b>	<b>17,336,646</b>	<b>17,336,646</b>	<b>16,271,911</b>	<b>(1,064,735)</b>	<b>16,171,198</b>
<b>EXPENDITURES</b>					
General government	1,391,368	1,391,368	1,245,132	146,236	1,380,340
Public health and safety	15,224,348	15,224,348	15,692,305	(467,957)	14,972,224
Public works and engineering	2,360,596	2,360,596	2,256,649	103,947	2,438,517
Economic development and promotion	607,785	607,785	640,886	(33,101)	570,251
<b>TOTAL EXPENDITURES</b>	<b>19,584,097</b>	<b>19,584,097</b>	<b>19,834,972</b>	<b>(250,875)</b>	<b>19,361,332</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,247,451)</b>	<b>(2,247,451)</b>	<b>(3,563,061)</b>	<b>(1,315,610)</b>	<b>(3,190,134)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	4,013,358	4,013,358	4,039,531	26,173	2,584,578
Transfers (out)	(1,365,207)	(1,365,207)	(1,345,221)	19,986	(1,152,884)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,648,151</b>	<b>2,648,151</b>	<b>2,694,310</b>	<b>46,159</b>	<b>1,431,694</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>400,700</b>	<b>400,700</b>	<b>(868,751)</b>	<b>(1,269,451)</b>	<b>(1,758,440)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>(45,820)</b>	<b>(45,820)</b>	<b>(45,820)</b>	<b>-</b>	<b>1,712,620</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 354,880</b>	<b>\$ 354,880</b>	<b>(\$ 914,571)</b>	<b>(\$ 1,269,451)</b>	<b>(\$ 45,820)</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – DEVELOPMENT TIF AREA #3**  
**For the Year Ended April 30, 2019**  
**(With Comparative Information for the Year Ended April 30, 2018)**

	2019			Variance with Final Budget Positive (Negative)	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 789,360	\$ 789,360	\$ 776,139	\$ (13,221)	\$ 716,695
Interest	75	75	100	25	68
<b>TOTAL REVENUES</b>	<b>789,435</b>	<b>789,435</b>	<b>776,239</b>	<b>(13,196)</b>	<b>716,763</b>
<b>EXPENDITURES</b>					
Economic Development and Promotion:					
Contractual Services:					
Legal	10,000	10,000	7,030	2,970	4,845
Consultants	15,000	15,000	15,000	-	5,000
Professional	1,750	1,750	-	1,750	1,069
Appraisal	2,500	2,500	-	2,500	-
Total Contractual Services	<u>29,250</u>	<u>29,250</u>	<u>22,030</u>	<u>7,220</u>	<u>10,914</u>
Capital Outlay:					
Capital projects	828,500	828,500	56,461	772,039	143,775
Total Capital Outlay	<u>828,500</u>	<u>828,500</u>	<u>56,461</u>	<u>772,039</u>	<u>143,775</u>
<b>TOTAL EXPENDITURES</b>	<b>857,750</b>	<b>857,750</b>	<b>78,491</b>	<b>779,259</b>	<b>154,689</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(68,315)</b>	<b>(68,315)</b>	<b>697,748</b>	<b>766,063</b>	<b>562,074</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(199,685)	(199,685)	(196,298)	3,387	(197,791)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(199,685)</b>	<b>(199,685)</b>	<b>(196,298)</b>	<b>3,387</b>	<b>(197,791)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(268,000)</b>	<b>(268,000)</b>	<b>501,450</b>	<b>769,450</b>	<b>364,283</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,305,186</b>	<b>2,305,186</b>	<b>2,305,186</b>	<b>-</b>	<b>1,940,903</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,037,186</b>	<b>\$ 2,037,186</b>	<b>\$ 2,806,636</b>	<b>\$ 769,450</b>	<b>\$ 2,305,186</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
April 30, 2019

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and</b>	<b>Waste</b>	<b>Totals</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Collection</b>		<b>Fund</b>
<b>ASSETS</b>				
Current assets:				
Cash and equivalents	\$ 498,680	\$ -	\$ 498,680	\$ -
Restricted cash and equivalents	689,941	-	689,941	-
Trade accounts receivable	465,093	227,449	692,542	-
Unbilled trade accounts	685,945	-	685,945	-
Other receivables	24,103	-	24,103	-
Due from other funds	2,050,439	-	2,050,439	-
Prepaid expenses	10,554	-	10,554	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,424,755</b>	<b>227,449</b>	<b>4,652,204</b>	<b>-</b>
Noncurrent assets:				
Capital assets:				
Land	352,575	79,256	431,831	-
Buildings and improvements	-	45,496	45,496	-
Water mains and related infrastructure	12,470,969	-	12,470,969	-
Equipment	1,225,450	171,889	1,397,339	-
Accumulated depreciation	(9,773,304)	(217,385)	(9,990,689)	-
Total capital assets, net of accumulated depreciation	4,275,690	79,256	4,354,946	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>4,275,690</b>	<b>79,256</b>	<b>4,354,946</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>8,700,445</b>	<b>306,705</b>	<b>9,007,150</b>	<b>-</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	870,745	-	870,745	-
OPEB related	13,390	-	13,390	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>884,135</b>	<b>-</b>	<b>884,135</b>	<b>-</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	165,759	7,581	173,340	7,764
Unearned revenue - unearned collection fees	-	321,720	321,720	-
Accrued payroll and related expenses	26,981	-	26,981	-
Due to other funds	-	204,531	204,531	755,582
Customer deposits - restricted assets	384,003	-	384,003	-
Current portion of OPEB liability	15,672	-	15,672	-
Current portion of General Obligation Bonds - restricted assets	235,000	-	235,000	-
Accrued interest - restricted assets	70,938	-	70,938	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>898,353</b>	<b>533,832</b>	<b>1,432,185</b>	<b>763,346</b>
Noncurrent liabilities:				
General Obligation Bonds	475,000	-	475,000	-
Pension liability	792,796	-	792,796	-
OPEB liability	305,856	-	305,856	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,573,652</b>	<b>-</b>	<b>1,573,652</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>2,472,005</b>	<b>533,832</b>	<b>3,005,837</b>	<b>763,346</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	360,817	-	360,817	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>360,817</b>	<b>-</b>	<b>360,817</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,800,690	79,256	3,879,946	-
Unrestricted net position	2,951,068	(306,383)	2,644,685	(763,346)
<b>TOTAL NET POSITION</b>	<b>\$ 6,751,758</b>	<b>(\$ 227,127)</b>	<b>\$ 6,524,631</b>	<b>(\$ 763,346)</b>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended April 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Waste Collection</u>	<u>Totals</u>	<u>Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,476,186	\$ 1,927,837	\$ 6,404,023	\$ -
TOTAL OPERATING REVENUES	<u>4,476,186</u>	<u>1,927,837</u>	<u>6,404,023</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Personal services	789,636	-	789,636	-
Contractual services	1,542,401	1,855,014	3,397,415	114,148
Materials and supplies	96,646	12,067	108,713	-
Repairs and maintenance	1,243,551	-	1,243,551	-
Depreciation	177,889	-	177,889	-
TOTAL OPERATING EXPENSES	<u>3,850,123</u>	<u>1,867,081</u>	<u>5,717,204</u>	<u>114,148</u>
INCOME (LOSS) FROM OPERATIONS	<u>626,063</u>	<u>60,756</u>	<u>686,819</u>	<u>(114,148)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	15,759	-	15,759	1,116
Interest and fiscal charges	(6,616)	-	(6,616)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,143</u>	<u>-</u>	<u>9,143</u>	<u>1,116</u>
INCOME BEFORE TRANSFERS	<u>635,206</u>	<u>60,756</u>	<u>695,962</u>	<u>(113,032)</u>
Transfers out	(1,260,000)	-	(1,260,000)	-
CHANGE IN NET POSITION	(624,794)	60,756	(564,038)	(113,032)
NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	<u>7,376,552</u>	<u>(287,883)</u>	<u>7,088,669</u>	<u>(650,314)</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 6,751,758</u>	<u>\$ (227,127)</u>	<u>\$ 6,524,631</u>	<u>\$ (763,346)</u>

The accompanying notes are an integral part of the basic financial statements.



**CITY OF ZION, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended April 30, 2019

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and</b>	<b>Waste</b>	<b>Totals</b>	<b>Internal Service</b>
	<b>Sewer</b>	<b>Collection</b>		<b>Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 4,551,849	\$ 1,922,320	\$ 6,474,169	\$ -
Cash payments to suppliers for goods and services	(3,035,381)	(1,997,707)	(5,033,088)	(717,265)
Cash payments to employees for services	(778,669)	-	(778,669)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>737,799</u>	<u>(75,387)</u>	<u>662,412</u>	<u>(717,265)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Short-term loan to other funds	(119,467)	-	(119,467)	-
Collections on advances to other funds	334,909	-	334,909	716,149
Payment on advances from other funds	-	(130,378)	(130,378)	-
Transfer to (from) other funds	(1,260,000)	-	(1,260,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,044,558)</u>	<u>(130,378)</u>	<u>(1,174,936)</u>	<u>716,149</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(142,592)	-	(142,592)	-
Principal paid on bonds	(230,000)	-	(230,000)	-
Interest paid on bonds	(846)	-	(846)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(373,438)</u>	<u>-</u>	<u>(373,438)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment activity	(2,684)	-	(2,684)	-
Sale of investment securities	784,092	-	784,092	-
Interest on cash and equivalents	15,759	-	15,759	1,116
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>797,167</u>	<u>-</u>	<u>797,167</u>	<u>1,116</u>
<b>NET (DECREASE) IN CASH AND EQUIVALENTS</b>				
	116,970	(205,765)	(88,795)	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,071,651</u>	<u>205,765</u>	<u>1,277,416</u>	<u>-</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,188,621</u>	<u>\$ -</u>	<u>\$ 1,188,621</u>	<u>\$ -</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO TOTAL CASH</b>				
Cash and cash equivalents	\$ 498,680	\$ -	\$ 498,680	\$ -
Restricted cash	689,941	-	689,941	-
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 1,188,621</u>	<u>\$ -</u>	<u>\$ 1,188,621</u>	<u>\$ -</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
INCOME (LOSS) FROM OPERATIONS	\$ 626,063	\$ 60,756	\$ 686,819	\$ (114,148)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	177,889	-	177,889	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	14,149	(6,861)	7,288	-
(Increase) decrease in unbilled water usage	(1,809)	-	(1,809)	-
(Increase) decrease in other receivables	783	-	783	-
(Increase) decrease in prepaid expenses	1,931	-	1,931	-
(Increase) decrease in deferred outflows of resources - pension	(789,886)	-	(789,886)	-
(Increase) decrease in deferred outflows of resources - OPEB	(13,390)	-	(13,390)	-
Increase (decrease) in accounts payable	(154,714)	(130,626)	(285,340)	(603,117)
Increase (decrease) in accrued payroll and related expenses	(60,666)	-	(60,666)	-
Increase (decrease) in deferred revenue	-	1,344	1,344	-
Increase (decrease) in customer deposits	62,540	-	62,540	-
(Increase) decrease in net pension asset	792,796	-	792,796	-
Increase (decrease) in net pension liability	79,754	-	79,754	-
Increase (decrease) in net OPEB liability	13,319	-	13,319	-
Increase (decrease) in deferred inflows of resources - pension	(10,960)	-	(10,960)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 737,799</u>	<u>\$ (75,387)</u>	<u>\$ 662,412</u>	<u>\$ (717,265)</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
April 30, 2019

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	\$ 501,908	\$ 1,757,992	\$ 2,259,900
Investments:			
U.S. agency obligations	711,115	156,171	867,286
U.S. treasuries	-	1,516,693	1,516,693
Corporate obligations	1,219,301	4,622,500	5,841,801
Insurance annuities	8,243,832	-	8,243,832
Common stock	8,570,620	4,610,663	13,181,283
Equity mutual funds	11,563,368	5,193,142	16,756,510
Receivables:			
Accrued interest	70,274	236	70,510
Due from City	138,943	200,960	339,903
Prepaid assets	-	1,809	1,809
<b>TOTAL ASSETS</b>	<u><u>\$ 31,019,361</u></u>	<u><u>\$ 18,060,166</u></u>	<u><u>\$ 49,079,527</u></u>

**LIABILITIES AND NET POSITION**

<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 9,545	\$ 9,545
<b>NET POSITION</b>			
Restricted - held in trust for pension benefits	<u>31,019,361</u>	<u>18,050,621</u>	<u>49,069,982</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 31,019,361</u></u>	<u><u>\$ 18,060,166</u></u>	<u><u>\$ 49,079,527</u></u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended April 30, 2019

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Contributions - Employer	\$ 1,571,516	\$ 1,264,861	\$ 2,836,377
Contributions - Plan members	439,080	231,183	670,263
Total contributions	<u>2,010,596</u>	<u>1,496,044</u>	<u>3,506,640</u>
Investment earnings:			
Interest and dividends earned	1,231,164	198,255	1,429,419
Change in fair market value	917,752	1,382,752	2,300,504
Total investment earnings	<u>2,148,916</u>	<u>1,581,007</u>	<u>3,729,923</u>
Less investment expenses	<u>(101,449)</u>	<u>(78,559)</u>	<u>(180,008)</u>
Net investment earnings	<u>2,047,467</u>	<u>1,502,448</u>	<u>3,549,915</u>
TOTAL ADDITIONS	<u>4,058,063</u>	<u>2,998,492</u>	<u>7,056,555</u>
<b>DEDUCTIONS</b>			
Administration	101,473	49,451	150,924
Benefit payments	<u>2,708,988</u>	<u>1,711,191</u>	<u>4,420,179</u>
TOTAL DEDUCTIONS	<u>2,810,461</u>	<u>1,760,642</u>	<u>4,571,103</u>
<b>CHANGE IN NET POSITION</b>	1,247,602	1,237,850	2,485,452
Net position, beginning of year	<u>29,771,759</u>	<u>16,812,771</u>	<u>46,584,530</u>
Net position, end of year	<u>\$ 31,019,361</u>	<u>\$ 18,050,621</u>	<u>\$ 49,069,982</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Zion, Illinois (the “City”), was incorporated in 1902 and is located in the northeast part of the state in the County of Lake. The City operates under a commission form of government made up of five elected officials (four commissioners, and the mayor). The City’s major operations include public health and safety (police and fire), public works and engineering, economic development and promotion, and other general administrative governmental services. In addition, the City owns and operates a water and sewer system as well as provides waste collection services.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and any component units: entities for which the City is considered to be financially accountable. The City has determined that no such entities are required to be included in the City’s financial statements.

**Government-Wide Statements**

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City’s public health and safety, public works and engineering, economic development and promotion, and other general administrative governmental services are classified as governmental activities. The City’s water and sewer, and waste collection services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as long-term obligations and deferred inflows of resources. The City’s net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions and business-type activities (public health and safety, public works and engineering, etc.) The functions are also supported by general governmental revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and fees, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public health and safety, public works and engineering, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest, etc.).

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. Any other governmental or enterprise fund that the City believes is important to financial statement users may be reported as a major fund.

The following fund types are used by the City:

**Governmental Fund Types:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of fund balance and changes in fund balance (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund types of the City:

- **General Fund** – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted by enacted legislation to expenditures for specified purposes, or that require separate accounting because of regulatory or administrative action.
- **Debt Service Funds** – Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- **Capital Projects Funds** – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type funds).

**Proprietary Fund Types:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, net position, and cash flows. Accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a description of the proprietary fund types of the City:

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Fund Financial Statements (continued)**

**Proprietary Fund Types (continued):**

- **Enterprise Funds** – Enterprise funds (Water and Sewer Fund, and Waste Collection Fund) are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
- **Internal Service Fund** – The Internal Service Fund is used to account for the payment by the City for active employees of group health charges for services and stop loss insurance charges and the billing of departments or agencies of the City on a cost-reimbursement basis for the services received.

**Fiduciary Funds:**

Fiduciary funds (Police Pension and Firefighters' Pension funds) are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statement by type (pension). Since by definition these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**Major and Nonmajor Funds:**

The funds are further classified as major or nonmajor as follows:

Major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Development TIF Area #3** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.

Nonmajor governmental funds – special revenue funds:

- **911 Emergency Surcharge** – Accounts for revenues and expenditures of the E-911 service that is legally restricted for public safety use.
- **Zion-Newport Fire Station** – Accounts for revenues and expenditures directly related to the operation of the Zion-Newport fire station.
- **Emergency Service Rescue** – Accounts for revenues and expenditures of City rescue efforts and is restricted for public safety use.
- **Fire Protection Service** – Accounts for restricted revenues and expenditures of City fire protection efforts and is restricted for public safety use.
- **Street and Bridge** – Accounts for revenues and expenditures of upkeep and maintenance of City infrastructure and is restricted for that purpose.
- **Illinois Municipal Retirement** – Accounts for employer contributions to the Illinois Municipal Retirement Fund and is restricted for that use.
- **FICA** – Accounts for employer contributions to the Social Security Administration and is restricted for that use.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Fund Financial Statements (continued)**

**Major and Nonmajor Funds (continued):**

Nonmajor governmental funds – special revenue funds (continued):

- **Development TIF Area #1** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Development TIF Area #4** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Development TIF Area #5** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Development TIF Area #6** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Impact Fee Fund** – Accounts for restricted revenues and expenditures relating to the impact of development on the City.
- **Impact Fee – Fire and Rescue Fund** – Accounts for restricted revenues and expenditures relating to the impact of development on the fire and rescue district.
- **Motor Fuel Tax** – Accounts for revenues and expenditures relating to the funds received from the State of Illinois for the City's share of motor fuel taxes.
- **Police Protection** – Accounts for revenues and expenditures of City law enforcement efforts and is restricted for public safety use.
- **Liability Insurance** – Accounts for restricted revenues and expenditures relating to insurance funding requirements of the City.
- **Audit** – Accounts for restricted revenues and expenditures relating to financial reporting requirements of the City.
- **Drug Traffic Prevention** – Accounts for revenues and expenditures relating to funds received as forfeitures from the Lake County courts and is restricted for that use.
- **Industrial Development** – Accounts for restricted revenues and expenditures of promotional activities.
- **Cable Commission** – Accounts for revenues and expenditures restricted for City promotional activities.
- **Hotel/Motel Tax** – Accounts for revenues and expenditures of hotel/motel tax restricted by local ordinance for the promotion of convention and tourism.

Nonmajor governmental funds – capital projects funds:

- **Capital Projects** – Accounts for financial resources collected and restricted for the capital additions to the City.

Nonmajor governmental funds – debt service funds:

- **Area 3 South Sheridan Rd. Project** – Accounts restricted for the accumulation of resources for the periodic payment of principal and interest on Bond Series 2004A.
- **Bond Debt Service** – Accounts for the accumulation of funds for the periodic payment of principal and interest on outstanding bonds.
- **Bond Series 2002B Road Bond** – Accounts restricted for the accumulation of resources for the periodic payment of principal and interest on Bond Series 2002B.
- **Bond Series 2003 Road Bond** – Accounts restricted for the accumulation of resources for the periodic payment of principal and interest on Bond Series 2003.

Major enterprise funds:

- **Water and Sewer** – Accounts for financial resources collected and used for water and sewer activities.
- **Waste Collection** – Accounts for financial resources collected and used for waste collection activities.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Measurement Focus and Basis of Accounting**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus, or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Accrual:**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred or when the economic asset is used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**Modified Accrual:**

The governmental funds financial statements are presented 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. “Measurable” means knowing or being able to reasonably estimate the amount. “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 fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, other postemployment benefits and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Sales taxes are considered “measurable” when in the hands of the State Comptroller. Other major revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period, or are not objectively measurable, include delinquent property taxes, licenses, permits, fines, forfeitures, franchise fees and hotel/motel occupancy taxes. See Note E for property tax accrual policy.

**Financial Statement Amounts**

**Cash and Equivalents:**

For purposes of the Statement of Net Position, the City has defined cash and equivalents to include cash on hand, demand deposits, and cash with brokers and fiscal agents. For purposes of the statement of cash flows, the City considers all highly liquid investments purchased that will mature within 90 days or less to be cash equivalents.



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Financial Statement Amounts (continued)**

**Investments:**

Investments are stated at fair value (quoted market price or the best available estimate).

**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.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note K for details of interfund transactions, including receivables and payables at year-end.

**Receivables:**

The City recognizes 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 government-wide financial statements.

**Capital Assets:**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-wide Statements:**

In the government-wide financial statements, capital assets having a useful life greater than one year are reported at historical cost or estimated historical cost and capitalized using the following dollar thresholds: \$10,000 for small equipment, \$25,000 for land, \$25,000 for machinery and equipment, \$100,000 for buildings and improvements, and \$200,000 for roads and bridges.

Business-type activity capital assets are reported at historical cost or estimated historical cost and capitalized using the following dollar thresholds: \$10,000 for small equipment, \$25,000 for machinery and equipment, \$100,000 for buildings and improvements, and \$200,000 for infrastructure and other assets related to the network of infrastructure.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on assets is provided on the straight-line basis over the following estimated useful lives:

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**Financial Statement Amounts (continued)**

**Capital Assets (continued):**

Vehicles	3 years
Equipment	3 years
Machinery and equipment	5 years
Buildings and improvements	20 – 40 years
Water and sewer infrastructure	50 years
Roads and bridges	50 years

**Fund Financial Statements:**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences:**

The City, as outlined in the Employee Policy Handbook, provides sick pay and vacation benefits as follows:

Sick pay benefits accrue at the rate of 96 hours (144 for firemen) per year and can be accumulated up to a maximum of 1,120 hours (1,680 for firemen). These benefits are not paid out upon separation from employment.

Vacation benefits accrue based on completed years of service, and are allowed to be carried over annually. Accrued vacation is paid out upon termination, death, and retirement. A liability for these amounts is reported in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. See Note J for details on compensated absences.

**Deferred Outflows/Inflows of Resources:**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City reports a deferred charge on refunding reported in the government-wide statement of net position in the deferred outflows category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension related changes.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows from three sources: property taxes, unavailable revenues, and pension. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

Fund Financial Statements (continued):

**Long-Term Debt:**

The accounting treatment of long-term debt depends on whether the proceeds are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements, net of any premium or discount. The long-term debt consists primarily of bonds and notes payable. See Note J for details of long-term debt.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of the principal and interest is reported as an expenditure. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Equity Classifications:**

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or any other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance:**

Within the governmental fund types, the City’s fund balance is 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.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

Fund Financial Statements (continued):

**Fund Balance (continued):**

Assigned – includes amounts that are constrained by the City'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 within the General Fund.

Unassigned – includes the residual fund balance that has not been restricted, committed, or assigned within the General Fund and deficit fund balances of other governmental funds.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized.

**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.

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

**Budgetary Control**

The City prepares an appropriation ordinance annually and makes it available for 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.

**Deficit Fund Balance of Individual Funds**

A summary of fund balance deficits as of April 30, 2019, along with the City's plan to address those deficits is below:

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

Fund	Deficit	City's Plan to Address Deficit
General Fund	\$ 808,679	Subsequent to 2019, The City received ARPA funds as well as CEJA funds that were utilized during pandemic to supplement the budget. The City has also eliminated all general obligation debt from the general fund and significant sales tax incentive repayments.
<u>Special Revenue Funds</u>		
911 Emergency Surcharge	3,840	Deficit is due to timing of reimbursement requests and should clear in the future.
Development TIF Area #6	10,876	Deficit is due to the startup of the TIF. All expenses were posted to this fund to track actual costs until the tax receipts under the TIF begin to be collected.
Motor Fuel Tax	647	Overage based on costs of projects exceeding revenues and fund balance.
Police Protection	22,929	The City plans to address this deficit via transfer of surplus funds in future years.
Fire Protection	571,258	The City plans to address this deficit via transfer of surplus funds in future years.
Capital Project Fund	28,709	Overage based on costs of projects exceeding revenues and fund balance.
<u>Debt Service Funds</u>		
Bond Series 2002B Road Bond	389,277	The City plans to address this deficit via transfer of surplus funds in future years.
Bond Series 2003 Road Bond	262,922	The City plans to address this deficit via transfer of surplus funds in future years.
<u>Enterprise Funds</u>		
Waste Collection	227,127	The City plans on addressing water and garbage rate increases in the future.
Internal Service Fund	763,346	The City plans to allocate funds from the general fund over time to address this deficit.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**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 transfers out and other finance uses) by individual fund. The surplus/(deficit) column is determined by comparing actual expenditures/expenses with the approved appropriations.

	Budgeted	Appropriation	Actual	Surplus/(Deficit)
<b>General Fund</b>	\$ 20,949,304	\$ 22,125,883	\$ 21,180,193	\$ 945,690
<b><u>Special Revenue Funds</u></b>				
911 Emergency Surcharge	\$ 180,000	\$ 180,000	\$ 39,163	\$ 140,837
Zion-Newport Fire Station	59,000	60,000	56,992	3,008
Emergency Service Rescue	553,510	559,101	557,660	1,441
Fire Protection Service	764,100	771,815	769,773	2,042
Street and Bridge	352,357	840,400	300,096	540,304
Illinois Municipal Retirement FICA	383,528 379,830	387,897 451,478	289,455 341,346	98,442 110,132
Development TIF Area #1	-	-	122,458	(122,458)
TIF #5 Capital Project	-	155,000	15	154,985
Development TIF Area #3	1,057,435	1,045,450	274,789	770,661
Development TIF Area #4	-	-	54,945	(54,945)
Development TIF Area #6	-	-	10,876	(10,876)
Impact Fee Fund	-	-	300	(300)
Impact Fee Fire & Rescue	-	-	500	(500)
Motor Fuel Tax	1,196,152	831,978	1,126,570	(294,592)
Liability Insurance	1,037,174	1,026,514	1,023,843	2,671
Drug Traffic Prevention	52,500	25,400	19,454	5,946
Industrial Development	432,999	432,999	432,950	49
Hotel/Motel Tax	93,500	93,500	89,206	4,294
	<b>\$ 6,542,085</b>	<b>\$ 6,861,532</b>	<b>\$ 5,510,391</b>	<b>\$ 1,351,141</b>
<b><u>Capital Projects Funds</u></b>				
Capital Projects Fund	\$ 1,302,922	\$ 1,302,922	\$ 1,436,264	\$ (133,342)
<b><u>Debt Service Funds</u></b>				
Area 3 South Sheridan Road Project (Debt Service)	\$ 190,685	\$ 190,686	\$ 190,660	\$ 26
Bond Debt Service	975,207	977,207	962,986	14,221
Series 2002B Road Bond	395,298	395,298	394,150	1,148
Series 2003 Road Bond	267,360	273,235	266,213	7,022
Series 2006 Water Bond	-	245,523	-	245,523
	<b>\$ 1,828,550</b>	<b>\$ 2,081,949</b>	<b>\$ 1,814,009</b>	<b>\$ 267,940</b>
<b>Total Governmental Funds</b>	<b>\$ 30,622,861</b>	<b>\$ 32,372,286</b>	<b>\$ 29,940,857</b>	<b>\$ 2,431,429</b>
<b><u>Enterprise Funds</u></b>				
Water and Sewer	\$ 3,712,159	\$ 4,678,316	\$ 5,116,739	\$ (438,423)
Waste Collection	1,866,270	1,866,270	1,867,081	(811)
	<b>\$ 5,578,429</b>	<b>\$ 6,544,586</b>	<b>\$ 6,983,820</b>	<b>\$ (439,234)</b>
Internal Service Fund	\$ -	\$ -	\$ 114,148	\$ (114,148)
<b>Total All Funds</b>	<b>\$ 36,201,290</b>	<b>\$ 38,916,872</b>	<b>\$ 37,038,825</b>	<b>\$ 1,878,047</b>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements.

The primary restricted revenue sources include:

- Emergency Surcharge Tax – To be used for E-911 emergency services
- Zion-Newport Fire Station – To be used for fire protection services
- Foreign Fire Tax – To be used for fire protection services
- Water, Sewer and Waste – To be used for utility operations, improvements, and debt service
- Motor Fuel Tax – To be used for infrastructure improvements and maintenance
- Hotel/Motel Tax – To be used for convention and tourism
- Impact Fees – To be used to improve infrastructure for the impact of new developments
- Forfeiture Revenue – To be used to aid in the deterrence of drug related offenses

For the year ended April 30, 2019, management asserts the City complied, in all material respects, with these revenue restrictions.

**NOTE C – DEPOSITS AND INVESTMENTS**

**Deposits**

As of April 30, 2019, a reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

	<b>Carrying Value</b>	<b>Bank Balance</b>
Checking accounts	\$ 1,236,762	\$ 1,349,459
Money market and savings accounts	441,427	441,427
Money market mutual funds - restricted	683,834	683,834
Cash with Escrow Agent	297,570	297,570
Illinois Funds	864,846	864,846
Cash on hand	996	-
<b>Total</b>	<b>\$ 3,525,435</b>	<b>\$ 3,637,136</b>

A reconciliation to the financial statements is shown below:

Statement of Net Position - governmental activities:

Cash and equivalents	\$ 2,336,814
Restricted cash and equivalents	746,404
Reconciled overdraft	(746,404)

Statement of Net Position - business-type activities:

Cash and equivalents	498,680
Restricted cash and equivalents	689,941
	<b>\$ 3,525,435</b>

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the City'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 City's deposits totaled \$1,678,191 and the bank balances totaled \$1,790,885. Of the bank balances, \$723,047 was covered by federal depository insurance, \$1,067,838 was uninsured and collateralized by U.S. Government securities or Municipal Government securities held by the pledging institution's trust department in the City's name or through specific pledging of the third party plan administrator. The City does not have a custodial credit risk policy for deposits.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments**

**Operating Funds**

Authorized investments: The City’s investment policy allows for deposits/investments in local government investment pools or trust funds organized by either the State of Illinois or by intergovernmental legislation, the State of Illinois Public Treasurer’s Investment Pool, the Illinois Municipal League Local Government Investment Trust, Illinois Metropolitan Investment Fund (IMET), funds managed, operated and administered by a bank, subsidiary of a bank or subsidiary of a bankholding company, U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations which have a liquid market with a readily determinable market value, certificates of deposit and other evidences of deposit at financial institutions, bankers’ acceptances and commercial paper rated in the highest tier by a nationally recognized rating agency, investment-grade obligations of state and local governments and public authorities, money market mutual funds regulated by the Securities and Exchange Commission and whose portfolio consist only of dollar-denominated securities, interest-bearing demand checking accounts, passbook savings account of banks and savings and loan associations insured by FDIC, insured demand accounts and investment instruments of credit unions whose principal office is located in Illinois.

Interest rate risk: In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market funds or similar investment pools.

As of April 30, 2019, the City had the following investments subject to interest rate risk, including maturities:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
Money market mutual funds	\$ 683,834	\$ 683,834	\$ -	\$ -	\$ -
Illinois Funds	864,846	864,846	-	-	-
Total	<u>\$ 1,548,680</u>	<u>\$ 1,548,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: Credit risk is the risk that the issuer of a debt security will not pay its par value upon maturity. The City’s investment policy limits its exposure to credit risk primarily by limiting investments to the safest type of securities, pre-qualify the financial institutions, brokers/dealers, intermediaries and advisors with which the City does business.

The mutual funds held by the City are rated AAAM by Standard & Poor’s.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the Securities and Exchange Commission as an investment company, but does comply with the Public Funds Investment Act, 30 ILCS 235. Investments in Illinois Funds are valued at Illinois Fund’s share price, the price for which the investment could be sold. The Illinois Funds are rated AAAM by Standards & Poor’s. At April 30, 2019 the Illinois Funds weighted average maturity is the dollar weighted maturity of all of the holding of the fund. This number represents the theoretical number of days before all of the investments would mature and thus be re-invested.

The certificates of deposit held by the City are not rated.

Concentration of credit risk: To limit the exposure to concentration credit risk, the City’s investment policy diversifies its investment portfolio so that potential losses on individual securities will be minimized.



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

Custodial credit risk: The City limits its exposure to custodial credit risk by utilizing a third party custodian for all investments. For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

The City is authorized by state statutes and its own local ordinances to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of states and their political subdivisions, savings accounts, credit union shares and the Illinois Public Treasurers Investment Pool.

Both the Police and Firefighters' Pension Funds invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the next term and that such changes could materially affect participants' account balances and the amounts reported in the statement of plan net position. Investments and daily activities of the funds are managed by the fund's respective boards.

Fair value measurements: The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The City has the following recurring fair value measurements as of April 30, 2019:

- Money Market Mutual Funds of \$683,834 are valued using unadjusted quoted prices in active markets (Level 1 inputs).

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

**Police Pension Fund**

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Fund’s investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

As of April 30, 2019, the Police Pension Fund had the following investments subject to interest rate risk, including maturities:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Treasuries	\$ 8,243,832	\$ 1,359,086	\$ 4,081,227	\$ 2,803,519	\$ -
U.S. Agencies	711,115	199,212	384,587	24,992	102,324
Corporate Bonds	1,219,301	219,299	898,000	102,002	-
<b>Total</b>	<b>\$ 10,174,248</b>	<b>\$ 1,777,597</b>	<b>\$ 5,363,814</b>	<b>\$ 2,930,513</b>	<b>\$ 102,324</b>

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund’s investment policy also prescribes to the “prudent person” rule. The plan shall be invested with care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. The Pension Fund’s investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in corporate bonds were rated from Aa2 to A1 by Moody’s. Investments in U.S. Treasuries and U.S. Agencies were not rated.

Custodial credit risk – deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Fund’s deposits may not be returned to it. At April 30, 2019, all of the Pension Fund’s deposits were covered by federal depository or equivalent insurance. The Pension Fund’s investment policy does require that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. At April 30, 2019, the U.S. Agency Securities are insured and held by the counterparty in the Fund’s name. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third-party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

Concentration of credit risk: This is the risk of loss attributed to the magnitude of the Fund’s investment in a single issuer. At year-end, the Fund does not have any investments over 5 percent of the net position (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments). Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the “full faith and credit” backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation. The Pension Fund’s investment policy provides diversification as to minimize the risk of large losses. “Diversification” is to be interpreted to include diversification by asset type, by characteristic, by number of investments, and in the case of “Investment Manager”, by investment style. Additionally, at year-end the Pension Fund has \$8,570,620 invested in common stocks.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

**Police Pension Fund (continued)**

Fair value measurements: The Pension Fund uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Pension Fund follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Pension Fund has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The Pension Fund has the following recurring fair value measurements as of April 30, 2019:

- Mutual Funds of \$11,563,368 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of \$8,570,620 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- U.S. Treasuries of \$8,243,832 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- U.S. Agency Obligations of \$711,115 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of \$1,219,301 are valued using a matrix pricing model (Level 2 inputs).

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

**Firefighters' Pension Fund**

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

As of April 30, 2019, the Firefighters' Pension Fund had the following investments subject to interest rate risk, including maturities:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Greater than 10
U.S. Agencies	\$ 156,171	\$ -	\$ 7,690	\$ 905	\$ 147,576
Corporate Bonds	4,622,500	-	4,622,500	-	-
<b>Total</b>	<b>\$ 4,778,671</b>	<b>\$ -</b>	<b>\$ 4,630,190</b>	<b>\$ 905</b>	<b>\$ 147,576</b>

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Pension Fund does not have a formal written policy with regards to criteria for allowable investments. The investments in the securities of U.S. Agency Obligations and Corporate Bonds were rated from Baa1 to Aa2 by Moody's Investors Services. Besides investing in securities issued by agencies of the United States Government, the Pension Fund has no other formal policy for reducing credit risk.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2019, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. At April 30, 2019, the U.S. Government Agencies and the State and Local obligations are held by the counterparty in the trust department. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third-party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

Concentration of credit risk: This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. The Pension Fund does not have a formal written policy with regards to concentration credit risk for investments. At year-end, the Fund has over 5 percent of net plan position available for retirement benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) invested in Jackson National Variable Annuity of \$928,325 (5.8%). Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation. Additionally, the Pension Fund has \$4,610,663 invested in common stocks and \$1,516,693 invested in insurance annuities.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

**Firefighters' Pension Fund (continued)**

Fair value measurements: The Pension Fund uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Pension Fund follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Pension Fund has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

The Pension Fund has the following recurring fair value measurements as of April 30, 2019:

- Mutual Funds of \$5,193,142 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of \$4,610,663 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Insurance Annuities of \$1,516,693 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agency Obligations of \$156,171 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of \$4,622,500 are valued using a matrix pricing model (Level 2 inputs).

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE D – ACCOUNTS RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

**Accounts Receivable**

Receivables details at April 30, 2019, are as follows:

	Governmental Activities	Business-type Activities	Total
Trade accounts receivable	\$ 314,686	\$ 1,378,487	\$ 1,693,173
Other receivables/current assets	3,683,780	48,206	3,731,986
Allowance for doubtful accounts	(2,955,533)	(24,103)	(2,979,636)
Other receivable/current assets, net of allowance	<u>728,247</u>	<u>24,103</u>	<u>752,350</u>
Total receivables, net of allowance	<u>\$ 1,042,933</u>	<u>\$ 1,402,590</u>	<u>\$ 2,445,523</u>

**Deferred Inflows of Resources**

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current periods. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. As of April 30, 2019, various components of deferred inflows reported in the governmental funds were as follows:

	Unavailable	Subsequent Year Tax Levy	Total
Property taxes	\$ -	\$ 8,652,489	\$ 8,652,489
Veolia host fees	165,378	-	165,378
Other	645,163	-	645,163
	<u>\$ 810,541</u>	<u>\$ 8,652,489</u>	<u>\$ 9,463,030</u>

**NOTE E – PROPERTY TAXES**

**General Property Taxes**

The Lake County Property Assessor assesses real and personal property values on a countywide basis, each year as of January 1. The City levies a property tax millage rate upon the taxable value, which provides 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 the City and all other tax authorities within the County are centrally billed and collected by Lake County with monthly remittance to the City 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 the City for its share of those receipts. Liens are attached on January 1 of each tax year. 2018 taxes became an enforceable lien on January 1, 2019.

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, the City 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.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

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

**General Property Taxes (continued)**

Tax Increment Financing Districts

The City has established several Tax Increment Financing Districts. At the time each District was formed, the County Clerk certified the assessed valuation of the property in the District. Each year the City 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 the City. The monies received have been placed in Special Revenue Funds called Development TIF Areas #3, #4, #5, and #6 respectively. Eligible expenditures are as stated in approved project and plan documents, which involve redevelopment projects within each TIF District. During the year ended April 30, 2011, TIF #4 was rolled into the TIF Area #3 district. The incremental increase of assessed valuation as assessed and equalized by the State Department of Revenue and extension for the year 2019 was as follows:

- TIF #3 assessed valuation was \$4,940,493 and the tax extension was \$798,277.
- TIF #4 assessed valuation was \$487,951 and the tax extension was \$75,881.
- TIF #5 assessed valuation was \$1,685,559 and the tax extension was \$259,626.
- TIF #6 assessed valuation was \$865,630 and the tax extension was \$152,214.

Assessed Valuations, Rates, Extensions, and Collections

<u>TAX LEVY YEAR</u>	<u>2019</u>	<u>2018</u>
ASSESSED VALUATIONS	\$ 304,326,652	\$ 289,754,519
<u>TAX RATE/\$100 EAV</u>		
General Fund	0.296	0.351
Fire Fund	0.250	0.266
Street and Bridge Fund	0.072	0.077
IMRF	0.126	0.134
Social Security	0.146	0.156
Police Pension	0.622	0.546
Firemen's Pension	0.425	0.439
Emergency Rescue Squad	0.181	0.193
Liability Insurance Fund	<u>0.334</u>	<u>0.354</u>
TOTALS	<u>2.452</u>	<u>2.516</u>

TAX EXTENSIONS

<u>TAX LEVY YEAR</u>	<u>2019</u>	<u>2018</u>
Fiscal Year Collected	4/30/2019	4/30/2018
Purpose of Levy:		
General Fund	\$ 892,484	\$ 1,015,905
Fire Fund	753,263	771,816
Street and Bridge Fund	218,629	224,001
IMRF	378,554	387,897
Social Security	440,660	451,478
Police Pension	1,876,724	1,581,356
Firemen's Pension	1,280,798	1,272,782
Emergency Rescue Squad	545,650	559,102
Liability Insurance Fund	<u>1,006,864</u>	<u>1,026,516</u>
TOTAL	<u>\$ 7,393,626</u>	<u>\$ 7,290,853</u>
Collections		<u>\$ 7,254,398</u>
% of Collections		<u>99.50%</u>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE F – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES**

Capital asset activity for governmental activities for the year ended April 30, 2019 was as follows:

	Balance 5/1/2018	Additions	Deletions	Balance 4/30/2019
Capital assets not being depreciated:				
Land	\$ 6,399,958	\$ -	\$ -	\$ 6,399,958
Construction in progress	41,468	407,363	41,468	407,363
Total capital assets not being depreciated	<u>6,441,426</u>	<u>407,363</u>	<u>41,468</u>	<u>6,807,321</u>
Capital assets being depreciated:				
Building and improvements	12,085,667	-	-	12,085,667
Machinery and equipment	7,294,273	792,666	-	8,086,939
Roads and bridges	33,434,649	702,084	-	34,136,733
Total capital assets being depreciated	<u>52,814,589</u>	<u>1,494,750</u>	<u>-</u>	<u>54,309,339</u>
Less accumulated depreciation for:				
Buildings and improvements	7,074,159	347,849	-	7,422,008
Machinery and equipment	6,350,669	598,457	-	6,949,126
Road and bridges	10,205,314	682,735	-	10,888,049
Total accumulated depreciation	<u>23,630,142</u>	<u>1,629,041</u>	<u>-</u>	<u>25,259,183</u>
Total capital assets being depreciated, net	<u>29,184,447</u>	<u>(134,291)</u>	<u>-</u>	<u>29,050,156</u>
Governmental activities capital assets, net	<u>\$ 35,625,873</u>	<u>\$ 273,072</u>	<u>\$ 41,468</u>	<u>\$ 35,857,477</u>

Depreciation expense was charged to the functions of the City as follows:

General government	\$ 39,731
Public health and safety	330,782
Public works and engineering	1,044,494
Economic development and promotion	214,034
Total depreciation expense - governmental activities	<u>\$ 1,629,041</u>



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE G – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES**

Capital asset activity for business-type activities for the year ended April 30, 2019 was as follows:

	Balance 5/1/2018	Additions	Deletions	Balance 4/30/2019
Capital assets not being depreciated:				
Land	\$ 431,831	\$ -	\$ -	\$ 431,831
Capital assets being depreciated:				
Water mains and plant	12,373,873	142,592	-	12,516,465
Machinery and equipment	1,397,339	-	-	1,397,339
Total capital assets being depreciated	<u>13,771,212</u>	<u>142,592</u>	<u>-</u>	<u>13,913,804</u>
Less accumulated depreciation for:				
Water mains and plant	8,440,455	162,596	-	8,603,051
Machinery and equipment	1,372,345	15,293	-	1,387,638
Total accumulated depreciation	<u>9,812,800</u>	<u>177,889</u>	<u>-</u>	<u>9,990,689</u>
Total capital assets being depreciated, net	<u>3,958,412</u>	<u>(35,297)</u>	<u>-</u>	<u>3,923,115</u>
Business-type activities capital assets, net	<u>\$ 4,390,243</u>	<u>\$ (35,297)</u>	<u>\$ -</u>	<u>\$ 4,354,946</u>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS**

***Reconciliation of the Pension Related Activity to the Statement of Net Position***

As of April 30, 2019, the City’s summarized pension related activities are summarized as follows:

	<b>Deferred Outflows of Resources</b>	<b>Net Pension Liability</b>	<b>Deferred Inflows of Resources</b>
Illinois Municipal Retirement Fund	\$ 4,964,310	\$ 4,519,935	\$ 2,057,106
Police Pension Fund	12,535,599	40,611,014	8,136,749
Firefighter's Pension Fund	2,871,575	18,745,960	5,481,866
Total	<u>\$ 20,371,484</u>	<u>\$ 63,876,909</u>	<u>\$ 15,675,721</u>

***Defined Benefit Pension Plan - Illinois Municipal Retirement Fund***

Plan Description

The City of Zion’s defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City of Zion’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. The report is available at [www.imrf.org](http://www.imrf.org).

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lessor of:

- 3% of the original pension amount, or
- ½ of the increase in the Consumer Price Index of the original pension amount.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan - Illinois Municipal Retirement Fund (continued)***

Employees Covered by Benefit Terms

As of April 30, 2019, the following employees were covered by the benefit terms:

	<b>IMRF</b>
Retirees and Beneficiaries currently receiving benefits	95
Inactive Plan Members entitled to by not yet receiving benefits	38
Active plan members	42
Total	175

Contributions

As set by statute, the City’s Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City’s annual contribution rate for calendar year 2018 was 11.27%. For the fiscal year ended April 30, 2018, the City of Zion contributed \$337,100 to the plan. The City also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF’s Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The City’s net position liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2018:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.50%.
- **Salary Increases** were expected to be 3.39% to 14.25%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2017 valuation according to an experience study from years 2014 to 2016.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan - Illinois Municipal Retirement Fund (continued)***

- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	38.00%	6.85%
International Equity	17.00%	6.75%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	5.75%
Alternative Investments	9.00%	2.65-7.35%
Cash Equivalents	1.00%	2.25%
Total	<u>100.00%</u>	

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.25%, the municipal bond rate is 3.71%, and the resulting single discount rate is 7.25%.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan - Illinois Municipal Retirement Fund (continued)***

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset) (A) - (B)
<b>Balances at December 31, 2017</b>	\$ 24,669,195	\$ 25,141,949	\$ (472,754)
<b>Changes for the year:</b>			
Service Cost	302,795	-	302,795
Interest on the Total Pension Liability	1,806,975	-	1,806,975
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	1,899,069	-	1,899,069
Changes of Assumptions	773,212	-	773,212
Contributions - Employer	-	337,100	(337,100)
Contributions - Employees	-	228,319	(228,319)
Net Investment Income	-	(1,465,485)	1,465,485
Benefit Payments, including Refunds of Employee Contributions	(1,455,198)	(1,455,198)	-
Other (Net Transfer)	-	689,428	(689,428)
<b>Balances at December 31, 2018</b>	<u>\$ 27,996,048</u>	<u>\$ 23,476,113</u>	<u>\$ 4,519,935</u>

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset) \$	8,051,594	4,519,935	1,633,241

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan - Illinois Municipal Retirement Fund (continued)***

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

For the year ended April 30, 2019, the City of Zion, recognized pension expense of \$712,499. At April 30, 2019, the City of Zion reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>		
Differences between expected and actual experience	\$ 1,365,504	\$ (310,956)
Changes in assumptions	491,522	(369,627)
Net difference between projected and actual earnings on pension plan investments	3,034,239	(1,376,523)
Pension Contributions made subsequent to the Measurement Date	73,045	-
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 4,964,310</b>	<b>\$ (2,057,106)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

<b>Year Ending December 31</b>	<b>Amortization of Deferred Items</b>
2020	\$ 1,306,976
2021	648,578
2022	209,883
2023	668,722
Total	<b>\$ 2,834,159</b>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund***

Plan Description

Police sworn personnel of the City of Zion are covered by the Zion Police Pension Plan of the City of Zion which is a defined benefit single-employer pension plan administered by the Zion Police Pension Fund. The Zion Police Pension Fund issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Zion Police Pension Fund, 2101 Salem Blvd., Zion, Illinois 60099.

Benefits Provided

Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40 5/ Article 3) and may be amended only by the Illinois legislature. The Zion Police Pension Fund provides retirement benefits as well as survivor and disability benefits.

Covered employees hired before January 1, 2011 attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011 (Tier 2), shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or one half of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Employees Covered by Benefit Terms

As of April 30, 2019, the following employees were covered by the benefit terms:

	<b>Police Pension</b>
Retirees and Beneficiaries currently receiving benefits	45
Inactive Plan Members entitled to by not yet receiving benefits	1
Active plan members	48
Total	94

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded. For the year ended April 30, 2019, the City's contribution was 35.92% of covered payroll.

Actuarial Assumptions

**Actuarial Assumptions (Economic)**

Discount Rate used for the Total Pension Liability	5.61%
Long-Term Expected Rate of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt GO Bond Rate	3.79%
Projected Individual Salary Increases	4.00% - 20.40%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

**Actuarial Assumptions (Demographic)**

Mortality Table	L&A 2016 Illinois Police Mortality Rates
Retirement Rates	L&A 2016 Illinois Police Retirement Rates Capped at age 65
Disability Rates	L&A 2016 Illinois Police Disability Rates
Termination Rates	L&A 2016 Illinois Police Termination Rates
Percent Married	80.00%

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis.

**Assumption Changes**

In the current valuation, the demographic assumptions were changed to the tables shown in the Actuarial Assumptions section of this report. The changes were made based on a study of Police Officers and Police Pension Funds in Illinois.

The assumptions impacted include:

- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Disability Rates
- Termination Rates

The Plan have also updated the mortality assumption to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully-generational basis.



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Actuarial Assumptions (continued)

**Assumption Changes (continued)**

In the current valuation, certain economic assumptions were changed to the rates shown in the Actuarial Assumptions section of this report. We have increased the assumed investment rate of return from 6.50% to 7.00%. The individual pay scale and total payroll growth assumptions have been updated based on review of the most recent collective bargaining agreement.

The above stated assumption changes were made to better reflect the future anticipated experience of the Fund. See the table on the following page for the impact of these changes on the current valuation.

The funding policy was changed from the prior year. The current payment towards unfunded liability is now calculated based on a level percent of payroll contributions to 100% funding target over a layered amortization basis of 20 years.

Individual Pay Increases

Individual pay increases include provisions for annual cost of living increases, plus any additional increases in pensionable pay provided (e.g. step increases, longevity increases, promotions, educations, etc.). Sample rates are as follows:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
0	11.47%	8	4.00%
1	10.17%	9	9.00%
2	8.50%	10	4.00%
3	8.16%	15	4.00%
4	4.00%	20	4.00%
5	4.00%	25	4.00%
6	20.40%	30	4.00%
7	4.00%	35	4.00%

Demographic Assumptions

Active Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Retiree Mortality follows the L&A Assumption Study for Police 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improved Generationally using MP-2016 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study for Disabled Participants, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Other demographic assumption rates are based on a review of assumptions in the L&A 2016 study for Illinois Police Officers.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Postemployment Benefit Changes

Eligibility for postemployment benefit increases is determined based on the Illinois Pension code. Tier 1 Police retirees are provided with an annual 3.0% increase in retirement benefits by statute when eligible. Tier 2 Police retirees are provided postemployment benefit increases based on one-half of the Consumer Price Index (Urban) for the prior September.

The CPI-U for September, 1985 was 108.3. The CPI-U for September, 2015 was 237.9. The average increase in the CPI-U for September, 1985 through September, 2015 was 2.66% (on a compounded basis).

Expected Return on Pension Plan Investments

The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return shown below have been provided by the professionals that work with the Pension Fund. Long-term Real Rates of Return are shown as the Expected Rate of Return, net of the assumed inflation rate.

There are multiple approaches seen to providing these rates. Typically, the information is either based on capital market projections, or historical rates seen for the asset classes. We do not provide an opinion on the reasonableness of the returns provided nor the reasonableness of the approach used in the determination of the rates provided. The information provided is shown below for convenience.

The rates provided in the table below are based on an arithmetic average. The Investment Policy Statement will provide more detail regarding the Fund's policies on asset allocation targets and acceptable ranges.

<b>Asset Class</b>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Rate of Return</b>	<b>Long-Term Inflation Expectations</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	42.00%	9.10%	2.50%	6.60%
International Equity	15.00%	8.80%	2.50%	6.30%
Fixed Income	36.00%	3.00%	2.50%	0.50%
Blended	7.00%	3.25%	2.50%	0.75%
Cash Equivalents	0.00%	2.50%	2.50%	0.00%
Total	100.00%			

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures.

The expected inflation rate is 2.50% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return, and is not necessarily reflective of the inflation measures used for other purposes in the report.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

The municipal bond rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Actuarial Assumption section is the April 30, 2018 rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

Discount Rate

The discount rate of 5.41% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan's future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan. The funding policy is discussed in more detail in a later section.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Statement of Changes in Net Pension Liability

The following table illustrates the change in the Net Pension Liability (NPL) from May 1, 2018 to April 30, 2019:

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
<b>Balances at May 1, 2017</b>	\$ 70,777,859	\$ 29,771,759	\$ 41,006,100
<b>Changes for the year:</b>			
Service Cost	1,541,063	-	1,541,063
Interest on the Total Pension Liability	3,755,712	-	3,755,712
Actuarial Experience	467,240	-	467,240
Changes of Assumptions	(2,202,511)	-	(2,202,511)
Contributions - Employer	-	1,571,516	(1,571,516)
Contributions - Employees	-	439,080	(439,080)
Net Investment Income	-	2,047,467	(2,047,467)
Benefit Payments, including Refunds of Employee Contributions	(2,708,988)	(2,708,988)	-
Administrative Expenses	-	(101,473)	101,473
<b>Balances at April 30, 2018</b>	<b>\$ 71,630,375</b>	<b>\$ 31,019,361</b>	<b>\$ 40,611,014</b>

Deferred Outflows and Inflows of Resources

The following table illustrates the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized as of April 30, 2019 are as follows:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>		
Differences between expected and actual experience	\$ 1,998,882	\$ (1,482,565)
Changes in assumptions	10,464,598	(6,654,184)
Net difference between projected and actual earnings on pension plan investments	72,119	-
<b>Total Deferred Amounts Related to Pensions</b>	<b>\$ 12,535,599</b>	<b>\$ (8,136,749)</b>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Police Pension Fund (continued)***

Deferred Outflows and Inflows of Resources (continued)

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

Year Ending April 30	Amortization of Deferred Items
2020	\$ 2,009,620
2021	1,546,729
2022	1,688,412
2023	101,970
2024	(549,743)
Thereafter	(398,138)
Total	\$ 4,398,850

Sensitivity to the Discount Rate

The Net Pension Liability has been determined using the discount rate listed in the assumption section. Below is a table illustrating the sensitivity of the Net Pension Liability to the discount rate assumption.

	1% Decrease (4.61%)	Current Discount (5.61%)	1% Increase (6.61%)
Net Pension Liability	\$ 52,754,526	\$ 40,611,014	\$ 30,995,467

The sensitivity of the Net Pension Liability to the discount rate is based primarily on two factors:

1. The duration of the plan’s expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the net position to the total pension liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund***

Firefighters’ Pension Fund

Firemen sworn personnel of the City of Zion are covered by the Zion Firefighters’ Pension Fund, which is a defined benefit single-employer pension plan administered by the Zion Firefighters’ Pension Fund. The Zion Firefighters’ Pension Fund issues a separate financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Zion Firefighters’ Pension Fund, 2828 Sheridan Road, Zion, Illinois 60099.

Benefit Provisions

Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (Chapter 40 5/ Article 4) and may be amended only by the Illinois legislature. The Firefighters’ Pension Fund provides retirement benefits as well as death and disability benefits.

The Firefighters' Pension Plan provides retirement benefits through two tiers as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of ½ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited services may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service with the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters’ salary for the pension purposes is capped at \$106,800 for the calendar year of 2011, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e. ½% for each month under 55). The monthly benefit for a Tier 2 firefighter shall be increased annually at age 60 on the January 1<sup>st</sup> after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, effective each January 1<sup>st</sup> thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the preceding calendar year.

Employees Covered by Benefit Terms

As of April 30, 2019, the following employees were covered by the benefit terms:

	<b>Firefighters’ Pension</b>
Retirees and Beneficiaries currently receiving benefits	30
Inactive Plan Members entitled to by not yet receiving benefits	-
Active plan members	28
Total	58

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund (continued)***

Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded, by the year 2040. For the year ended April 30, 2019, the City's contribution was 50.48% of covered payroll.

Actuarial Assumptions

**Actuarial Assumptions (Economic)**

Discount Rate used for the Total Pension Liability	6.81%
Long-Term Expected Rate of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt GO Bond Rate	3.97%
Projected Individual Salary Increases	3.75% - 17.31%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Utilities)	2.50%
Inflation Rate Included	2.50%

**Actuarial Assumptions (Demographic)**

Mortality Table	L&A 2016 Illinois Firefighters Mortality Rates
Retirement Rates	90% L&A 2016 Illinois Firefighters Retirement Rates Capped at age 65
Disability Rates	120% L&A 2016 Illinois Firefighters Disability Rates
Termination Rates	90% L&A 2016 Illinois Firefighters Termination Rates
Percent Married	80%

All rates shown in the economic assumptions are assumed to be annual rates, compounded on an annual basis.

**Assumption Changes**

There were no changes in assumptions from the prior year.

In the current valuation, we have updated the mortality assumption to include mortality improvements as stated in the most recently released MP-2016 table. In addition, the rates are being applied on a fully-generational basis. These changes were made to better reflect the future anticipated experience in the fund.

The demographic assumptions were changed to the tables shown on the prior page. The changes were made based on a study of Firefighters and firefighters’ pension funds in Illinois. The changes were made to better reflect the future anticipated experience of the fund. The assumptions impacted include:

- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Disability Rates
- Termination Rates

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund (continued)***

**Assumption Changes (continued)**

Individual Pay Increases

Individual pay increases include provisions for annual cost of living increases, plus any additional increases in pensionable pay provided (step increases, longevity increases, promotions, educations, etc.). Sample rates are as follows:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
0	7.01%	8	4.00%
1	8.70%	9	7.50%
2	8.44%	10	4.00%
3	7.72%	15	4.00%
4	4.00%	20	4.00%
5	4.00%	25	3.75%
6	14.25%	30	3.75%
7	4.00%	30	3.75%

Demographic Assumptions

Active Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Retiree Mortality follows the L&A Assumption Study for Firefighters 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improved Generationally using MP-2016 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study for Disabled Participants, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Other demographic assumption rates are based on a review of assumptions in the L&A 2016 study for Illinois Firefighters.

Postemployment Benefit Changes

Eligibility for postemployment benefit increases is determined based on the Illinois Pension code. Tier 1 Firefighter retirees are provided with an annual 3.0% increase in retirement benefits by statute when eligible. Tier 2 Firefighter retirees are provided postemployment benefit increases based on one-half of the Consumer Price Index (Urban) for the prior September.

The CPI-U for September, 1985 was 108.3. The CPI-U for September, 2015 was 237.9. The average increase in the CPI-U for September, 1985 through September, 2015 was 2.66% (on a compounded basis).



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund (continued)***

Expected Return on Pension Plan Investments

The long-term expected rate of return on assets is intended to represent the best estimate of future real rates of return and is shown for each of the major asset classes in the investment policy. The expected rates of return on assets shown below are from the State of Illinois Department of Insurance Actuarial Experience Study dated September 26, 2012. The best estimate of future real rates of return are developed for each of the major asset classes. Expected inflation is added back in. Adjustment is made to reflect geometric returns.

The rates provided below are based on an arithmetic average. The Investment Policy Statement will provide more detail regarding the Fund’s policies on asset allocation targets and acceptable ranges.

<u>Asset Class</u>	<b>Portfolio Target Percentage</b>	<b>Long-Term Expected Rate of Return</b>	<b>Long-Term Inflation Expectations</b>	<b>Long-Term Expected Real Rate of Return</b>
US Large Cap Equity	45-55%	7.50%	2.50%	5.00%
US Small Cap Equity	5-10%	8.25%	2.50%	5.75%
Internal Equities	5-10%	9.00%	2.50%	6.50%
Fixed Income	30-35%	3.50%	2.50%	1.00%

Long-term expected real returns under GASB are expected to reflect the period of time that begins when a plan member begins to provide service to the employer and ends at the point when all benefits to the plan member have been paid. The rates provided above are intended to estimate those figures.

The expected inflation rate is 2.50% and is included in the total long-term rate of return on investments. The inflation rate is from the same source as the long-term real rates of return and is not necessarily reflective of the inflation measures used for other purposes in the report.

Geometric rates of return are equal to arithmetic rates of return when the annual returns exhibit no volatility over time. When arithmetic returns are volatile on a year-to-year basis, the actual realized geometric returns over time will be lower. The higher the volatility, the greater the difference.

Discount Rate

The discount rate of 6.81% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

Cash flow projections were used to determine the extent which the plan’s future net position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan’s projected net position, the expected rate of return on plan investments is used to determine the portion of the net pension liability associated with those payments. To the extent future benefit payments are not covered by the plan’s projected net position, the municipal bond rate is used to determine the portion of the net pension liability associated with those payments.

Projected benefit payments are determined during the actuarial process based on the assumptions. More details on the assumptions are in the prior section. The expected contributions are based on the funding policy of the plan. The funding policy is discussed in more detail in a later section.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund (continued)***

Statement of Changes in Net Pension Liability

The following table illustrates the change in the Net Pension Liability (NPL) from May 1, 2018 to April 30, 2019:

	<b>Total Pension Liability (A)</b>	<b>Plan Fiduciary Net Position (B)</b>	<b>Net Pension Liability (A) - (B)</b>
<b>Balances at May 1, 2017</b>	\$ 36,784,728	\$ 16,812,771	\$ 19,971,957
<b>Changes for the year:</b>			
Service Cost	727,397	-	727,397
Interest on the Total Pension Liability	2,328,225	-	2,328,225
Changes of Benefit Terms	-	-	-
Actuarial Experience	318,334	-	318,334
Changes of Assumptions	(1,650,912)	-	(1,650,912)
Contributions - Employer	-	1,264,861	(1,264,861)
Contributions - Employees	-	231,183	(231,183)
Contributions - Other	-	-	-
Net Investment Income	-	1,502,448	(1,502,448)
Benefit Payments, including Refunds of Employee Contributions	(1,711,191)	(1,711,191)	-
Administrative Expenses	-	(49,451)	49,451
<b>Balances at April 30, 2018</b>	<u>\$ 36,796,581</u>	<u>\$ 18,050,621</u>	<u>\$ 18,745,960</u>

Deferred Outflows and Inflows of Resources

The following table illustrates the cumulative amounts to be shown as deferred outflows and inflows of resources. Changes in total pension liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in pension expense over the expected remaining service life of all employees (active and retired) in the pension fund. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized as of April 30, 2019 are as follows:

<b>Deferred Amounts Related to Pensions</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b><i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i></b>		
Differences between expected and actual experience	\$ 364,014	\$ (312,774)
Changes in assumptions	2,125,907	(4,663,631)
Net difference between projected and actual earnings on pension plan investments	381,654	(505,461)
<b>Total Deferred Amounts Related to Pensions</b>	<u>\$ 2,871,575</u>	<u>\$ (5,481,866)</u>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE H – RETIREMENT FUND COMMITMENTS (continued)**

***Defined Benefit Pension Plan – Firefighters’ Pension Fund (continued)***

Subsequent to the measurement date, the following amounts will be recognized in pension expense in the upcoming years:

Year Ending April 30	Amortization of Deferred Items
2020	\$ (47,425)
2021	(315,740)
2022	(196,932)
2023	(478,901)
2024	(666,102)
Thereafter	(905,191)
Total	\$ (2,610,291)

Sensitivity of the Discount Rate

The Net Pension Liability has been determined using the discount rate listed in the assumption section. Below is a table illustrating the sensitivity of the Net Pension Liability to the discount rate assumption.

	1% Decrease (5.81%)	Current Discount (6.81%)	1% Increase (7.81%)
Net Pension Liability	\$ 24,129,315	\$ 18,745,960	\$ 14,371,773

The sensitivity of the Net Pension Liability to the discount rate is based primarily on two factors:

1. The duration of the plan’s expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the net position to the total pension liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS**

***Postretirement Health Plan***

Plan Description

The City provides certain healthcare insurance benefits for retired employees. In accordance with the personnel policy, substantially all of the City’s employees may become eligible for those benefits if they reach normal retirement age while working for the City. No assets are held in trust as of April 30, 2019.

Employees Covered by Benefit Terms

At April 30, 2019, the following employees were covered by the benefit terms:

Inactive plan members of beneficiaries currently receiving benefit payments	8
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>112</u>
Total	<u><u>120</u></u>

Net OPEB Liability

The City’s net OPEB liability was measured as of April 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation on May 1, 2018.

*Actuarial assumptions*

The total OPEB liability in the April 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Discount rate	3.21%
Inflation	3.00%
Salary Increases	3.50%, average, including inflation
Healthcare cost trend rates	7.00% for fiscal years 2020 to 2021 decreasing to an ultimate rate of 4.50% for fiscal year 2035 and later years.
Mortality rates	<u>IMRF Employees and Retirees</u> : Rates from the December 31, 2019 IMRF Actuarial Valuation Report. <u>Active Employees</u> : RP-2014 Employee Mortality Table for both males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. <u>Retirees</u> : IMRF-specific mortality rates with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale projected from 2015. The rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience. <u>Firefighter Employees and Retirees</u> : RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020 <u>Police Employees and Retirees</u> : RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (continued)**

***Postretirement Health Plan (continued)***

*Discount rate*

The discount rate used to measure the total OPEB liability was 3.21 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate was changed from the prior measurement date to comply with GASB 75 standards. The discount rate used for the April 30, 2018 measurement was 3.63%.

Changes in the Net OPEB Liability

	<b>Net OPEB Liability</b>
<b>Balance at April 30, 2018</b>	\$ 4,459,858
<b>Changes for the year:</b>	
Service Cost	46,203
Interest on total OPEB Liability	157,777
Changes of Benefit Terms	-
Change in Assumptions	215,528
Difference Between Expected and Actual Experience	-
Contributions - Employee	-
Net Investment Income	-
Effect of assumptions changes or inputs	-
Benefit Payments	(226,777)
Other Changes	-
<b>Net Changes</b>	<b>192,731</b>
<b>Balance at April 30, 2019</b>	<b>\$ 4,652,589</b>

Measurement of the total OPEB Liability at April 30, 2019 was affected by a change in discount rate since the previous measurement date. The discount rate used in the April 30, 2018 measurement was 3.63% and was updated to 3.21% for the April 30, 2019 measurement.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE I – OTHER POSTEMPLOYMENT BENEFITS (continued)**

***Postretirement Health Plan (continued)***

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.21%)	Current (3.21%)	1% Increase (4.21%)
Total OPEB Liability	<u>\$ 5,231,151</u>	<u>\$ 4,652,589</u>	<u>\$ 4,163,258</u>

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Total OPEB Liability	<u>\$ 4,133,305</u>	<u>\$ 4,652,589</u>	<u>\$ 5,265,596</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended April 30, 2019, the City recognized OPEB expense of \$225,747. At April 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	<u>\$ 193,761</u>	<u>\$ -</u>
Total	<u>\$ 193,761</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending April 30,	Amortization of Deferred Items
2020	\$ 21,767
2021	21,767
2022	21,767
2023	21,767
2024	21,767
Thereafter	84,928
	<u>\$ 193,763</u>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES**

The following is a summary of governmental activities long-term liabilities for the year ended April 30, 2019:

	5/1/2018	Adjustment for GASB 75	Increases	Retirements	4/30/2019	Current Portion
<b>Other Liabilities:</b>						
Accrued Vacation Liability	\$ 854,913	\$ -	\$ 627,696	\$ 854,913	\$ 627,696	\$ 627,696
Capital Lease	66,018	-	-	15,840	50,178	16,381
Net OPEB Liability	775,335	3,376,314	390,517	211,105	4,331,061	211,105
Net Pension Liability - IMRF	-	-	3,727,139	-	3,727,139	-
Net Pension Liability - Police	41,006,100	-	-	395,086	40,611,014	-
Net Pension Liability - Fire	19,971,957	-	-	1,225,997	18,745,960	-
<b>Long-Term Obligations:</b>						
General Obligation Limited Tax Debt Certificates, Series 2007	920,000	-	-	215,000	705,000	225,000
General Obligation Bonds, Series 2012 (Special Tax Allocation Fund Alternate Revenue Source)	1,585,000	-	-	365,000	1,220,000	385,000
General Obligation Refunding Bonds, Series 2012B (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax) Receipts Alternate Revenue Bonds	385,000	-	-	385,000	-	-
General Obligation Refunding Bonds, Series 2012C (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax) Receipts Alternate Revenue Bonds	260,000	-	-	260,000	-	-
General Obligation Refunding Bonds, Series 2013 (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Bonds)	370,000	-	-	180,000	190,000	190,000
General Obligation Taxable Debt Certificates, Series 2014	245,000	-	-	120,000	125,000	125,000
General Obligation Limited Tax Debt Certificates, Series 2016	210,540	-	-	103,501	107,039	107,039
Note Payable - July 20, 2017 - Misc. Equipment	1,072,633	-	-	199,507	873,126	206,749
Note Payable - July 20, 2017 - Fire Equipment	465,623	-	-	39,425	426,198	40,862
General Obligation Refunding Bonds, Series 2017 (Area 3 South Sheridan Rd, Special Tax Allocation Fund Alternate Revenue Bonds)	3,140,000	-	-	-	3,140,000	-
Discount on Long-Term Liabilities	(14,923)	-	-	(4,177)	(10,746)	(2,500)
<b>Governmental Long-Term Liability Totals</b>	<b>\$ 71,313,196</b>	<b>\$ 3,376,314</b>	<b>\$ 4,745,352</b>	<b>\$ 4,566,197</b>	<b>\$ 74,868,665</b>	<b>\$ 2,132,332</b>

The following is a summary of business-type activities long-term liabilities for the year ended April 30, 2019:

	5/1/2018	Adjustment for GASB 75	Increases	Retirements	4/30/2019	Current Portion
Net Pension Liability	\$ -	\$ -	\$ 792,796	\$ -	\$ 792,796	\$ -
Net OPEB Liability	-	308,209	28,991	15,672	321,528	15,672
General Obligation Refunding Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2015	940,000	-	-	230,000	710,000	235,000
<b>Business-Type Long-Term Liability Totals</b>	<b>\$ 940,000</b>	<b>\$ 308,209</b>	<b>\$ 821,787</b>	<b>\$ 245,672</b>	<b>\$ 1,824,324</b>	<b>\$ 250,672</b>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES (continued)**

***Capital Lease Obligations - Governmental***

On November 15, 2016, the City acquired a backhoe through a lease/purchase agreement. The gross amount of the assets is \$82,000, which is included in capital assets in the governmental activities on the Statement of Net Position. There are five payments due annually with the first payment being made November 15, 2017. The future minimum lease obligations on the agreement are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 16,381	\$ 1,739	\$ 18,120
2021	16,942	1,178	18,120
2022	16,855	599	17,454
	<u>\$ 50,178</u>	<u>\$ 3,516</u>	<u>\$ 53,694</u>

***General Obligation Debt***

General Obligation Limited Tax Debt Certificates, Series 2007

General Obligation Limited Tax Debt Certificates, Series 2007 were issued on October 3, 2007 in the amount of \$2,500,000 with an interest rate of 4.40%, payable January 1 and July 1 each year, commencing July 1, 2008. Proceeds are being used to provide for the payment and reimbursement of certain capital project costs. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 225,000	\$ 30,203	\$ 255,203
2021	235,000	20,640	255,640
2022	245,000	10,535	255,535
	<u>\$ 705,000</u>	<u>\$ 61,378</u>	<u>\$ 766,378</u>

General Obligation Bonds (Special Tax Allocation Fund Alternate Revenue Source), Series 2012

General Obligation Bonds, Series 2012 were issued on March 23, 2012 in the amount of \$2,500,000 with an interest rate of 6.00%, payable December 30 each year. Proceeds will be used to finance various expenditures incurred for ordinary and necessary municipal purposes of the City. These bonds are secured by (a) collections distributed to the City from those taxes imposed pursuant to the Income Tax Act, and (b) from distributions to the City by the State of Illinois of collections of sales taxes. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 385,000	\$ 73,200	\$ 458,200
2021	405,000	50,100	455,100
2022	430,000	25,800	455,800
	<u>\$ 1,220,000</u>	<u>\$ 149,100</u>	<u>\$ 1,369,100</u>



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES (continued)**

***General Obligation Debt (continued)***

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
2020	\$ 190,000	\$ 4,845	\$ 194,845
	\$ 190,000	\$ 4,845	\$ 194,845

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$33,168. This difference, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2022 using the straight-line method. 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).

General Obligation Limited Tax Debt Certificates, Series 2014

General Obligation Limited Tax Debt Certificates, Series 2014 were issued on November 5, 2014 in the amount of \$3,700,000 with an interest rate of 3.55%, payable June 1 and December 1 each year, commencing June 1, 2015. Proceeds are being used to provide for the payment and reimbursement of certain capital project costs. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 125,000	\$ 4,438	\$ 129,438
	\$ 125,000	\$ 4,438	\$ 129,438

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES (continued)**

**General Obligation Debt (continued)**

General Obligation Refunding Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2015

General Obligation Refunding Bonds were issued on December 29, 2015 in the amount of \$1,175,000 with a fixed interest rate of 1.73% payable May 1 and November 1 each year. Proceeds have been used to reduce remaining principal of the Series 2006 issue.

Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 235,000	\$ 10,250	\$ 245,250
2021	235,000	6,185	241,185
2022	240,000	2,076	242,076
	\$ 710,000	\$ 18,511	\$ 728,511

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$25,479. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the straight-line method. The advance refunding was completed to reduce its total debt service payments over the next 5 years by \$58,773 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$58,762.

General Obligation Limited Tax Debt Certificates, Series 2016

General Obligation Limited Tax Debt Certificates, Series 2014 were issued on September 13, 2016 in the amount of \$310,620 with an interest rate of 3.42%, payable September 13 each year, commencing September 13, 2017. Proceeds are being used to provide for the payment and reimbursement of certain capital project costs. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 107,039	\$ 3,659	\$ 110,698
	\$ 107,039	\$ 3,659	\$ 110,698

General Obligation Note Payable, Miscellaneous Equipment

On July 20, 2017, the City acquired miscellaneous equipment through a municipal financing agreement in the amount of \$1,072,633 with an interest rate of 3.60%, payable July 20 each year, commencing July 20, 2018. Proceeds are being used to provide for the acquisition of certain public safety and public works equipment.

Year Ending April 30,	Principal	Interest	Total
2020	\$ 206,749	\$ 31,694	\$ 238,443
2021	214,254	24,189	238,443
2022	222,032	16,412	238,444
2023	230,091	8,352	238,443
	\$ 873,126	\$ 80,647	\$ 953,773

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES (continued)**

**General Obligation Debt (continued)**

General Obligation Note Payable, Fire Equipment

On September 29, 2017, the City acquired fire equipment through a municipal financing agreement in the amount of \$465,623 with an interest rate of 3.65%, payable September 29 each year, commencing September 29, 2018. Proceeds are being used to provide for the acquisition of certain public safety equipment.

Year Ending April 30,	Principal	Interest	Total
2020	\$ 40,862	\$ 15,535	\$ 56,397
2021	42,352	14,045	56,397
2022	43,895	12,502	56,397
2023	45,495	10,902	56,397
2024	47,154	9,243	56,397
2025-2029	206,440	19,148	225,588
	<u>\$ 426,198</u>	<u>\$ 81,375</u>	<u>\$ 507,573</u>

Taxable General Obligation Refunding Bonds (Alternate Revenue Source), Series 2017

General Obligation Refunding Bonds were issued on October 10, 2017 in the amount of \$3,140,000 with a fixed interest rate of 3.55% payable June 1 and December 1 each year. Proceeds have been used to reduce remaining principal of the Series 2014 issue.

Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ -	\$ 132,069	\$ 132,069
2021	160,000	132,069	292,069
2022	165,000	127,749	292,749
2023	170,000	122,881	292,881
2024	175,000	117,441	292,441
2025-2029	975,000	486,850	1,461,850
2030-2034	1,215,000	248,712	1,463,712
2035-2039	280,000	13,496	293,496
	<u>\$ 3,140,000</u>	<u>\$ 1,381,267</u>	<u>\$ 4,521,267</u>

On October 10, 2017, the City issued \$3,140,000 of Taxable General Obligation Refunding Bonds (Alternative Revenue Source), Series 2017. On November 1, 2017, the City used the net proceeds of the 2017 bonds to provide funds for a current refunding of the General Obligation Limited Tax Debt Certificates, Series 2014 in the amount of \$3,024,079. The debt service requirements of the old debt balance totaled \$3,239,859. The debt service requirement of the new debt balance total \$4,672,052. The economic loss on refunding using an effective interest rate of 4.30% was \$208,661.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE J – LONG-TERM LIABILITIES (continued)**

***General Obligation Debt (continued)***

Debt Limit

In accordance with Illinois statutes, total indebtedness of the City may not exceed 8.625% of the assessed value of taxable property within the City's jurisdiction. The debt limit for the City of Zion as of April 30, 2019 was \$26,248,174. Total debt outstanding at year-end was \$7,546,541.

**NOTE K – INTERFUND TRANSACTIONS AND BALANCES**

Interfund transfers among funds reported within the same activities column are eliminated from that column in the government-wide statement of activities.

Due From/Due To Other Funds:

At April 30, 2019, interfund receivables, payables, and advances consisted of the following:

Fund	Due from/ Advance to Other Funds	Due to/ Advance from Other Funds
General Fund:		
Internal Service Fund	\$ 755,582	\$ -
Development TIF Area #3	-	1,836,908
Nonmajor Governmental Funds	1,366,268	-
Water and Sewer Fund	-	1,845,908
	2,121,850	3,682,816
Development TIF Area #3:		
General Fund	1,836,908	-
Water and Sewer Fund:		
General Fund	1,845,908	-
Waste Collection	204,531	-
	2,050,439	-
Internal Service Fund:		
General fund	-	755,582
Waste Collection:		
Water and Sewer Fund	-	204,531
Nonmajor Governmental:		
General fund	-	1,366,268
Nonmajor Governmental Funds	389,277	389,277
	389,277	1,755,545
Total	\$ 6,398,474	\$ 6,398,474

The principal reason for the above interfund amounts is to fund cash overdrafts. For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE K – INTERFUND TRANSACTIONS AND BALANCES (continued)**

Transfers:

The following transfers were made during the year ended April 30, 2019:

Fund	Transfer In	Transfer Out	Purpose
General Fund:			
TIF Area #3 Fund	\$ 9,000	\$ -	Budgeted transfer to cover general fund expenditures
Nonmajor Governmental Funds	2,770,531	1,345,221	Transfer in of property taxes, impact fees, and other budgeted transfers to cover general fund expenditures
			Transfer out to cover debt service and capital project expenditures
Water and Sewer	1,260,000	-	Budgeted transfer to cover general fund expenditures
	<u>4,039,531</u>	<u>1,345,221</u>	
TIF Area #3 Fund:			
General Fund	-	9,000	Budgeted transfer to cover general fund expenditures
Nonmajor Governmental Funds	-	187,298	Budgeted transfer to cover Area #3 debt service fund expenditures
	<u>-</u>	<u>196,298</u>	
Nonmajor Governmental:			
General Fund	1,345,221	2,770,531	Transfer out of property taxes, impact fees, and other budgeted transfers to cover general fund expenditures
			Transfer in to cover debt service and capital project expenditures
TIF Area #3 Fund	187,298	-	Budgeted transfer to cover Area #3 debt service fund expenditures
Nonmajor Governmental	56,991	56,991	Budgeted transfer from fire fund to cover Zion-Newport Fire Station expenditures
	<u>1,589,510</u>	<u>2,827,522</u>	
Water and Sewer			
General Fund	-	1,260,000	Budgeted transfer to cover general fund expenditures
	<u>-</u>	<u>1,260,000</u>	
Total	<u>\$ 5,629,041</u>	<u>\$ 5,629,041</u>	

For the statement of net position, interfund transfers within the governmental or business-type activities are netted and eliminated.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE L – NET POSITION**

The following table shows the City’s net position restricted as shown on the Statement of Net Position:

Activity	Restricted by	Amount
Zion-Newport Fire Station	Law	999
Emergency Service Rescue	Law	167,334
Illinois Municipal Retirement	Law	170,570
Motor Fuel Tax	Law	-
Development TIF Area # 1	Law	-
Development TIF Area # 3	Law	2,806,636
Development TIF Area # 4	Law	154,725
Liability Insurance	Law	15,791
Audit	Law	13,935
Drug Traffic Prevention	Law	135,480
Cable Commission	Law	21,571
Hotel/Motel Tax	Law	217,586
Capital Projects	Law	62,570
Debt Service	Law	683,834
Total Restricted Net Position for Other Purposes		<u>\$ 4,451,031</u>

The following table shows the City’s net investment in capital assets:

Description	Governmental Activities Amount	Business-Type Activities Amount
Capital assets, net of accumulated depreciation	\$ 35,857,477	\$ 4,354,946
Net of related debt:		
Capital leases	(50,178)	-
Bonds payable	(6,786,363)	(710,000)
(Premium) discount on long-term bonds	10,746	-
Current portion of bonds payable - offset by restricted cash	-	235,000
Net investment in capital assets	<u>\$ 29,031,682</u>	<u>\$ 3,879,946</u>

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE M – FUND BALANCES**

Categories

At April 30, 2019, the City's fund balance was classified as follows:

	General	Development TIF Area #3	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepays	\$ 307,022	\$ -	\$ -	\$ 307,022
Total Nonspendable	<u>307,022</u>	<u>-</u>	<u>-</u>	<u>307,022</u>
Restricted for:				
Zion-Newport Fire Station	-	-	999	999
Emergency Service Rescue	-	-	167,334	167,334
Illinois Municipal Retirement	-	-	170,570	170,570
Development TIF Area # 3	-	2,806,636	-	2,806,636
Development TIF Area # 5	-	-	154,725	154,725
Liability Insurance	-	-	15,791	15,791
Audit	-	-	13,935	13,935
Drug Traffic Prevention	-	-	135,480	135,480
Cable Commission	-	-	21,571	21,571
Hotel/Motel Tax	-	-	217,586	217,586
Capital Projects	-	-	62,570	62,570
Debt Service	-	-	683,834	683,834
Total Restricted	<u>-</u>	<u>2,806,636</u>	<u>1,644,395</u>	<u>4,451,031</u>
Committed for:				
Capital Projects	-	-	-	-
Other	-	-	-	-
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Unassigned	<u>(1,115,701)</u>	<u>-</u>	<u>(1,988,917)</u>	<u>(3,104,618)</u>
Total Fund Balance	<u>\$ (808,679)</u>	<u>\$ 2,806,636</u>	<u>\$ (344,522)</u>	<u>\$ 1,653,435</u>

**NOTE N – COMMITMENTS AND CONTINGENCIES**

Federal and State Grants

The City has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits can lead to questioned costs and potential requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. The amount of questioned costs, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Contractual Agreements

The City maintained a note in relation to the Sheridan Road Development Project Area No. 1 TIF. The agreement is such that beginning on January 31 of the year following the tax year in which the equalized assessed valuation (EAV) of the property first exceeds the EAV of the property as of the date of the note, and each January 31 thereafter, payments will be due as detailed below with the final payment due and payable on November 1, 2017. Total payments from the City hereunder shall never exceed (i) the principal amount of the note or (ii) the total certified project costs of the developer, whichever amount is less. Payments to date total \$4,663,967. The City has made all payments related to this agreement and no remaining commitment exists as of April 30, 2019.

**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE O – RISK MANAGEMENT AND LITIGATION**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and employees' health and life.

The City is covered by commercial insurers for losses relating to liability (law, public officials, general liability, and auto liability) and workers' compensation up to the following limits through April 30, 2019:

Liability (non-law occurrences)	\$ 25,000 retained, up to \$10,000,000
Liability (law occurrences)	\$ 50,000 retained, up to \$10,000,000
Worker's compensation	Up to statutory limits

The City is self-insured for employee dental insurance. In 2019, the City moved from self-insured for employee health insurance to commercial coverage. The City is also insured with commercial insurers for stop-loss (\$75,000 per claimant, unless otherwise contractually stated), and aggregate loss claims (\$1,893,383 in the aggregate).

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2019, will be within the covered limits of the City's insurance policies and will not materially affect the financial condition of the City. Therefore, there is no provision for significant estimated claims.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.



**CITY OF ZION, ILLINOIS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended April 30, 2019

**NOTE P – RESTATEMENT OF BEGINNING BALANCES**

During the fiscal year ended April 30, 2019, the City of Zion, Illinois adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the City of Zion, Illinois reported the following restatements for the change in accounting principle:

	<b>Governmental Activities Net Position</b>	<b>Business-Type Activities Net Position</b>	<b>Water and Sewer Fund Net Position</b>
Balance, as reported 4/30/2018	\$ (26,823,637)	\$ 7,396,878	\$ 7,684,761
Adjustment for GASB 75	<u>(3,376,314)</u>	<u>(308,209)</u>	<u>(782,194)</u>
Beginning balance, as adjusted	<u>\$ (30,199,951)</u>	<u>\$ 7,088,669</u>	<u>\$ 6,902,567</u>

**NOTE R – SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 and 2021 operations and financial results including, but not limited to, costs for emergency preparedness, impacts on personnel costs, and cash flow. Management believes the City is taking appropriate actions to mitigate the negative impact.

On May 7, 2020, the City issued \$1,000,000 of Tax Anticipation Warrants, Series 2020 for the purpose of providing needed cash flow for the City to meet its current obligations related to general operations of the City. Interest is charged at an interest rate of 2.00% and is due upon maturity of the Tax Anticipation Warrants on December 31, 2020.

On September 1, 2019, the City entered into a financing contract with Municipal Funding Solutions LLC for the purchase of five 2020 Ford Police Interceptors Utility AWD vehicles with upfitting. The total amount of the financing was \$228,000, with annual payments beginning September 1, 2020 and ending on September 1, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
**For the Year Ended April 30, 2019**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:				
Service Cost	\$ 302,795	\$ 403,172	\$ 400,712	\$ 400,246
Interest	1,806,975	1,846,207	1,718,507	1,647,031
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	1,899,069	(639,940)	755,076	(49,812)
Changes in Assumptions	773,212	(747,089)	(31,512)	29,814
Benefit Payments and Refunds	(1,455,198)	(1,215,314)	(1,128,585)	(959,228)
Net Change in Total Pension Liability	<u>3,326,853</u>	<u>(352,964)</u>	<u>1,714,198</u>	<u>1,068,051</u>
Total Pension Liability - Beginning	24,669,195	25,022,159	23,307,961	22,239,910
Total Pension Liability - Ending	<u>\$ 27,996,048</u>	<u>\$ 24,669,195</u>	<u>\$ 25,022,159</u>	<u>\$ 23,307,961</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 337,100	\$ 344,341	\$ 418,762	\$ 423,590
Contributions - Member	228,319	150,296	172,083	166,767
Net Investment Income	(1,465,485)	3,927,023	1,420,627	106,598
Benefit Payments and Refunds	(1,455,198)	(1,215,314)	(1,128,585)	(959,228)
Administrative Expense	-	-	-	-
Other	689,428	(391,294)	340,042	(137,792)
Net Change in Plan Fiduciary Net Position	<u>(1,665,836)</u>	<u>2,815,052</u>	<u>1,222,929</u>	<u>(400,065)</u>
Plan Fiduciary Net Position - Beginning	25,141,949	22,326,897	21,103,968	21,504,033
Plan Fiduciary Net Position - Ending	<u>\$ 23,476,113</u>	<u>\$ 25,141,949</u>	<u>\$ 22,326,897</u>	<u>\$ 21,103,968</u>
Employer Net Pension Liability - Ending	<u>\$ 4,519,935</u>	<u>\$ (472,754)</u>	<u>\$ 2,695,262</u>	<u>\$ 2,203,993</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.86%	101.92%	89.23%	90.54%
Covered-Employee Payroll	\$ 2,991,124	\$ 3,340,331	\$ 3,824,059	\$ 3,705,950
Employer Net Pension Liability as a Percentage of Covered Employee-Payroll	151.11%	-14.15%	70.48%	59.47%

**Notes to the Required Supplementary Information**

**Note 1.** Changes in assumptions related to mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates were made since the prior measurement date.

**Note 2.** GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however the fiscal years completed prior to enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2016.

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CONTRIBUTIONS**  
**ILLINOIS MUNICIPAL RETIREMENT FUND**  
For the Year Ended April 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 337,100	\$ 344,388	\$ 411,851	\$ 423,590
Contributions in Relation to the Actuarially Determined Contribution	337,100	344,341	418,762	423,590
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ (6,911)</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 2,991,124	\$ 3,340,331	\$ 3,824,059	\$ 3,705,950
Contribution as a Percentage of Covered-Employee Payroll	11.27%	10.31%	10.95%	11.43%

**Notes to the Required Supplementary Information**

**Valuation Date.** Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year contributions are reported.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50%
Salary Increases	3.39% to 14.25% including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014 - 2016.
Mortality	For non-disabled retirees, the IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For Active Members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (based year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information**

Notes There were no benefit changes during the year.

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**POLICE PENSION FUND**  
**For the Year Ended April 30, 2019**  
**(Unaudited)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:					
Service Cost	\$ 1,541,063	\$ 1,566,029	\$ 1,487,348	\$ 1,685,418	\$ 1,065,992
Interest	3,755,712	3,611,903	3,668,567	2,331,132	3,218,200
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	467,240	(60,713)	2,718,796	(3,136,070)	-
Changes in Assumptions	(2,202,511)	(1,313,982)	(6,470,509)	22,812,214	-
Benefit Payments and Refunds	(2,708,988)	(2,542,027)	(2,473,281)	(2,343,098)	(2,044,692)
Net Change in Total Pension Liability	852,516	1,261,210	(1,069,079)	21,349,596	2,239,500
Total Pension Liability - Beginning	70,777,859	69,516,649	70,585,728	49,236,132	46,996,632
Total Pension Liability - Ending	<u>\$ 71,630,375</u>	<u>\$ 70,777,859</u>	<u>\$ 69,516,649</u>	<u>\$ 70,585,728</u>	<u>\$ 49,236,132</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 1,571,516	\$ 1,339,134	\$ 1,241,303	\$ 1,149,486	\$ 995,843
Contributions - Member	439,080	432,908	466,547	409,829	414,277
Net Investment Income	2,047,467	2,151,230	2,552,325	(384,359)	2,127,421
Benefit Payments and Refunds	(2,708,988)	(2,542,027)	(2,473,280)	(2,343,098)	(2,044,692)
Administrative Expense	(101,473)	(66,686)	(90,475)	(71,945)	(45,356)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,247,602	1,314,559	1,696,420	(1,240,087)	1,447,493
Plan Fiduciary Net Position - Beginning	29,771,759	28,457,200	26,760,780	28,000,867	26,553,374
Plan Fiduciary Net Position - Ending	<u>\$ 31,019,361</u>	<u>\$ 29,771,759</u>	<u>\$ 28,457,200</u>	<u>\$ 26,760,780</u>	<u>\$ 28,000,867</u>
Employer Net Pension Liability - Ending	<u>\$ 40,611,014</u>	<u>\$ 41,006,100</u>	<u>\$ 41,059,449</u>	<u>\$ 43,824,948</u>	<u>\$ 21,235,265</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.30%	42.06%	40.94%	37.91%	56.87%
Covered Payroll	\$ 4,374,868	\$ 4,088,576	\$ 3,959,880	\$ 3,862,772	\$ 4,086,319
Employer Net Pension Liability as a Percentage of Covered Payroll	928.28%	1002.94%	1036.89%	1134.55%	519.67%

**Notes to the Required Supplementary Information**

**Note 1.** Changes in assumptions related to mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates were made since the prior measurement date.

**Note 2.** GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however the fiscal years completed prior to enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2016.

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CONTRIBUTIONS**  
**POLICE PENSION FUND**  
For the Year Ended April 30, 2019  
(Unaudited)

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 2,088,403	\$ 1,675,646	\$ 1,588,521	\$ 1,440,282	\$ 1,220,758
Contributions in Relation to the Actuarially Determined Contribution	1,571,516	1,339,134	1,241,303	1,149,486	995,843
Contribution Deficiency (Excess)	<u>\$ 516,887</u>	<u>\$ 336,512</u>	<u>\$ 347,218</u>	<u>\$ 290,796</u>	<u>\$ 224,915</u>
Covered Payroll	\$ 4,374,868	\$ 4,088,576	\$ 3,959,880	\$ 3,862,772	\$ 4,086,319
Contribution as a Percentage of Covered Payroll	35.92%	32.75%	31.35%	29.76%	24.37%

**Schedule of Investment Returns**

<u>Fiscal Year</u>	<u>Annual Money- Weighted Rat of Return, Net of Investment Expense</u>
2015	N/A
2016	(1.29%)
2017	10.03%
2018	7.32%
2019	6.61%

**Notes to the Required Supplementary Information**

Fiscal Year End for Reporting	April 30, 2019
Measurement Date	April 30, 2019
Actuarial Valuation Date	May 1, 2019
Actuarial Valuation Date - Data Date	April 30, 2019
Asset Valuation Method	5-Year Period Smoothed Market Value
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % Pay (Closed)
Inflation	2.50
Salary Increases	4.00 - 20.40
Investment Rate of Return	7.00
Mortality	L&A 2016 Illinois Police Mortality Rates

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**FIREFIGHTERS' PENSION FUND**  
**For the Year Ended April 30, 2019**  
**(Unaudited)**

	2019	2018	2017	2016	2015
Total Pension Liability:					
Service Cost	\$ 727,397	\$ 902,753	\$ 854,071	\$ 798,240	\$ 728,226
Interest	2,328,225	2,207,297	2,115,133	1,838,024	2,014,664
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	318,334	24,403	107,261	(669,214)	-
Changes in Assumptions	(1,650,912)	(4,273,524)	101,296	4,411,843	-
Benefit Payments and Refunds	(1,711,191)	(1,610,582)	(1,501,946)	(1,307,211)	(1,241,213)
Net Change in Total Pension Liability	11,853	(2,749,653)	1,675,815	5,071,682	1,501,677
Total Pension Liability - Beginning	36,784,728	39,534,381	37,858,566	32,786,884	31,285,207
Total Pension Liability - Ending	<u>\$ 36,796,581</u>	<u>\$ 36,784,728</u>	<u>\$ 39,534,381</u>	<u>\$ 37,858,566</u>	<u>\$ 32,786,884</u>
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 1,264,861	\$ 995,811	\$ 984,602	\$ 932,135	\$ 789,443
Contributions - Member	231,183	236,304	227,494	236,113	229,193
Contributions - Other	-	-	5,889	-	-
Net Investment Income	1,502,448	933,003	1,628,916	(269,524)	901,009
Benefit Payments and Refunds	(1,711,191)	(1,610,582)	(1,501,946)	(1,307,211)	(1,241,213)
Administrative Expense	(49,451)	(58,083)	(50,496)	(51,006)	(31,266)
Prior Period Audit Adjustment	-	-	-	48,589	-
Net Change in Plan Fiduciary Net Position	1,237,850	496,453	1,294,459	(410,904)	647,166
Plan Fiduciary Net Position - Beginning	16,812,771	16,316,318	14,950,786	15,361,690	14,714,524
Plan Fiduciary Net Position - Ending	<u>\$ 18,050,621</u>	<u>\$ 16,812,771</u>	<u>\$ 16,245,245</u>	<u>\$ 14,950,786</u>	<u>\$ 15,361,690</u>
Employer Net Pension Liability - Ending	<u>\$ 18,745,960</u>	<u>\$ 19,971,957</u>	<u>\$ 23,289,136</u>	<u>\$ 22,907,780</u>	<u>\$ 17,425,194</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.06%	45.71%	41.09%	39.49%	46.85%
Covered Payroll	\$ 2,505,652	\$ 2,418,789	\$ 2,342,653	\$ 2,379,756	\$ 2,325,644
Employer Net Pension Liability as a Percentage of Covered Payroll	748.15%	825.70%	994.14%	962.61%	749.26%

**Notes to the Required Supplementary Information**

**Note 1.** Changes in assumptions related to mortality rates, mortality improvement rates, retirement rates, disability rates, and termination rates were made since the prior measurement date.

**Note 2.** GASB Statement No. 68 requires the presentation of 10 fiscal years of data; however the fiscal years completed prior to enactment of this pronouncement are not required to be presented in this schedule. The pronouncement was adopted in fiscal year 2016.

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CONTRIBUTIONS**  
**FIREFIGHTERS' PENSION FUND**  
For the Year Ended April 30, 2019  
(Unaudited)

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,233,162	\$ 1,022,182	\$ 1,328,578	\$ 1,188,404	\$ 1,047,048
Contributions in Relation to the Actuarially Determined Contribution	1,264,861	995,811	984,602	932,135	789,443
Contribution Deficiency (Excess)	\$ (31,699)	\$ 26,371	\$ 343,976	\$ 256,269	\$ 257,605
Covered Payroll	\$ 2,505,652	\$ 2,418,789	\$ 2,342,653	\$ 2,379,756	\$ 2,325,644
Contribution as a Percentage of Covered Payroll	50.48%	41.17%	42.03%	39.17%	33.95%

**Schedule of Investment Returns**

<u>Fiscal Year</u>	<u>Annual Money-Weighted Rat of Return, Net of Investment Expense</u>
2015	5.88%
2016	2.01%
2017	11.47%
2018	6.37%
2019	8.34%

**Notes to the Required Supplementary Information**

Fiscal Year End for Reporting	April 30, 2019
Measurement Date	April 30, 2019
Actuarial Valuation Date	May 1, 2019
Actuarial Valuation Date - Data Date	April 30, 2019
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Inflation	2.50
Salary Increases	3.75-17.31
Investment Rate of Return	7.00
Mortality	L&A 2016 Illinois Firefighters Mortality Rates



**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY**  
**AND RELATED RATIOS**  
**OTHER POSTRETIREMENT HEALTH PLAN**  
**For the Year Ended April 30, 2019**  
**(Unaudited)**

	2019
Total OPEB Liability	
Service Cost	\$ 46,203
Interest on Total OPEB Liability	157,777
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions	215,528
Benefit Payments	(226,777)
Net Change in Total OPEB Liability	192,731
Total OPEB Liability, Beginning	4,459,858
Total OPEB Liability, Ending	\$ 4,652,589
Covered - Employee Payroll*	\$ 8,415,855
City's total OPEB Liability as a Percentage of Covered Employee Payroll	55.28%

\*This schedule presents all information that is available, until ten years of information is compiled.

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF CONTRIBUTIONS**  
**OTHER POSTRETIREMENT HEALTH PLAN**  
For the Year Ended April 30, 2019  
(Unaudited)

	<u>2019</u>
Actuarially determined contribution	\$ -
Contribution in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 8,415,855
Contributions as a percentage of covered employee payroll	0.00%

**Notes to the Required Supplementary Information**

Valuation date:	May 1, 2018
Measurement date:	April 30, 2019
Actuarial cost method	Entry Age Normal
Discount rate	3.21%
Inflation Rate	3.00%
Salary rate increase	3.50%
Funded ratio	0.00%
Retirement age	<u>IMRF Employees</u> : Rates from the December 31, 2019 IMRF Actuarial Valuation Report. <u>Firefighter Employees</u> : Rates from the Zion Firefighters Pension Fund Actuarial Valuation Report as of May 1, 2019. <u>Police Employees</u> : Rates from the Zion Police Pension Fund Actuarial Valuation Report as of May 1, 2019.
Mortality	<u>IMRF Employees and Retirees</u> : Rates from the December 31, 2019 IMRF Actuarial Valuation Report. <u>Active Employees</u> : RP-2014 Employee Mortality Table for both males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. <u>Retirees</u> : IMRF-specific mortality rates with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale projected from 2015. The rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience. <u>Firefighter Employees and Retirees</u> : RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020. <u>Police Employees and Retirees</u> : RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020.

**SUPPLEMENTARY INFORMATION**

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
April 30, 2019

	<b>SPECIAL REVENUE FUNDS</b>						
	<b>911 Emergency Surcharge</b>	<b>Zion - Newport Fire Station</b>	<b>Emergency Service Rescue</b>	<b>Fire Protection Service</b>	<b>Street and Bridge</b>	<b>Illinois Municipal Retirement</b>	
<b>ASSETS</b>							
Cash and equivalents	\$ -	\$ 999	\$ 167,334	\$ -	\$ 8,872	\$ 179,059	\$ 51,265
Restricted cash and equivalents	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	-	545,650	753,263	218,629	378,554	440,660
Other receivables and current assets	14,374	-	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 14,374</b>	<b>\$ 999</b>	<b>\$ 712,984</b>	<b>\$ 753,263</b>	<b>\$ 227,501</b>	<b>\$ 557,613</b>	<b>\$ 491,925</b>
<b>LIABILITIES</b>							
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-	-
Due to other funds	18,214	-	-	571,258	-	-	-
Accrued payroll	-	-	-	-	-	8,489	12,192
<b>TOTAL LIABILITIES</b>	<b>18,214</b>	<b>-</b>	<b>-</b>	<b>571,258</b>	<b>-</b>	<b>8,489</b>	<b>12,192</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Subsequent year tax levy	-	-	545,650	753,263	218,629	378,554	440,660
Unavailable revenue	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>545,650</b>	<b>753,263</b>	<b>218,629</b>	<b>378,554</b>	<b>440,660</b>
<b>FUND BALANCES (DEFICITS)</b>							
Restricted	-	999	167,334	-	8,872	170,570	39,073
Committed	-	-	-	-	-	-	-
Unassigned	(3,840)	-	-	(571,258)	-	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(3,840)</b>	<b>999</b>	<b>167,334</b>	<b>(571,258)</b>	<b>8,872</b>	<b>170,570</b>	<b>39,073</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 14,374</b>	<b>\$ 999</b>	<b>\$ 712,984</b>	<b>\$ 753,263</b>	<b>\$ 227,501</b>	<b>\$ 557,613</b>	<b>\$ 491,925</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
April 30, 2019

	<b>SPECIAL REVENUE FUNDS</b>						
	<b>Development TIF Area #1</b>	<b>Development TIF Area#5</b>	<b>Development TIF Area #4</b>	<b>Development TIF Area #6</b>	<b>Impact Fee Fund</b>	<b>Impact Fee Fire &amp; Rescue</b>	<b>Motor Fuel Tax</b>
<b>ASSETS</b>							
Cash and equivalents	\$ 189,719	\$ 154,725	\$ 109,905	\$ -	\$ -	\$ -	\$ -
Restricted cash and equivalents	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	259,821	75,938	152,225	-	-	-
Other receivables and current assets	-	-	-	-	-	-	8,587
Due from other governmental agencies	-	-	-	-	-	-	54,037
Due from other funds	-	-	-	-	-	-	389,277
	<u>189,719</u>	<u>414,546</u>	<u>185,843</u>	<u>152,225</u>	<u>-</u>	<u>-</u>	<u>451,901</u>
<b>TOTAL ASSETS</b>	<b>\$ 189,719</b>	<b>\$ 414,546</b>	<b>\$ 185,843</b>	<b>\$ 152,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 451,901</b>
<b>LIABILITIES</b>							
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	189,719	-	109,905	-	-	-	700
Due to other governmental agencies	-	-	-	-	-	-	-
Due to other funds	-	-	-	10,876	-	-	451,848
Accrued payroll	-	-	-	-	-	-	-
	<u>189,719</u>	<u>-</u>	<u>109,905</u>	<u>10,876</u>	<u>-</u>	<u>-</u>	<u>452,548</u>
<b>TOTAL LIABILITIES</b>	<b>189,719</b>	<b>-</b>	<b>109,905</b>	<b>10,876</b>	<b>-</b>	<b>-</b>	<b>452,548</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Subsequent year tax levy	-	259,821	75,938	152,225	-	-	-
Unavailable revenue	-	-	-	-	-	-	8,587
	<u>-</u>	<u>259,821</u>	<u>75,938</u>	<u>152,225</u>	<u>-</u>	<u>-</u>	<u>8,587</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>259,821</b>	<b>75,938</b>	<b>152,225</b>	<b>-</b>	<b>-</b>	<b>8,587</b>
<b>FUND BALANCES (DEFICITS)</b>							
Restricted	-	154,725	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	(10,876)	-	-	(9,234)
	<u>-</u>	<u>154,725</u>	<u>-</u>	<u>(10,876)</u>	<u>-</u>	<u>-</u>	<u>(9,234)</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>-</b>	<b>154,725</b>	<b>-</b>	<b>(10,876)</b>	<b>-</b>	<b>-</b>	<b>(9,234)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 189,719</b>	<b>\$ 414,546</b>	<b>\$ 185,843</b>	<b>\$ 152,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 451,901</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**April 30, 2019**

	<b>SPECIAL REVENUE FUNDS</b>							<b>Total Special Revenue Funds</b>
	<b>Police Protection</b>	<b>Liability Insurance</b>	<b>Audit</b>	<b>Drug Traffic Prevention</b>	<b>Industrial Development</b>	<b>Cable Commission</b>	<b>Hotel/Motel Tax</b>	
<b>ASSETS</b>								
Cash and equivalents	\$ -	\$ 15,791	\$ 13,935	\$ 196,269	\$ -	\$ 21,571	\$ 207,399	\$ 1,316,843
Restricted cash and equivalents	-	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	1,006,864	-	-	-	-	-	3,831,604
Other receivables and current assets	-	-	-	-	-	-	10,187	33,148
Due from other governmental agencies	-	-	-	-	-	-	-	54,037
Due from other funds	-	-	-	-	-	-	-	389,277
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 1,022,655</b>	<b>\$ 13,935</b>	<b>\$ 196,269</b>	<b>\$ -</b>	<b>\$ 21,571</b>	<b>\$ 217,586</b>	<b>\$ 5,624,909</b>
<b>LIABILITIES</b>								
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	2,739	-	-	-	303,063
Due to other governmental agencies	-	-	-	58,050	-	-	-	58,050
Due to other funds	22,929	-	-	-	-	-	-	1,075,125
Accrued payroll	-	-	-	-	-	-	-	20,681
<b>TOTAL LIABILITIES</b>	<b>22,929</b>	<b>-</b>	<b>-</b>	<b>60,789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,456,919</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Subsequent year tax levy	-	1,006,864	-	-	-	-	-	3,831,604
Unavailable revenue	-	-	-	-	-	-	-	8,587
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,006,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,840,191</b>
<b>FUND BALANCES (DEFICITS)</b>								
Restricted	-	15,791	13,935	135,480	-	21,571	217,586	945,936
Committed	-	-	-	-	-	-	-	-
Unassigned	(22,929)	-	-	-	-	-	-	(618,137)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(22,929)</b>	<b>15,791</b>	<b>13,935</b>	<b>135,480</b>	<b>-</b>	<b>21,571</b>	<b>217,586</b>	<b>327,799</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ -</b>	<b>\$ 1,022,655</b>	<b>\$ 13,935</b>	<b>\$ 196,269</b>	<b>\$ -</b>	<b>\$ 21,571</b>	<b>\$ 217,586</b>	<b>\$ 5,624,909</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**April 30, 2019**

	<b>DEBT SERVICE FUNDS</b>						<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Projects</b>	<b>Area 3 South Sheridan Rd. Project</b>	<b>Bond Debt Service</b>	<b>Bond Series 2002B Road Bond</b>	<b>Bond Series 2003 Road Bond</b>	<b>Total Debt Service Funds</b>	
<b>ASSETS</b>							
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316,843.00
Restricted cash and equivalents	62,570	199,914	469,785	8,447	5,688	683,834	746,404
Taxes receivable, net of allowance	-	-	-	-	-	-	3,831,604
Other receivables and current assets	-	-	-	-	-	-	33,148
Due from other governmental agencies	-	-	-	-	-	-	54,037
Due from other funds	-	-	-	-	-	-	389,277
<b>TOTAL ASSETS</b>	<b>\$ 62,570</b>	<b>\$ 199,914</b>	<b>\$ 469,785</b>	<b>\$ 8,447</b>	<b>\$ 5,688</b>	<b>\$ 683,834</b>	<b>\$ 6,371,313</b>
<b>LIABILITIES</b>							
Reconciled overdraft	\$ 62,570	\$ 199,914	\$ 469,785	\$ 8,447	\$ 5,688	\$ 683,834	\$ 746,404
Accounts payable	488	-	-	-	-	-	303,551
Due to other governmental agencies	-	-	-	-	-	-	58,050
Due to other funds	28,221	-	-	389,277	262,922	652,199	1,755,545
Accrued payroll	-	-	-	-	-	-	20,681
<b>TOTAL LIABILITIES</b>	<b>91,279</b>	<b>199,914</b>	<b>469,785</b>	<b>397,724</b>	<b>268,610</b>	<b>1,336,033</b>	<b>2,884,231</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Subsequent year tax levy	-	-	-	-	-	-	3,831,604
Unavailable revenue	-	-	-	-	-	-	8,587
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,840,191</b>
<b>FUND BALANCES (DEFICITS)</b>							
Restricted	62,570	199,914	469,785	8,447	5,688	683,834	1,692,340
Committed	-	-	-	-	-	-	-
Unassigned	(91,279)	(199,914)	(469,785)	(397,724)	(268,610)	(1,336,033)	(2,045,449)
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b>(28,709)</b>	<b>-</b>	<b>-</b>	<b>(389,277)</b>	<b>(262,922)</b>	<b>(652,199)</b>	<b>(353,109)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>	<b>\$ 62,570</b>	<b>\$ 199,914</b>	<b>\$ 469,785</b>	<b>\$ 8,447</b>	<b>\$ 5,688</b>	<b>\$ 683,834</b>	<b>\$ 6,371,313</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended April 30, 2019**

	<b>SPECIAL REVENUE FUNDS</b>						
	<b>911 Emergency Surcharge</b>	<b>Zion - Newport Fire Station</b>	<b>Emergency Service Rescue</b>	<b>Fire Protection Fund</b>	<b>Street and Bridge</b>	<b>Illinois Municipal Retirement</b>	<b>FICA</b>
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ 557,660	\$ 769,773	\$ 223,384	\$ 386,850	\$ 450,258
Other taxes	-	-	-	-	-	-	-
Permits and other fees	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	39,163	-	-	-	90,973	-	-
<b>TOTAL REVENUES</b>	<b>39,163</b>	<b>-</b>	<b>557,660</b>	<b>769,773</b>	<b>314,357</b>	<b>386,850</b>	<b>450,258</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	-
Public health and safety	39,163	28,496	-	-	-	-	-
Public works and engineering	-	-	-	-	300,096	289,455	341,346
Economic development and promotion	-	-	-	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>39,163</b>	<b>28,496</b>	<b>-</b>	<b>-</b>	<b>300,096</b>	<b>289,455</b>	<b>341,346</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(28,496)</b>	<b>557,660</b>	<b>769,773</b>	<b>14,261</b>	<b>97,395</b>	<b>108,912</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	56,991	-	-	-	-	-
Transfers (out)	-	(28,496)	(557,660)	(769,773)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>28,495</b>	<b>(557,660)</b>	<b>(769,773)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>14,261</b>	<b>97,395</b>	<b>108,912</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>(3,840)</b>	<b>1,000</b>	<b>167,334</b>	<b>(571,258)</b>	<b>(5,389)</b>	<b>73,175</b>	<b>(69,839)</b>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ (3,840)</b>	<b>\$ 999</b>	<b>\$ 167,334</b>	<b>\$ (571,258)</b>	<b>\$ 8,872</b>	<b>\$ 170,570</b>	<b>\$ 39,073</b>



**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended April 30, 2019**

	<b>SPECIAL REVENUE FUNDS</b>						
	<b>Development TIF Area #1</b>	<b>Development TIF Area #5</b>	<b>Development TIF Area #4</b>	<b>Development TIF Area #6</b>	<b>Impact Fee Fund</b>	<b>Impact Fee Fire &amp; Rescue</b>	<b>Motor Fuel Tax</b>
<b>REVENUES</b>							
Property taxes	\$ 122,458	\$ 154,717	\$ 54,945	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-	638,400
Permits and other fees	-	-	-	-	300	500	-
Intergovernmental	-	-	-	-	-	-	339,406
Interest	-	23	-	-	-	-	16,529
Miscellaneous	-	-	-	-	-	-	103,066
<b>TOTAL REVENUES</b>	<b>122,458</b>	<b>154,740</b>	<b>54,945</b>	<b>-</b>	<b>300</b>	<b>500</b>	<b>1,097,401</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	10,876	-	-	-
Public health and safety	-	-	-	-	-	-	-
Public works and engineering	-	-	-	-	-	-	272,284
Economic development and promotion	117,458	15	54,945	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay	5,000	-	-	-	-	-	854,286
<b>TOTAL EXPENDITURES</b>	<b>122,458</b>	<b>15</b>	<b>54,945</b>	<b>10,876</b>	<b>-</b>	<b>-</b>	<b>1,126,570</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>154,725</b>	<b>-</b>	<b>(10,876)</b>	<b>300</b>	<b>500</b>	<b>(29,169)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(300)	(500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>(500)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>154,725</b>	<b>-</b>	<b>(10,876)</b>	<b>-</b>	<b>-</b>	<b>(29,169)</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,935</b>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 154,725</b>	<b>\$ -</b>	<b>\$ (10,876)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,234)</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended April 30, 2019**

	<b>SPECIAL REVENUE FUNDS</b>							
	<b>Police Protection</b>	<b>Liability Insurance</b>	<b>Audit</b>	<b>Drug Traffic Prevention</b>	<b>Industrial Development</b>	<b>Cable Commission</b>	<b>Hotel/Motel Tax</b>	<b>Total Special Revenue Funds</b>
<b>REVENUES</b>								
Property taxes	\$ -	\$ 1,023,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,743,888
Other taxes	-	-	-	-	-	-	106,979	745,379
Permits and other fees	-	-	-	-	432,950	-	-	433,750
Intergovernmental	-	-	-	12,594	-	-	-	352,000
Interest	-	-	-	26	-	-	-	16,578
Miscellaneous	-	-	-	13,103	-	-	-	246,305
<b>TOTAL REVENUES</b>	<b>-</b>	<b>1,023,843</b>	<b>-</b>	<b>25,723</b>	<b>432,950</b>	<b>-</b>	<b>106,979</b>	<b>5,537,900</b>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	-	-	10,876
Public health and safety	-	-	-	19,454	-	-	-	87,113
Public works and engineering	-	-	-	-	-	-	-	1,203,181
Economic development and promotion	-	-	-	-	-	-	75,206	247,624
Debt Service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	859,286
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,454</b>	<b>-</b>	<b>-</b>	<b>75,206</b>	<b>2,408,080</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>1,023,843</b>	<b>-</b>	<b>6,269</b>	<b>432,950</b>	<b>-</b>	<b>31,773</b>	<b>3,129,820</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	-	56,991
Transfers (out)	-	(1,023,843)	-	-	(432,950)	-	(14,000)	(2,827,522)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(1,023,843)</b>	<b>-</b>	<b>-</b>	<b>(432,950)</b>	<b>-</b>	<b>(14,000)</b>	<b>(2,770,531)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,269</b>	<b>-</b>	<b>-</b>	<b>17,773</b>	<b>359,289</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>(22,929)</b>	<b>15,791</b>	<b>13,935</b>	<b>129,211</b>	<b>-</b>	<b>21,571</b>	<b>199,813</b>	<b>(31,490)</b>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ (22,929)</b>	<b>\$ 15,791</b>	<b>\$ 13,935</b>	<b>\$ 135,480</b>	<b>\$ -</b>	<b>\$ 21,571</b>	<b>\$ 217,586</b>	<b>\$ 327,799</b>

**CITY OF ZION, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended April 30, 2019**

	<b>DEBT SERVICE FUNDS</b>					<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Projects</b>	<b>Area 3 South Sheridan Rd. Project</b>	<b>Bond Debt Service</b>	<b>Bond Series 2002B Road Bond</b>	<b>Bond Series 2003 Road Bond</b>	
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,743,888
Other taxes	-	-	-	-	-	745,379
Permits and other fees	-	-	-	-	-	433,750
Intergovernmental	164,583	-	-	-	-	516,583
Interest	-	3,362	7,765	4,873	3,291	35,869
Miscellaneous	-	-	-	-	-	246,305
<b>TOTAL REVENUES</b>	<b>164,583</b>	<b>3,362</b>	<b>7,765</b>	<b>4,873</b>	<b>3,291</b>	<b>5,721,774</b>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	10,876
Public health and safety	-	-	-	-	-	87,113
Public works and engineering	-	-	-	-	-	1,203,181
Economic development and promotion	-	-	-	-	-	247,624
Debt Service:						
Principal retirement	358,273	180,000	700,000	385,000	260,000	1,883,273
Interest and fiscal charges	65,386	9,435	260,061	9,048	6,110	350,040
Bond issuance costs	-	1,225	2,925	102	103	4,355
Capital Outlay	1,012,605	-	-	-	-	1,871,891
<b>TOTAL EXPENDITURES</b>	<b>1,436,264</b>	<b>190,660</b>	<b>962,986</b>	<b>394,150</b>	<b>266,213</b>	<b>5,658,353</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,271,681)</b>	<b>(187,298)</b>	<b>(955,221)</b>	<b>(389,277)</b>	<b>(262,922)</b>	<b>63,421</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	390,000	187,298	955,221	-	-	1,589,510
Transfers (out)	-	-	-	-	-	(2,827,522)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>390,000</b>	<b>187,298</b>	<b>955,221</b>	<b>-</b>	<b>-</b>	<b>(1,238,012)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(881,681)</b>	<b>-</b>	<b>-</b>	<b>(389,277)</b>	<b>(262,922)</b>	<b>(1,174,591)</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<b>852,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>821,482</b>
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ (28,709)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (389,277)</b>	<b>\$ (262,922)</b>	<b>\$ (353,109)</b>

**OTHER INDEPENDENT AUDITORS' REPORT**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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 City of Zion, Illinois (the City), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 2, 2024. Our report includes a reference to other auditors who audited the financial statements of the City of Zion Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-003 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying the schedule of findings and responses as item 2019-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

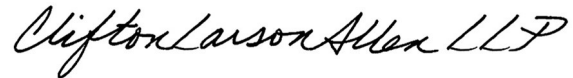
**City of Zion, Illinois's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Milwaukee, Wisconsin  
April 2, 2024

**CITY OF ZION, ILLINOIS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED APRIL 30, 2019**

**2019 – 001: Timeliness of Financial Close and Reporting**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The City did not complete the financial close and reporting process timely for the year ended April 30, 2019.

**Criteria or specific requirement:** Timeliness of the financial close and reporting process is essential to ensure the relevance of the information contained in the financial statements for the intended users.

**Effect:** Information contained in the financial statements become less relevant over time and limits its usability for decision making, monitoring, and other intended purposes by the intended users of the financial statements. In addition, there is an increased risk that the City may not be timely with other key processes and controls in the financial reporting process in subsequent periods.

**Cause:** The City combined the City Administrator and Finance Director roles for the purpose of budgetary savings. This required that the City prioritize the duties of this position to handle City needs as deemed to be the highest priority. As a result, there was a delay in the financial close and reporting process and the City's ability to provide information for the completion of the audit process.

**Repeat Finding:** Yes

**Recommendation:** We recommend that the City review the financial close and reporting process to determine opportunities to improve on the timeliness of the preparation and review of tasks. This should include identifying opportunities for efficiency as well as a review of the individuals and their role in the process to determine the sufficiency of resources to complete the process.

**Views of responsible officials and planned corrective actions:** Management agrees with this recommendation and is implementing month-end and year-end close procedures to improve the timeliness of reporting.

**2019 – 002: Segregation of Duties**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The City administrator has full access to modify the financial accounting records with minimal review and oversight from other individuals. Examples of this include, the ability to prepare, review, approve, and post journal entries without review by a second person; and the individual with access and control of bank accounts is reconciling the activity. While it is not always possible to restrict access rights as a preventative control, given the available resources for the finance department, detective controls should be in-place to ensure that the activity recorded is subject to oversight as a means of mitigating the risk of material misstatement. In addition, the completion of the financial close and reporting process lies with the City Administrator and there is not another individual that poses the skills, knowledge, or expertise to perform these functions on a timely basis.

**Criteria or specific requirement:** Generally, a system of internal control segregates duties such that no one individual has responsibility to initiate, review, post, and reconcile a transaction.

**Effect:** Lack of segregation of duties creates an inherent risk that may allow for errors or irregularities to go undetected and uncorrected.

**Cause:** The City did not have a sufficient number of individuals engaged in the performance of accounting related activities with the skills, knowledge, or expertise to appropriately segregate duties.

**Repeat Finding:** Yes

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

**Recommendation:** The City should review the activity for enterprise-level users for any activity that did not have appropriate segregation of duties. The City should monitor the use of access rights to ensure they are appropriate for their job duties. Where preventative controls are not deemed feasible, the City should develop detective controls to reduce the risk of material misstatement.

**Views of responsible officials and planned corrective actions:** Management agrees with this recommendation and will work develop corrective actions to implement to reduce the risk associated with inadequate segregation of duties.

**2019 – 003: Budgetary Control**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** The operations of the General Fund generated a use of fund balance of \$762,859 for the current year. The City budgeted for a use of fund balance in excess of budgeted activity resulted in a total deficit fund balance of \$808,679. This was primarily driven by actual revenues and transfers in being \$932,670 less than budget and actual expenditures and transfers out being \$230,889 greater than budget.

**Criteria or specific requirement:** A health fund balance is necessary to respond to unexpected needs and provide working capital during uneven cash flow periods.

**Effect:** There is a risk that the City could encounter a period where the current financial resources are not sufficient to meet current financial obligations, which will result in the need to borrow funds from other funds of the City or financial institutions. This could result in a disruption to services provided by the City.

**Cause:** The City has experienced financial hardship which has resulted in a structural operating deficit for the City's General Fund over a number of years. This structural deficit resulted in the depletion of the General Fund reserves.

**Repeat Finding:** Yes

**Recommendation:** We recommend that City monitor the budgetary results on a monthly basis and make operating adjustments, as determined necessary by management and governance, to maintain a balanced budget.

**Views of responsible officials and planned corrective actions:** Management agrees with this recommendation and is actively working to balance the revenues with the operating expenses for the City's General Fund.





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