

CITY OF ZION, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Year Ended April 30, 2020



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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 Audit of the Financial Statements

Opinions

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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, as of April 30, 2020, and the respective changes in financial position, the budgetary comparison, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Zion Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund, which represent 87.66 percent, 97.72 percent, and 23.02 percent, respectively, of the assets, fund balance, and revenues of the aggregate remaining fund information as of April 30, 2020. 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 and the City of Zion, Illinois Firefighters' Pension Fund, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the City of Zion Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund were not audited in accordance with *Government Auditing Standards*.

Other Matter – Report on Prior-Year Comparative Information

We have previously audited the City's 2019 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 April 2, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 combining nonmajor governmental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

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

The 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 GAAS. In our opinion, the combining nonmajor governmental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
July 31, 2024

BASIC FINANCIAL STATEMENTS

CITY OF ZION, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 3,096,850	\$ 160,643	\$ 3,257,493
Restricted cash and equivalents	979,678	709,663	1,689,341
Taxes receivable, net of allowance for uncollectables	8,850,370	-	8,850,370
Net trade accounts receivable	220,378	1,716,705	1,937,083
Other receivables and current assets	566,405	25,817	592,222
Due from other governmental agencies	1,003,122	-	1,003,122
Internal balances	(1,742,517)	1,742,517	-
Prepaid insurance	93,695	22,846	116,541
Capital assets, net of accumulated depreciation	34,815,310	4,420,928	39,236,238
TOTAL ASSETS	47,883,291	8,799,119	56,682,410
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	39,343,518	225,762	39,569,280
OPEB related	319,154	26,056	345,210
TOTAL DEFERRED OUTFLOWS OF RESOURCES	39,662,672	251,818	39,914,490
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Reconciled overdraft	979,678	-	979,678
Accounts payable	1,048,851	172,124	1,220,975
Due to other governmental agencies	69,492	-	69,492
Due to fiduciary funds	344,803	-	344,803
Accrued payroll	624,900	40,741	665,641
Unearned revenue	-	322,656	322,656
Customer deposits	-	406,817	406,817
Accrued interest	101,302	67,846	169,148
Current portion of long-term obligations	1,936,237	295,426	2,231,663
Long-term obligations - net of current portion	105,185,106	1,268,037	106,453,143
TOTAL LIABILITIES	110,290,369	2,573,647	112,864,016
DEFERRED INFLOWS OF RESOURCES			
Pension related	11,722,798	262,327	11,985,125
Subsequent year tax levy	8,850,370	-	8,850,370
TOTAL DEFERRED INFLOWS OF RESOURCES	20,573,168	262,327	20,835,495
NET POSITION			
Net investment in capital assets	28,816,455	3,877,619	32,694,074
Restricted for:			
Tax Increment Financing	3,858,037	-	3,858,037
Illinois Municipal Retirement Fund	223,168	-	223,168
Hotel/Motel Tax	186,310	-	186,310
Other purposes	394,191	-	394,191
Unrestricted (deficit)	(76,795,735)	2,337,344	(74,458,391)
TOTAL NET POSITION	\$ (43,317,574)	\$ 6,214,963	\$ (37,102,611)

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, 2020

	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
FUNCTIONS/PROGRAMS							
Governmental activities:							
General government	\$ 1,547,761	\$ 1,007,323	\$ 35,970	\$ -	\$ (504,468)	\$ -	\$ (504,468)
Public health and safety	25,415,072	-	85,049	-	(25,330,023)	-	(25,330,023)
Public works and engineering	5,443,082	-	-	-	(5,443,082)	-	(5,443,082)
Economic development and promotion	1,226,065	-	-	-	(1,226,065)	-	(1,226,065)
Debt service	305,746	-	-	-	(305,746)	-	(305,746)
Total governmental activities	33,937,726	1,007,323	121,019	-	(32,809,384)	-	(32,809,384)
Business-type activities:							
Water and sewer	3,739,244	4,615,057	-	-	-	875,813	875,813
Waste collection	1,922,379	1,929,964	-	-	-	7,585	7,585
Total business-type activities	5,661,623	6,545,021	-	-	-	883,398	883,398
Total primary government	\$ 39,599,349	\$ 7,552,344	\$ 121,019	\$ -	(32,809,384)	883,398	(31,925,986)
General revenues:							
Property taxes					8,668,617	-	8,668,617
Permits and other fees					4,007,063	-	4,007,063
Fines and forfeitures					283,963	-	283,963
Other taxes					8,044,287	-	8,044,287
Interest					41,998	16,934	58,932
Gain on sale of capital assets					81,365	50,000	131,365
Miscellaneous					285,664	-	285,664
Transfers					1,260,000	(1,260,000)	-
Total general revenues					22,672,957	(1,193,066)	21,479,891
Change in net position					(10,136,427)	(309,668)	(10,446,095)
Net position - beginning					(33,181,147)	6,524,631	(26,656,516)
Net position - ending					\$ (43,317,574)	\$ 6,214,963	\$ (37,102,611)

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

CITY OF ZION, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2020

	ASSETS			
	General	Special Revenue Fund Development TIF Area #3	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 46,376	\$ 1,299,540	\$ 1,750,934	\$ 3,096,850
Restricted cash and equivalents	-	-	979,678	979,678
Taxes receivable, net of allowance	4,482,959	735,980	3,631,431	8,850,370
Utility taxes and franchise fees	220,378	-	-	220,378
Other receivables	543,743	-	22,662	566,405
Due from other governmental agencies	930,716	-	72,406	1,003,122
Due from other funds	226,152	2,091,658	-	2,317,810
Prepaid expenses	93,695	-	-	93,695
TOTAL ASSETS	\$ 6,544,019	\$ 4,127,178	\$ 6,457,111	\$ 17,128,308
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)			
LIABILITIES				
Reconciled overdraft	\$ -	\$ -	\$ 979,678	\$ 979,678
Accounts payable	610,732	-	438,119	1,048,851
Due to other governmental agencies	5,728	-	63,764	69,492
Due to other funds	3,834,175	-	226,152	4,060,327
Advance due to fiduciary funds	344,803	-	-	344,803
Accrued payroll	576,330	-	48,570	624,900
TOTAL LIABILITIES	5,371,768	-	1,756,283	7,128,051
DEFERRED INFLOWS OF RESOURCES				
Subsequent year tax levy	4,482,959	735,980	3,631,431	8,850,370
Unavailable revenue	521,546	-	-	521,546
TOTAL DEFERRED INFLOWS OF RESOURCES	5,004,505	735,980	3,631,431	9,371,916
FUND BALANCE (DEFICIT)				
Nonspendable	93,695	-	-	93,695
Restricted	-	3,391,198	1,270,509	4,661,707
Committed	-	-	-	-
Unassigned	(3,925,949)	-	(201,112)	(4,127,061)
TOTAL FUND BALANCE (DEFICIT)	(3,832,254)	3,391,198	1,069,397	628,341
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	\$ 6,544,019	\$ 4,127,178	\$ 6,457,111	\$ 17,128,308

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, 2020

Total fund balance - governmental funds \$ 628,341

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	\$ 61,633,926	
Accumulated depreciation	(26,818,616)	
Net capital assets		34,815,310

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. 521,546

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	\$ 27,620,720	
OPEB related, net	319,154	
Total deferred outflows of resources, net		27,939,874

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	\$ 4,455,000	
General obligation notes payable	1,510,058	
Capital lease obligations	33,797	
Accrued vacation	599,449	
Net pension liability	96,024,862	
Net OPEB liability	4,498,177	
Accrued interest	101,302	
Total long-term liabilities		(107,222,645)

Net position of governmental activities \$ (43,317,574)

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, 2020

	Special Revenue Fund			Total Governmental Funds
	General	Development TIF Area #3	Nonmajor Governmental Funds	
REVENUES				
Property taxes	\$ 4,058,631	\$ 770,879	\$ 3,839,107	\$ 8,668,617
Other taxes	7,358,016	-	975,266	8,333,282
Permits and other fees	3,495,863	-	436,200	3,932,063
Fines and forfeitures	283,963	-	-	283,963
Charges for services	1,007,323	-	-	1,007,323
Intergovernmental	116,019	-	80,000	196,019
Interest	-	17,036	24,962	41,998
Donations and grants	43,650	-	-	43,650
Miscellaneous	66,624	-	175,390	242,014
TOTAL REVENUES	16,430,089	787,915	5,530,925	22,748,929
EXPENDITURES				
Current:				
General government	1,310,799	-	50,175	1,360,974
Public health and safety	16,220,180	-	66,674	16,286,854
Public works and engineering	2,404,722	-	1,277,800	3,682,522
Economic development and promotion	686,328	450	162,959	849,737
Debt Service:				
Principal retirement	-	-	1,296,031	1,296,031
Interest and fiscal charges	-	-	312,480	312,480
Debt issuance costs	-	-	3,534	3,534
Capital Outlay	-	-	904,599	904,599
TOTAL EXPENDITURES	20,622,029	450	4,074,252	24,696,731
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,191,940)	787,465	1,456,673	(1,947,802)
OTHER FINANCING SOURCES (USES)				
Proceeds from the issuance of notes payable	-	-	458,345	458,345
Proceeds from the sale of capital assets	64,365	-	17,000	81,365
Transfers in	3,667,171	-	2,333,946	6,001,117
Transfers (out)	(2,457,279)	(202,903)	(2,843,458)	(5,503,640)
TOTAL OTHER FINANCING SOURCES (USES)	1,274,257	(202,903)	(34,167)	1,037,187
NET CHANGE IN FUND BALANCE	(2,917,683)	584,562	1,422,506	(910,615)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(914,571)	2,806,636	(353,109)	1,538,956
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (3,832,254)	\$ 3,391,198	\$ 1,069,397	\$ 628,341

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, 2020

Net change in fund balance - total governmental funds \$ (910,615)

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	\$	904,599
Less: capital outlay expensed in the statement of activities		(387,333)
Depreciation		<u>(1,559,433)</u>

Capital outlay in excess of depreciation and dispositions (1,042,167)

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	\$	(28,333)
(Increase)/decrease in compensated absences		28,247
Pension expense		<u>(9,505,864)</u>

Total expenses of non-current resources (9,505,950)

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. (288,995)

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.

Note principal issued	\$	(458,345)
Principal retirement of long-term debt and capital lease		1,296,031
Accrued interest		21,014
Amortization of discounts and deferred amounts		<u>(10,746)</u>

Net effect of bond activity 847,954

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. 763,346

Change in net position of governmental activities \$ (10,136,427)

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, 2020
(With Comparative Information for the Year Ended April 30, 2019)

	2020			Variance with Final Budget Positive (Negative)	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Taxes	\$ 11,387,009	\$ 11,387,009	\$ 11,416,647	\$ 29,638	\$ 10,990,410
Licenses, permits, and fees	4,666,417	4,666,417	3,495,863	(1,170,554)	3,994,412
Fines and forfeitures	535,500	535,500	283,963	(251,537)	324,571
Charges for services	952,971	952,971	1,007,323	54,352	780,445
Intergovernmental	141,779	141,779	116,019	(25,760)	69,218
Interest	7,500	7,500	-	(7,500)	17,096
Donations and grants	10,500	10,500	43,650	33,150	10,650
Miscellaneous	35,000	35,000	66,624	31,624	59,890
TOTAL REVENUES	17,736,676	17,736,676	16,430,089	(1,306,587)	16,246,692
EXPENDITURES					
General government	1,416,366	1,416,366	1,310,799	105,567	1,245,132
Public health and safety	15,490,543	15,490,543	16,220,180	(729,637)	15,692,305
Public works and engineering	2,414,151	2,414,151	2,404,722	9,429	2,256,649
Economic development and promotion	585,074	585,074	686,328	(101,254)	640,886
TOTAL EXPENDITURES	19,906,134	19,906,134	20,622,029	(715,895)	19,834,972
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,169,458)	(2,169,458)	(4,191,940)	(2,022,482)	(3,588,280)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	5,000	5,000	64,365	59,365	25,219
Transfers in	4,023,070	4,023,070	3,667,171	(355,899)	4,039,531
Transfers (out)	(1,398,910)	(1,398,910)	(2,457,279)	(1,058,369)	(1,345,221)
TOTAL OTHER FINANCING SOURCES (USES)	2,629,160	2,629,160	1,274,257	(1,354,903)	2,719,529
NET CHANGE IN FUND BALANCE	459,702	459,702	(2,917,683)	(3,377,385)	(868,751)
FUND BALANCE - BEGINNING OF YEAR	(914,571)	(914,571)	(914,571)	-	(45,820)
FUND BALANCE - END OF YEAR	(\$ 454,869)	(\$ 454,869)	(\$ 3,832,254)	(\$ 3,377,385)	(\$ 914,571)

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, 2020
(With Comparative Information for the Year Ended April 30, 2019)

	2020			Variance with Final Budget Positive (Negative)	2019
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Property taxes	\$ 794,286	\$ 794,286	\$ 770,879	\$ (23,407)	\$ 776,139
Interest	2,500	2,500	17,036	14,536	100
TOTAL REVENUES	796,786	796,786	787,915	(8,871)	776,239
EXPENDITURES					
Economic Development and Promotion:					
Contractual Services:					
Legal	10,000	10,000	270	9,730	7,030
Consultants	-	-	165	(165)	15,000
Professional	5,000	5,000	15	4,985	-
Total Contractual Services	<u>15,000</u>	<u>15,000</u>	<u>450</u>	<u>14,550</u>	<u>22,030</u>
Capital Outlay:					
Capital projects	828,500	828,500	-	828,500	56,460
Total Capital Outlay	<u>828,500</u>	<u>828,500</u>	<u>-</u>	<u>828,500</u>	<u>56,460</u>
TOTAL EXPENDITURES	843,500	843,500	450	843,050	78,490
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,714)	(46,714)	787,465	834,179	697,749
OTHER FINANCING SOURCES (USES)					
Transfers out	(206,095)	(206,095)	(202,903)	3,192	(196,298)
TOTAL OTHER FINANCING SOURCES (USES)	(206,095)	(206,095)	(202,903)	3,192	(196,298)
NET CHANGE IN FUND BALANCE	(252,809)	(252,809)	584,562	837,371	501,451
FUND BALANCE - BEGINNING OF YEAR	2,806,636	2,806,636	2,806,636	-	2,305,185
FUND BALANCE - END OF YEAR	\$ 2,553,827	\$ 2,553,827	\$ 3,391,198	\$ 837,371	\$ 2,806,636

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

CITY OF ZION, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2020

	Business-Type Activities - Enterprise Funds			Governmental
	Water and	Waste	Totals	Activities
	Sewer	Collection		Internal Service
				Fund
ASSETS				
Current assets:				
Cash and equivalents	\$ 160,643	\$ -	\$ 160,643	\$ -
Restricted cash and equivalents	709,663	-	709,663	-
Trade accounts receivable	607,358	248,152	855,510	-
Unbilled trade accounts	861,195	-	861,195	-
Other receivables	25,817	-	25,817	-
Due from other funds	1,965,740	-	1,965,740	-
Prepaid expenses	22,846	-	22,846	-
TOTAL CURRENT ASSETS	4,353,262	248,152	4,601,414	-
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	1,679,450	171,889	1,851,339	-
Accumulated depreciation	(10,161,322)	(217,385)	(10,378,707)	-
Total capital assets, net of accumulated depreciation	4,341,672	79,256	4,420,928	-
TOTAL NONCURRENT ASSETS	4,341,672	79,256	4,420,928	-
TOTAL ASSETS	8,694,934	327,408	9,022,342	-
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	225,762	-	225,762	-
OPEB related	26,056	-	26,056	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	251,818	-	251,818	-
LIABILITIES				
Current liabilities:				
Accounts payable	171,053	1,071	172,124	-
Unearned revenue - unearned collection fees	-	322,656	322,656	-
Accrued payroll and related expenses	40,741	-	40,741	-
Due to other funds	-	223,223	223,223	-
Customer deposits - restricted assets	406,817	-	406,817	-
Current portion of OPEB liability	14,572	-	14,572	-
Current portion of General Obligation Bonds - restricted assets	235,000	-	235,000	-
Current portion of capital lease payable	45,854	-	45,854	-
Accrued interest - restricted assets	67,846	-	67,846	-
TOTAL CURRENT LIABILITIES	981,883	546,950	1,528,833	-
Noncurrent liabilities:				
Capital lease payable	257,455	-	257,455	-
General obligation bonds	240,000	-	240,000	-
Pension liability	417,912	-	417,912	-
OPEB liability	352,670	-	352,670	-
TOTAL NONCURRENT LIABILITIES	1,268,037	-	1,268,037	-
TOTAL LIABILITIES	2,249,920	546,950	2,796,870	-
DEFERRED INFLOWS OF RESOURCES				
Pension related	262,327	-	262,327	-
TOTAL DEFERRED INFLOWS OF RESOURCES	262,327	-	262,327	-
NET POSITION				
Net investment in capital assets	3,798,363	79,256	3,877,619	-
Unrestricted net position	2,636,142	(298,798)	2,337,344	-
TOTAL NET POSITION	\$ 6,434,505	(\$ 219,542)	\$ 6,214,963	\$ -

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, 2020

	Business-Type Activities - Enterprise Funds			Governmental
	Water and Sewer	Waste Collection	Totals	Activities Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 4,615,057	\$ 1,929,964	\$ 6,545,021	\$ -
TOTAL OPERATING REVENUES	4,615,057	1,929,964	6,545,021	-
OPERATING EXPENSES				
Personal services	943,396	-	943,396	-
Contractual services	1,462,643	1,909,964	3,372,607	-
Materials and supplies	107,217	12,415	119,632	-
Repairs and maintenance	827,244	-	827,244	-
Depreciation	388,018	-	388,018	-
TOTAL OPERATING EXPENSES	3,728,518	1,922,379	5,650,897	-
INCOME (LOSS) FROM OPERATIONS	886,539	7,585	894,124	-
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets	50,000	-	50,000	-
Interest income	16,934	-	16,934	823
Interest and fiscal charges	(10,726)	-	(10,726)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	56,208	-	56,208	823
INCOME BEFORE TRANSFERS	942,747	7,585	950,332	823
Transfers in	-	-	-	762,523
Transfers out	(1,260,000)	-	(1,260,000)	-
CHANGE IN NET POSITION	(317,253)	7,585	(309,668)	763,346
NET POSITION (DEFICIT) - BEGINNING OF YEAR	6,751,758	(227,127)	6,524,631	(763,346)
NET POSITION (DEFICIT) - END OF YEAR	\$ 6,434,505	\$ (219,542)	\$ 6,214,963	\$ -

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, 2020

	Business-Type Activities - Enterprise Funds			Governmental
	Water and	Waste	Totals	Internal Service
	Sewer	Collection		Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,318,642	\$ 1,910,197	\$ 6,228,839	\$ -
Cash payments to suppliers for goods and services	(2,404,102)	(1,928,889)	(4,332,991)	(7,764)
Cash payments to employees for services	(724,979)	-	(724,979)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,189,561</u>	<u>(18,692)</u>	<u>1,170,869</u>	<u>(7,764)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Short-term loan to other funds	84,699	-	84,699	(755,582)
Payment on advances from other funds	-	18,692	18,692	-
Transfer to (from) other funds	(1,260,000)	-	(1,260,000)	762,523
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,175,301)</u>	<u>18,692</u>	<u>(1,156,609)</u>	<u>6,941</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(100,000)	-	(100,000)	-
Sale of capital assets	50,000	-	50,000	-
Principal paid on capital lease	(50,691)	-	(50,691)	-
Principal paid on bonds	(235,000)	-	(235,000)	-
Interest paid on bonds	(13,818)	-	(13,818)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(349,509)</u>	<u>-</u>	<u>(349,509)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on cash and equivalents	16,934	-	16,934	823
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>16,934</u>	<u>-</u>	<u>16,934</u>	<u>823</u>
NET (DECREASE) IN CASH AND EQUIVALENTS	<u>(318,315)</u>	<u>-</u>	<u>(318,315)</u>	<u>-</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,188,621</u>	<u>-</u>	<u>1,188,621</u>	<u>-</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 870,306</u>	<u>\$ -</u>	<u>\$ 870,306</u>	<u>\$ -</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO TOTAL CASH				
Cash and cash equivalents	\$ 160,643	\$ -	\$ 160,643	\$ -
Restricted cash	709,663	-	709,663	-
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 870,306</u>	<u>\$ -</u>	<u>\$ 870,306</u>	<u>\$ -</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
INCOME FROM OPERATIONS	\$ 886,539	\$ 7,585	\$ 894,124	\$ -
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	388,018	-	388,018	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(142,265)	(20,703)	(162,968)	-
(Increase) decrease in unbilled water usage	(175,250)	-	(175,250)	-
(Increase) decrease in other receivables	(1,714)	-	(1,714)	-
(Increase) decrease in prepaid expenses	(12,292)	-	(12,292)	-
(Increase) decrease in deferred outflows of resources - pension	644,983	-	644,983	-
(Increase) decrease in deferred outflows of resources - OPEB	(12,666)	-	(12,666)	-
Increase (decrease) in accounts payable	5,294	(6,510)	(1,216)	(7,764)
Increase (decrease) in accrued payroll and related expenses	13,760	-	13,760	-
Increase (decrease) in deferred revenue	-	936	936	-
Increase (decrease) in customer deposits	22,814	-	22,814	-
Increase (decrease) in net pension liability	(374,884)	-	(374,884)	-
Increase (decrease) in net OPEB liability	45,714	-	45,714	-
Increase (decrease) in deferred inflows of resources - pension	(98,490)	-	(98,490)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,189,561</u>	<u>\$ (18,692)</u>	<u>\$ 1,170,869</u>	<u>\$ (7,764)</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, 2020

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 1,460,787	\$ 694,163	\$ 2,154,950
Investments:			
U.S. agency obligations	511,132	135,912	647,044
U.S. treasuries	7,879,328	-	7,879,328
Corporate obligations	1,529,776	4,907,702	6,437,478
Insurance annuities	-	984,758	984,758
Common stock	7,880,775	4,858,405	12,739,180
Equity mutual funds	10,387,494	4,226,029	14,613,523
Receivables:			
Accrued interest	70,080	194	70,274
Due from City	138,506	198,313	336,819
Prepaid assets	-	1,729	1,729
TOTAL ASSETS	<u><u>\$ 29,857,878</u></u>	<u><u>\$ 16,007,205</u></u>	<u><u>\$ 45,865,083</u></u>

LIABILITIES AND NET POSITION

LIABILITIES			
Accounts payable	\$ -	\$ 10,819	\$ 10,819
NET POSITION			
Restricted - held in trust for pension benefits	<u>29,857,878</u>	<u>15,996,386</u>	<u>45,854,264</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 29,857,878</u></u>	<u><u>\$ 16,007,205</u></u>	<u><u>\$ 45,865,083</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, 2020

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Contributions - Employer	\$ 1,876,739	\$ 1,280,793	\$ 3,157,532
Contributions - Plan members	417,284	208,362	625,646
Other	94	17,295	17,389
Total contributions	<u>2,294,117</u>	<u>1,506,450</u>	<u>3,800,567</u>
Investment earnings:			
Interest and dividends earned	1,141,224	222,433	1,363,657
Change in fair market value	<u>(1,518,444)</u>	<u>(1,795,903)</u>	<u>(3,314,347)</u>
Total investment earnings	(377,220)	(1,573,470)	(1,950,690)
Less investment expenses	<u>(110,424)</u>	<u>(86,157)</u>	<u>(196,581)</u>
Net investment earnings	<u>(487,644)</u>	<u>(1,659,627)</u>	<u>(2,147,271)</u>
TOTAL ADDITIONS	<u>1,806,473</u>	<u>(153,177)</u>	<u>1,653,296</u>
DEDUCTIONS			
Administration	83,793	55,987	139,780
Benefit payments	<u>2,884,163</u>	<u>1,845,071</u>	<u>4,729,234</u>
TOTAL DEDUCTIONS	<u>2,967,956</u>	<u>1,901,058</u>	<u>4,869,014</u>
CHANGE IN NET POSITION	(1,161,483)	(2,054,235)	(3,215,718)
Net position, beginning of year	<u>31,019,361</u>	<u>18,050,621</u>	<u>49,069,982</u>
Net position, end of year	<u>\$ 29,857,878</u>	<u>\$ 15,996,386</u>	<u>\$ 45,854,264</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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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 and OPEB 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, 2020

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, 2020

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, 2020, along with the City’s plan to address those deficits is below:

<u>Fund</u>	<u>Deficit</u>	<u>City’s Plan to Address Deficit</u>
General Fund	\$ 3,832,254	Subsequent to 2020, 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>		
Zion-Newport Fire Station	28,424	Future revenue share will be adjusted to recover the deficit.
Motor Fuel Tax	162,678	Future expenses will be adjusted to eliminate the deficit using future revenues.
Capital Project Fund	10,010	Subsequent transfers will be budgeted to fund the deficit from the General Fund.
<u>Enterprise Funds</u>		
Waste Collection	219,542	The City plans on addressing water and garbage rate increases in the future.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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)
<u>General Fund</u>	\$ 21,305,044	\$ 22,154,193	\$ 23,079,308	\$ (925,115)
<u>Special Revenue Funds</u>				
911 Emergency Surcharge	\$ 88,000	\$ 61,500	\$ 19,985	\$ 41,515
Zion-Newport Fire Station	59,000	59,000	86,448	(27,448)
Emergency Service Rescue	550,742	550,742	714,217	(163,475)
Fire Protection Service	763,010	763,010	183,692	579,318
Street and Bridge	265,500	765,500	235,813	529,687
Illinois Municipal Retirement	363,474	363,474	326,822	36,652
FICA	362,285	362,285	350,444	11,841
Development TIF Area #3	1,049,595	1,052,095	203,353	848,742
Development TIF Area #4	75,502	75,502	75,938	(436)
Development TIF Area #5	19,500	124,500	19,516	104,984
Development TIF Area #6	19,500	122,750	69,675	53,075
Motor Fuel Tax	660,500	660,500	1,126,592	(466,092)
Liability Insurance	1,016,276	1,016,276	1,009,152	7,124
Drug Traffic Prevention	10,500	10,500	18,176	(7,676)
Industrial Development	442,042	442,042	436,200	5,842
Hotel/Motel Tax	104,075	104,075	101,005	3,070
	<u>\$ 5,849,501</u>	<u>\$ 6,533,751</u>	<u>\$ 4,977,028</u>	<u>\$ 1,556,723</u>
<u>Capital Projects Funds</u>				
Capital Projects Fund	\$ 1,010,258	\$ 650,000	\$ 955,646	\$ (305,646)
<u>Debt Service Funds</u>				
Area 3 South Sheridan Road				
Project (Debt Service)	\$ 196,095	\$ 196,095	\$ 195,559	\$ 536
Bond Debt Service	974,910	976,910	992,830	(15,920)
Series 2006 Water Bond	-	246,451	-	246,451
	<u>\$ 1,171,005</u>	<u>\$ 1,419,456</u>	<u>\$ 1,188,389</u>	<u>\$ 231,067</u>
Total Governmental Funds	<u>\$ 29,335,808</u>	<u>\$ 30,757,400</u>	<u>\$ 30,200,371</u>	<u>\$ 557,029</u>
<u>Enterprise Funds</u>				
Water and Sewer	\$ 4,594,514	\$ 6,376,263	\$ 4,999,244	\$ 1,377,019
Waste Collection	1,908,355	1,908,355	1,922,379	(14,024)
	<u>\$ 6,502,869</u>	<u>\$ 8,284,618</u>	<u>\$ 6,921,623</u>	<u>\$ 1,362,995</u>
Total All Funds	<u>\$ 35,838,677</u>	<u>\$ 39,042,018</u>	<u>\$ 37,121,994</u>	<u>\$ 1,920,024</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020, management asserts the City complied, in all material respects, with these revenue restrictions.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

As of April 30, 2020, a reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

	Carrying Value	Bank Balance
Checking accounts	\$ 1,272,596	\$ 2,054,764
Money market and savings accounts	873,237	873,237
Money market mutual funds - restricted	766,668	766,668
Cash with Escrow Agent	213,010	213,010
Illinois Funds	840,633	840,633
Cash on hand	1,011	-
Total	\$ 3,967,155	\$ 4,748,312

A reconciliation to the financial statements is shown below:

Statement of Net Position - governmental activities:

Cash and equivalents	\$ 3,096,849
Restricted cash and equivalents	979,678
Reconciled overdraft	(979,678)

Statement of Net Position - business-type activities:

Cash and equivalents	160,643
Restricted cash and equivalents	709,663
	\$ 3,967,155

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 \$2,145,833 and the bank balances totaled \$2,928,001. Of the bank balances, \$791,024 was covered by federal depository insurance, \$1,988,955 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, 2020

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, 2020, 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	\$ 766,668	\$ 766,668	\$ -	\$ -	\$ -
Illinois Funds	840,633	840,633	-	-	-
Total	\$ 1,607,301	\$ 1,607,301	\$ -	\$ -	\$ -

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, 2020 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.

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, 2020

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, 2020:

- Money Market Mutual Funds of \$766,668 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, 2020

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, 2020, 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	\$ 7,879,328	\$ 670,272	\$ 3,994,668	\$ 3,214,388	\$ -
U.S. Agencies	511,132	574	399,211	24,405	86,942
Corporate Bonds	1,529,776	473,751	792,905	263,120	-
Total	\$ 9,920,236	\$ 1,144,597	\$ 5,186,784	\$ 3,501,913	\$ 86,942

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 A3 to Aa2 by Moody’s and the investments in U.S. Agencies were rated Aaa by Moody’s. Investments in U.S. Treasuries 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, 2020, 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, 2020, 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 \$7,880,775 invested in common stocks.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020:

- Mutual Funds of \$10,387,494 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of \$7,880,775 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- U.S. Treasuries of \$7,879,328 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- U.S. Agency Obligations of \$511,132 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of \$1,529,776 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, 2020

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, 2020, 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	\$ 135,912	\$ -	\$ 6,009	\$ 805	\$ 129,098
Corporate Bonds	4,907,702	-	4,907,702	-	-
Total	\$ 5,043,614	\$ -	\$ 4,913,711	\$ 805	\$ 129,098

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 establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of U.S. Agency Obligations and Corporate Bonds were not rated. 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. The Pension Fund's investment policy requires that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default. At April 30, 2020, 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, 2020, 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's investment policy requires that investments shall be diversified to avoid incurring unreasonable risk from the practice of concentrating investments in specific security types and/or individual financial institutions. At year-end, the Fund does not have any investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of net position available for benefits.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020:

- Mutual Funds of \$4,226,029 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of \$4,858,405 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Insurance Annuities of \$984,758 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agency Obligations of \$135,912 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of \$4,907,702 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, 2020

NOTE D – ACCOUNTS RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Accounts Receivable

Receivables details at April 30, 2020, are as follows:

	Governmental Activities	Business-type Activities	Total
Trade accounts receivable	\$ 220,378	\$ 1,716,705	\$ 1,937,083
Other receivables/current assets	3,909,246	51,634	3,960,880
Allowance for doubtful accounts	(3,342,841)	(25,817)	(3,368,658)
Other receivable/current assets, net of allowance	566,405	25,817	592,222
Total receivables, net of allowance	<u>\$ 786,783</u>	<u>\$ 1,742,522</u>	<u>\$ 2,529,305</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, 2020, various components of deferred inflows reported in the governmental funds were as follows:

	Unavailable	Subsequent Year Tax Levy	Total
Property taxes	\$ -	\$ 8,850,370	\$ 8,850,370
Vehicle licenses	79,415	-	79,415
Veolia host fees	94,011	-	94,011
Other	348,120	-	348,120
	<u>\$ 521,546</u>	<u>\$ 8,850,370</u>	<u>\$ 9,371,916</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. 2019 taxes became an enforceable lien on January 1, 2020.

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, 2020

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 2020 was as follows:

- TIF #3 assessed valuation was \$4,961,441 and the tax extension was \$762,370.
- TIF #4 assessed valuation was \$515,816 and the tax extension was \$76,004.
- TIF #5 assessed valuation was \$1,808,087 and the tax extension was \$263,806.
- TIF #6 assessed valuation was \$1,681,619 and the tax extension was \$283,392.

Assessed Valuations, Rates, Extensions, and Collections

<u>TAX LEVY YEAR</u>	<u>2020</u>	<u>2019</u>
ASSESSED VALUATIONS	\$ 322,422,932	\$ 304,326,652
<u>TAX RATE/\$100 EAV</u>		
General Fund	0.348	0.296
Fire Fund	0.236	0.250
Street and Bridge Fund	0.068	0.072
IMRF	0.078	0.126
Social Security	0.106	0.146
Police Pension	0.638	0.622
Firemen's Pension	0.426	0.425
Emergency Rescue Squad	0.171	0.181
Liability Insurance Fund	<u>0.289</u>	<u>0.334</u>
TOTALS	<u>2.360</u>	<u>2.452</u>

TAX EXTENSIONS

<u>TAX LEVY YEAR</u>	<u>2020</u>	<u>2019</u>
Fiscal Year Collected	4/30/2020	4/30/2019
Purpose of Levy:		
General Fund	\$ 1,104,746	\$ 892,484
Fire Fund	748,234	753,263
Street and Bridge Fund	217,174	218,629
IMRF	246,989	378,554
Social Security	338,009	440,660
Police Pension	2,025,505	1,876,724
Firemen's Pension	1,352,709	1,280,798
Emergency Rescue Squad	541,997	545,650
Liability Insurance Fund	<u>915,890</u>	<u>1,006,864</u>
TOTAL	<u>\$ 7,491,253</u>	<u>\$ 7,393,626</u>
Collections		<u>\$ 7,356,657</u>
% of Collections		<u>99.50%</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE F – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended April 30, 2020 was as follows:

	Balance 5/1/2019	Additions	Deletions	Balance 4/30/2020
Capital assets not being depreciated:				
Land	\$ 6,399,958	\$ -	\$ -	\$ 6,399,958
Construction in progress	407,363	35,496	407,363	35,496
Total capital assets not being depreciated	<u>6,807,321</u>	<u>35,496</u>	<u>407,363</u>	<u>6,435,454</u>
Capital assets being depreciated:				
Building and improvements	12,085,667	-	-	12,085,667
Machinery and equipment	8,086,939	474,050	-	8,560,989
Roads and bridges	34,136,733	415,083	-	34,551,816
Total capital assets being depreciated	<u>54,309,339</u>	<u>889,133</u>	<u>-</u>	<u>55,198,472</u>
Less accumulated depreciation for:				
Buildings and improvements	7,422,008	322,281	-	7,744,289
Machinery and equipment	6,949,126	546,116	-	7,495,242
Road and bridges	10,888,049	691,036	-	11,579,085
Total accumulated depreciation	<u>25,259,183</u>	<u>1,559,433</u>	<u>-</u>	<u>26,818,616</u>
Total capital assets being depreciated, net	<u>29,050,156</u>	<u>(670,300)</u>	<u>-</u>	<u>28,379,856</u>
Governmental activities capital assets, net	<u>\$ 35,857,477</u>	<u>\$ (634,804)</u>	<u>\$ 407,363</u>	<u>\$ 34,815,310</u>

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

General government	\$ 1,514
Public health and safety	320,170
Public works and engineering	1,023,714
Economic development and promotion	214,035
Total depreciation expense - governmental activities	<u>\$ 1,559,433</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE G – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

Capital asset activity for business-type activities for the year ended April 30, 2020 was as follows:

	Balance 5/1/2019	Additions	Deletions	Balance 4/30/2020
Capital assets not being depreciated:				
Land	\$ 431,831	\$ -	\$ -	\$ 431,831
Capital assets being depreciated:				
Water mains and plant	12,516,465	-	-	12,516,465
Machinery and equipment	1,397,339	454,000	-	1,851,339
Total capital assets being depreciated	<u>13,913,804</u>	<u>454,000</u>	<u>-</u>	<u>14,367,804</u>
Less accumulated depreciation for:				
Water mains and plant	8,603,051	325,192	-	8,928,243
Machinery and equipment	1,387,638	62,826	-	1,450,464
Total accumulated depreciation	<u>9,990,689</u>	<u>388,018</u>	<u>-</u>	<u>10,378,707</u>
Total capital assets being depreciated, net	<u>3,923,115</u>	<u>65,982</u>	<u>-</u>	<u>3,989,097</u>
Business-type activities capital assets, net	<u>\$ 4,354,946</u>	<u>\$ 65,982</u>	<u>\$ -</u>	<u>\$ 4,420,928</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS

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

As of April 30, 2020, the City’s summarized pension related activities are summarized as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Illinois Municipal Retirement Fund	\$ 1,287,097	\$ 2,382,631	\$ 1,495,590
Police Pension Fund	29,822,024	66,545,081	6,337,396
Firefighter's Pension Fund	8,460,159	27,515,062	4,152,139
Total	<u>\$ 39,569,280</u>	<u>\$ 96,442,774</u>	<u>\$ 11,985,125</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.

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, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Employees Covered by Benefit Terms

As of April 30, 2020, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	101
Inactive Plan Members entitled to by not yet receiving benefits	32
Active plan members	43
Total	176

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 2019 was 8.23%. For the fiscal year ended April 30, 2019, the City of Zion contributed \$230,352 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, 2019. 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, 2019:

- 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 3.3% 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.
- For non-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 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, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Actuarial Assumptions (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:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	37.00%	5.75%
International Equity	18.00%	6.50%
Fixed Income	28.00%	3.25%
Real Estate	7.00%	5.20%
Alternative Investments	9.00%	3.60-7.60%
Cash Equivalents	1.00%	1.85%
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:

1. 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
2. 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 2.75%, and the resulting single discount rate is 7.25%.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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)
Balances at December 31, 2018	\$ 27,996,048	\$ 23,476,113	\$ 4,519,935
Changes for the year:			
Service Cost	287,737	-	287,737
Interest on the Total Pension Liability	1,978,452	-	1,978,452
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	717,740	-	717,740
Changes of Assumptions	-	-	-
Contributions - Employer	-	230,352	(230,352)
Contributions - Employee	-	162,301	(162,301)
Net Investment Income	-	4,533,603	(4,533,603)
Benefit Payments, including Refunds of Employee Contributions	(1,701,836)	(1,701,836)	-
Other (Net Transfer)	-	194,977	(194,977)
Balances at December 31, 2019	\$ 29,278,141	\$ 26,895,510	\$ 2,382,631

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)	\$ 6,025,666	\$ 2,382,631	\$ (598,207)

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020, the City of Zion, recognized pension expense of \$1,285,220. At April 30, 2020, the City of Zion reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 927,745	\$ (146,464)
Changes in assumptions	209,832	(170,987)
Net difference between projected and actual earnings on pension plan investments	-	(1,178,139)
Pension Contributions made subsequent to the Measurement Date	<u>149,520</u>	<u>-</u>
Total Deferred Amounts Related to Pensions	<u>\$ 1,287,097</u>	<u>\$ (1,495,590)</u>

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:

Year Ending December 31	Amortization of Deferred Items
2021	\$ 379,539
2022	(257,484)
2023	94,327
2024	<u>(574,395)</u>
Total	<u>\$ (358,013)</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer 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 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 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 police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Employees Covered by Benefit Terms

As of April 30, 2020, the following employees were covered by the benefit terms:

	Police Pension
Retirees and Beneficiaries currently receiving benefits	47
Inactive Plan Members entitled to by not yet receiving benefits	1
Active plan members	44
Total	92

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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 and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended April 30, 2020, the City's contribution was 42.46% of covered payroll.

Actuarial Assumptions

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	4.35%
Long-Term Expected Rate of Return on Plan Assets	6.75%
High Quality 20 Year Tax-Exempt GO Bond Rate	2.56%
Projected Individual Salary Increases	3.75% - 7.76%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.25%
Inflation Rate Included	2.25%

Actuarial Assumptions (Demographic)

Mortality Table	L&A 2020 Illinois Police Mortality Rates
Retirement Rates	L&A 2020 Illinois Police Retirement Rates Capped at age 65
Disability Rates	L&A 2020 Illinois Police Disability Rates
Termination Rates	L&A 2020 Illinois Police Termination Rates
Percent Married	Active Members - 80.00%
	Retiree & Disabled Members: Based on Actual Spousal Data

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

Assumption Changes

The assumptions were changed from the prior year.

The High-Quality 20 Year Tax-Exempt General Obligation ("G.O.") Bond Rate assumption was changed from 3.79% to 2.56% for the current year. The underlying index used is The Bond Buyer 20-Bond G.O. Index as discussed in more detail later in this section. The choice of Index is unchanged from the prior year. The rate has been updated to the current Fiscal Year End based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 67 and Statement 68.

The Discount Rate used in the determination of the Total Pension Liability was changed from 5.61% to 4.35%. The Discount Rate is impacted by a couple of metrics. Any change in the underlying High-Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended Discount Rate.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Actuarial Assumptions (continued)

Assumption Changes (continued)

We performed a comprehensive study of Police Officers and Police Pension Funds in Illinois. We reviewed the results of the study as well as the demographic experience of the Fund. The actuarial assumptions were changed in the current year to the rates shown on the prior page of this report. The assumptions impacted include:

- Projected Individual Pay Increases
- Inflation Rate (CPI-U)
- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Termination Rates
- Disability Rates

In the current valuation, we have updated the marital assumption for retiree and disabled Members to the actual spousal data.

In the current valuation, we have reviewed the projected individual pay increases assumption to reflect the Collective Bargaining Agreement between the City of Zion, Illinois and the Illinois Fraternal Order of Police Labor Council for the period May 1, 2018 through April 30, 2021. The year over year step increases dictated by the wage schedule did change from the prior Collective Bargaining Agreement; therefore, we have updated the individual pay increases assumption.

In the current valuation, we have updated the Expected Rate of Return on Investments assumption from 7.00% to 6.75%.

The above stated assumption changes were made to better reflect the future anticipated experience of the Plan.

In addition, there are changes that can be made that impact the projection of the Plan Fiduciary Net Position. For example, changes in the Formal or Informal Funding Policy can impact the Discount Rate. Actual changes in the Plan Fiduciary Net Position from one year to the next can impact the projections as well.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Individual Pay Increases

Projected individual pay increases include a long-term average increase for inflation, average annual increases for promotions, and any additional increases for a step program. Projected individual pay increases for active Members hired at age 40 or older are assumed annual increases at the ultimate rate reduced by 50 basis points, without adjustments in early service years. Sample rates are as follows:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
0	7.76%	8	7.76%
1	7.76%	9	3.75%
2	7.76%	10	3.75%
3	7.76%	15	3.75%
4	7.76%	20	3.75%
5	7.76%	25	3.75%
6	7.76%	30	3.75%
7	7.76%	35	3.75%

Demographic Assumptions

Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Retiree Mortality follows the L&A Assumption Study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Other actuarial assumptions (demographic) rates are based on a review of the L&A Assumption Study for Police 2020.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Postemployment Benefit Changes

In the current year, we have updated the Plan benefit changes under PA-101-0610 (SB 1300), which went into effect on January 1, 2020. These legislative changes reflect modifications to the Tier II Plan Provisions. A summary of the changes is available upon request.

Eligibility for postemployment benefit increases is determined based on the Illinois Pension Code. Tier 1 Police retirees are provided with an annual increase of 3.00% of the current retirement benefits by statute when eligible. Tier 2 Police retirees are provided postemployment benefit increases based on the lesser of 3.00% of the original retirement benefits or 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 2019 was 256.8. The average increase in the CPI-U for September 1985 through September 2019 was 2.58% (on a compounded basis).

Expected Return on Pension Plan Investments

The Long-Term Expected Rate of Return 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 investment professionals that work with the Pension Fund. The table below illustrates the best estimate of Long-Term Expected Real Rates of Return developed for each of the major asset classes, adjusted for expected inflation.

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.

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income, Government	32.00%	3.25%	3.00%	0.25%
Corporate Investment Grade	8.00%	3.75%	3.00%	0.75%
Domestic Equities	48.00%	9.00%	3.00%	6.00%
International Developed	12.00%	8.50%	3.00%	5.50%
Cash and Equivalents	0.00%	3.00%	3.00%	0.00%
Total	<u>100.00%</u>			

Long-Term Expected Real Rates of Return 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 Long-Term Inflation Expectation is 3.00% and is included in the Long-Term Expected Rates of Return. The Long-Term Inflation Expectation is from the same source as the Long-Term Expected 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, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Expected Return on Pension Plan Investments (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. Higher volatility results in a greater difference.

The Municipal Bond Rate assumption is based on the Bond Buyer 20-Bond G.O. Index. The rate shown earlier in this section of the note is the April 30, 2020 rate. The 20-Bond G.O. 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 G.O. 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 indices 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 indices would yield if the bond was sold at par value. The indices are simple averages of the average estimated yields of the bonds.

Discount Rate

The Discount Rate used in the determination of the Total Pension Liability is based on a combination of the Expected Rate of Return on Plan Investments and the Municipal Bond Rate.

Cash flow projections were used to determine the extent to which the Plan's Projected Fiduciary Net Position will be able to cover Projected Benefit Payments. To the extent that Projected Benefit Payments are covered by the Plan's Projected Fiduciary 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 that Projected Benefit Payments are not covered by the Plan's Projected Fiduciary 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 earlier in this section of the report. The expected contributions are based on the funding policy of the Plan.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2019 to April 30, 2020:

	Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at May 1, 2019	\$ 71,628,665	\$ 31,019,361	\$ 40,609,304
Changes for the year:			
Service Cost	1,388,464	-	1,388,464
Interest on the Total Pension Liability	3,937,467	-	3,937,467
Actuarial Experience	1,367,028	-	1,367,028
Changes of Assumptions	20,634,062	-	20,634,062
Changes of Benefit Terms	331,436	-	331,436
Contributions - Employer	-	1,876,739	(1,876,739)
Contributions - Employees	-	417,284	(417,284)
Other	-	94	(94)
Net Investment Income	-	(487,644)	487,644
Benefit Payments, including Refunds of Employee Contributions	(2,884,163)	(2,884,163)	-
Administrative Expenses	-	(83,793)	83,793
Balances at April 30, 2020	\$ 96,402,959	\$ 29,857,878	\$ 66,545,081

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, 2020 are as follows:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 2,741,505	\$ (1,049,823)
Changes in assumptions	25,185,172	(5,287,573)
Net difference between projected and actual earnings on pension plan investments	1,895,347	-
Total Deferred Amounts Related to Pensions	\$ 29,822,024	\$ (6,337,396)

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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
2021	\$ 5,087,618
2022	5,229,301
2023	3,642,859
2024	2,991,143
2025	2,735,697
Thereafter	3,798,010
Total	\$ 23,484,628

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 (3.35%)	Current Discount (4.35%)	1% Increase (5.35%)
Net Pension Liability	\$ 86,042,600	\$ 66,545,081	\$ 51,669,798

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, 2020

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

The following is a summary of the Firefighters’ Pension Plan as provided for in Illinois State Statutes.

The Firefighters’ Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older 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 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service 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 percent 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 10 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 within 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, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighters retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Employees Covered by Benefit Terms

As of April 30, 2020, the following employees were covered by the benefit terms:

	Firefighters’ Pension
Retirees and Beneficiaries currently receiving benefits	31
Inactive Plan Members entitled to by not yet receiving benefits	-
Active plan members	26
Total	57

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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 and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90 percent of the past service cost by the year 2040. For the year-ended April 30, 2020, the City’s contribution was 52.51% of covered payroll.

Actuarial Assumptions

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	6.06%
Long-Term Expected Rate of Return on Plan Assets	6.50%
High Quality 20 Year Tax-Exempt GO Bond Rate	2.56%
Projected Individual Salary Increases	3.50% - 17.06%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Utilities)	2.25%
Inflation Rate Included	2.25%

Actuarial Assumptions (Demographic)

Mortality Table	Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data
Retirement Rates	100% of L&A 2020 Illinois Firefighters Retirement Rates Capped at Age 65
Disability Rates	100% of L&A 2020 Illinois Firefighters Termination Rates
Termination Rates	100% of L&A 2020 Illinois Firefighters Disability Rates
Percent Married	Active Members - 80%
	Retiree & Disabled Members – Based on Actual Spousal Data

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

Assumption Changes

The assumptions were changed from the prior year.

The High-Quality 20 Year Tax-Exempt General Obligation (“G.O.”) Bond Rate assumption was changed from 3.79% to 2.56% for the current year. The underlying index used is The Bond Buyer 20-Bond G.O. Index as discussed in more detail later in this section. The choice of Index is unchanged from the prior year. The rate has been updated to the current Fiscal Year End based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 67 and Statement 68.

The Discount Rate used in the determination of the Total Pension Liability was changed from 6.81% to 6.06%. The Discount Rate is impacted by a couple of metrics. Any change in the underlying High-Quality 20 Year Tax Exempt G.O. Bond Rate will impact the blended Discount Rate.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Assumption Changes (continued)

The City performed a comprehensive study of Firefighters and Firefighter Pension Funds in Illinois. We reviewed the results of the study as well as the demographic experience of the Fund. The actuarial assumptions were changed in the current year to the rates shown on the prior page of this report. The assumptions impacted include:

- Projected Individual Pay Increases
- Inflation Rate (CPI-U)
- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Termination Rates
- Disability Rates
- Marital Assumptions

In the current valuation, the City updated the marital assumption for retiree and disabled Members to the actual spousal data.

In the current valuation, the City has updated the Expected Rate of Return on Investments assumption from 7.00% to 6.50%.

The above stated assumption changes were made to better reflect the future anticipated experience of the Plan.

In addition, there are changes that can be made that impact the projection of the Plan Fiduciary Net Position. For example, changes in the Formal or Informal Funding Policy can impact the Discount Rate. Actual changes in the Plan Fiduciary Net Position from one year to the next can impact the projections as well.

Individual Pay Increases

Projected individual pay increases include a long-term average increase for inflation, average annual increases for promotions, and any additional increases for a step program. Projected individual pay increases for active Members hired at age 40 or older are assumed annual increases at the ultimate rate reduced by 50 basis points, without adjustments in early service years. Sample rates are as follows:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
0	17.06%	8	3.75%
1	12.34%	9	7.25%
2	8.19%	10	3.75%
3	7.47%	15	3.75%
4	3.75%	20	3.75%
5	3.75%	25	3.50%
6	14.00%	30	3.50%
7	3.75%	35	3.50%

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Demographic Assumptions

Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Retiree Mortality follows the L&A Assumption Study for Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Disabled Mortality follows the L&A Assumption Study for Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Other actuarial assumptions (demographic) rates are based on a review of the L&A Assumption Study for Firefighters 2020.

Postemployment Benefit Changes

In the current year, we have updated the Plan benefit changes under PA-101-0610 (SB 1300), which went into effect on January 1, 2020. These legislative changes reflect modifications to the Tier II Plan Provisions. A summary of the changes is available upon request.

Eligibility for postemployment benefit increases is determined based on the Illinois Pension Code. Tier 1 Firefighter retirees are provided with an annual increase of 3.00% of the current retirement benefits by statute when eligible. Tier 2 Firefighter retirees are provided postemployment benefit increases based on the lesser of 3.00% of the original retirement benefits or 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 2019 was 256.8. The average increase in the CPI-U for September 1985 through September 2019 was 2.58% (on a compounded basis).

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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 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 were provided two years ago by the investment professionals that work with the Pension Fund. The table below illustrates the best estimate of Long-Term Expected Real Rates of Return developed for each of the major asset classes, adjusted for expected inflation.

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

Long-Term Expected Real Rates of Return 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 Long-Term Inflation Expectation is 2.50% and is included in the Long-Term Expected Rates of Return. The Long-Term Inflation Expectation is from the same source as the Long-Term Expected 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. Higher volatility results in a greater difference.

Discount Rate

The Discount Rate used in the determination of the Total Pension Liability is based on a combination of the Expected Rate of Return on Plan Investments and the Municipal Bond Rate.

Cash flow projections were used to determine the extent to which the Plan’s Projected Fiduciary Net Position will be able to cover Projected Benefit Payments. To the extent that Projected Benefit Payments are covered by the Plan’s Projected Fiduciary 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 that Projected Benefit Payments are not covered by the Plan’s Projected Fiduciary 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 earlier in this section of the report. The expected contributions are based on the funding policy of the Plan. The funding policy is discussed in more detail in the *Funding Policy* section of this report.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2019 to April 30, 2020:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at May 1, 2019	\$ 36,796,581	\$ 18,050,621	\$ 18,745,960
Changes for the year:			
Service Cost	656,565	-	656,565
Interest on the Total Pension Liability	2,443,040	-	2,443,040
Changes of Benefit Terms	159,716	-	159,716
Actuarial Experience	543,695	-	543,695
Changes of Assumptions	4,756,922	-	4,756,922
Contributions - Employer	-	1,280,793	(1,280,793)
Contributions - Employees	-	208,362	(208,362)
Contributions - Other	-	17,295	(17,295)
Net Investment Income	-	(1,659,627)	1,659,627
Benefit Payments, including Refunds of Employee Contributions	(1,845,071)	(1,845,071)	-
Administrative Expenses	-	(55,987)	55,987
Balances at April 30, 2020	\$ 43,511,448	\$ 15,996,386	\$ 27,515,062

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, 2020 are as follows:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 773,444	\$ (223,664)
Changes in assumptions	5,603,345	(3,928,475)
Net difference between projected and actual earnings on pension plan investments	2,083,370	-
Total Deferred Amounts Related to Pensions	\$ 8,460,159	\$ (4,152,139)

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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
2021	\$ 1,023,368
2022	1,142,176
2023	860,207
2024	673,003
2025	68,801
Thereafter	540,465
Total	\$ 4,308,020

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 (5.06%)	Current Discount (6.06%)	1% Increase (7.06%)
Net Pension Liability	\$ 34,288,115	\$ 27,515,062	\$ 22,060,569

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, 2020

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, 2020.

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	112	
Total	120	

Net OPEB Liability

The City’s net OPEB liability was measured as of April 30, 2020, 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	<p><u>IMRF Employees and Retirees:</u> Rates from the December 31, 2019 IMRF Actuarial Valuation Report.</p> <p><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.</p> <p><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.</p> <p><u>Firefighter Employees and Retirees:</u> RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020</p> <p><u>Police Employees and Retirees:</u> RP 2014 Mortality Table (BCHA) with Mortality Improvement using Scale MP-2020.</p>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE I – OTHER POSTEMPLOYMENT BENEFITS (continued)

Postretirement Health Plan (continued)

Discount rate

The discount rate used to measure the total OPEB liability was 2.85 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, 2019 measurement was 3.21%.

Changes in the Net OPEB Liability

	Net OPEB Liability
Balance at April 30, 2019	\$ 4,652,589
Changes for the year:	
Service Cost	66,245
Interest on total OPEB Liability	146,249
Changes of Benefit Terms	-
Change in Assumptions	193,397
Difference Between Expected and Actual Experience	-
Contributions - Employee	-
Net Investment Income	-
Effect of assumptions changes or inputs	-
Benefit Payments	(193,062)
Other Changes	-
Net Changes	212,829
Balance at April 30, 2020	\$ 4,865,418

Measurement of the total OPEB Liability at April 30, 2020 was affected by a change in discount rate since the previous measurement date. The discount rate used in the April 30, 2019 measurement was 3.21% and was updated to 2.85% for the April 30, 2020 measurement.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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 (1.85%)	Current (2.85%)	1% Increase (3.85%)
Total OPEB Liability	\$ 4,391,493	\$ 4,865,418	\$ 5,422,312

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	\$ 5,468,053	\$ 4,865,418	\$ 4,350,314

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

For the year ended April 30, 2020, the City recognized OPEB expense of \$254,442. At April 30, 2020, 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	\$ 345,210	\$ -
Total	\$ 345,210	\$ -

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
2021	\$ 41,948
2022	41,948
2023	41,948
2024	41,948
2025	41,948
Thereafter	135,470
	\$ 345,210

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE J – LONG-TERM LIABILITIES

The following is a summary of governmental activities long-term liabilities for the year ended April 30, 2020:

	5/1/2019	Increases	Retirements	4/30/2020	Current Portion
Other Liabilities:					
Accrued Vacation Liability	\$ 627,696	\$ -	\$ 28,247	\$ 599,449	\$ 599,449
Capital Lease	50,178	-	16,381	33,797	16,942
Net OPEB Liability	4,331,061	345,606	178,490	4,498,177	178,490
Net Pension Liability - IMRF	3,727,139	-	1,762,420	1,964,719	-
Net Pension Liability - Police	40,611,014	25,934,067	-	66,545,081	-
Net Pension Liability - Fire	18,745,960	8,769,102	-	27,515,062	-
Long-Term Obligations:					
General Obligation Limited Tax Debt Certificates, Series 2007	705,000	-	225,000	480,000	235,000
General Obligation Bonds, Series 2012 (Special Tax Allocation Fund Alternate Revenue Source)	1,220,000	-	385,000	835,000	405,000
General Obligation Refunding Bonds, Series 2013 (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Bonds)	190,000	-	190,000	-	-
General Obligation Taxable Debt Certificates, Series 2014	125,000	-	125,000	-	-
General Obligation Limited Tax Debt Certificates, Series 2016	107,039	-	107,039	-	-
Note Payable - July 20, 2017 - Misc. Equipment	873,126	-	206,749	666,377	214,254
Note Payable - July 20, 2017 - Fire Equipment	426,198	-	40,862	385,336	42,352
Note Payable - Public Works	-	230,345	-	230,345	42,562
Note Payable - September 1, 2019 - Squad Cars	-	228,000	-	228,000	42,188
General Obligation Refunding Bonds, Series 2017 (Area 3 South Sheridan Rd, Special Tax Allocation Fund Alternate Revenue Bonds)	3,140,000	-	-	3,140,000	160,000
Discount on Long-Term Liabilities	(10,746)	-	(10,746)	-	-
Governmental Long-Term Liability Totals	\$ 74,868,665	\$ 35,507,120	\$ 3,254,442	\$ 107,121,343	\$ 1,936,237

The following is a summary of business-type activities long-term liabilities for the year ended April 30, 2020:

	5/1/2019	Increases	Retirements	4/30/2020	Current Portion
Net Pension Liability	\$ 792,796	\$ -	\$ 374,884	\$ 417,912	\$ -
Net OPEB Liability	321,528	60,286	14,572	367,242	14,572
Note Payable - September 1, 2019 - Vactor Street Truck	-	354,000	50,691	303,309	45,854
General Obligation Refunding Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2015	710,000	-	235,000	475,000	235,000
Business-Type Long-Term Liability Totals	\$ 1,824,324	\$ 414,286	\$ 675,147	\$ 1,563,463	\$ 295,426

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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
2021	\$ 16,942	\$ 1,178	\$ 18,120
2022	16,855	599	17,454
	<u>\$ 33,797</u>	<u>\$ 1,777</u>	<u>\$ 35,574</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
2021	\$ 235,000	\$ 20,640	\$ 255,640
2022	245,000	10,535	255,535
	<u>\$ 480,000</u>	<u>\$ 31,175</u>	<u>\$ 511,175</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
2021	\$ 405,000	\$ 50,100	\$ 455,100
2022	430,000	25,800	455,800
	<u>\$ 835,000</u>	<u>\$ 75,900</u>	<u>\$ 910,900</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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
2021	\$ 235,000	\$ 6,185	\$ 241,185
2022	240,000	2,076	242,076
	<u>\$ 475,000</u>	<u>\$ 8,261</u>	<u>\$ 483,261</u>

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 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
2021	\$ 214,254	\$ 24,189	\$ 238,443
2022	222,032	16,412	238,444
2023	230,091	8,352	238,443
	<u>\$ 666,377</u>	<u>\$ 48,953</u>	<u>\$ 715,330</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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
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	48,872	7,525	56,397
2026-2029	157,568	11,623	169,191
	<u>\$ 385,336</u>	<u>\$ 65,840</u>	<u>\$ 451,176</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
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	180,000	111,491	291,491
2026-2030	1,015,000	447,418	1,462,418
2031-2035	1,275,000	190,149	1,465,149
	<u>\$ 3,140,000</u>	<u>\$ 1,249,198</u>	<u>\$ 4,387,193</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, 2020

NOTE J – LONG-TERM LIABILITIES (continued)

General Obligation Debt (continued)

General Obligation Note Payable, Vactor Street Truck

On September 1, 2019, the City acquired a vactor street truck through a municipal financing agreement in the amount of \$354,000 with an interest rate of 4.00%, payable March 1 each year, commencing March 1, 2020.

Year Ending April 30,	Principal	Interest	Total
2021	\$ 45,854	\$ 11,799	\$ 57,653
2022	47,638	10,015	57,653
2023	49,491	8,162	57,653
2024	51,416	6,237	57,653
2025	53,416	4,237	57,653
2026	55,494	2,159	57,653
	<u>\$ 303,309</u>	<u>\$ 42,609</u>	<u>\$ 345,918</u>

General Obligation Note Payable, Squad Car

On September 1, 2019, the City acquired a squad car through a municipal financing agreement in the amount of \$228,000 with an interest rate of 4.00%, payable March 1 each year, commencing September 1, 2020.

Year Ending April 30,	Principal	Interest	Total
2021	\$ 42,188	\$ 8,869	\$ 51,057
2022	43,829	7,228	51,057
2023	45,534	5,523	51,057
2024	47,305	3,752	51,057
2025	49,144	1,912	51,056
	<u>\$ 228,000</u>	<u>\$ 27,284</u>	<u>\$ 255,284</u>

General Obligation Note Payable, DPW Equipment

On October 1, 2019, the City acquired DPW equipment through a municipal financing agreement in the amount of \$230,345 with an interest rate of 4.00%, payable October 1 each year, commencing October 1, 2020.

Year Ending April 30,	Principal	Interest	Total
2021	\$ 42,562	\$ 9,122	\$ 51,684
2022	44,248	7,436	51,684
2023	46,000	5,684	51,684
2024	47,822	3,862	51,684
2025	49,713	1,971	51,684
	<u>\$ 230,345</u>	<u>\$ 28,075</u>	<u>\$ 258,420</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020 was \$26,248,174. Total debt outstanding at year-end was \$6,777,164.

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, 2020, interfund receivables, payables, and advances consisted of the following:

Fund	Due from/ Advance to Other Funds	Due to/ Advance from Other Funds
General Fund:		
Development TIF Area #3	\$ -	\$ 2,091,658
Water and Sewer Fund	-	1,742,517
Nonmajor Governmental Funds	<u>226,152</u>	<u>-</u>
Subtotal	<u>226,152</u>	<u>3,834,175</u>
Development TIF Area #3:		
General Fund	<u>2,091,658</u>	<u>-</u>
Nonmajor Governmental:		
General fund	<u>-</u>	<u>226,152</u>
Water and Sewer		
General Fund	1,742,517	-
Waste Collection	<u>223,223</u>	<u>-</u>
Subtotal	<u>1,965,740</u>	<u>-</u>
Waste Collection		
Water and Sewer Fund	<u>-</u>	<u>223,223</u>
Total	<u>\$ 4,283,550</u>	<u>\$ 4,283,550</u>

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, 2020

NOTE K – INTERFUND TRANSACTIONS AND BALANCES (continued)

Transfers:

The following transfers were made during the year ended April 30, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Nonmajor Governmental Funds	\$ 2,407,171	\$ 1,694,756
Water and Sewer	1,260,000	-
Internal Service Fund	-	762,523
Subtotal	<u>3,667,171</u>	<u>2,457,279</u>
TIF Area #3 Fund:		
General Fund	-	202,903
Subtotal	<u>-</u>	<u>202,903</u>
Nonmajor Governmental:		
General Fund	-	1,694,756
Nonmajor Governmental	2,333,946	1,148,702
Subtotal	<u>2,333,946</u>	<u>2,843,458</u>
Water and Sewer		
General Fund	-	1,260,000
Subtotal	<u>-</u>	<u>1,260,000</u>
Internal Service Fund		
General Fund	762,523	-
Subtotal	<u>762,523</u>	<u>-</u>
Total	<u>\$ 6,763,640</u>	<u>\$ 6,763,640</u>
Reconciliation of Transfer Activity:		
Governmental Funds Transfer In		\$ 6,001,117
Governmental Funds Transfer Out		(5,503,640)
Proprietary Funds Transfer Out		(1,260,000)
Internal Service Fund Transfer In		762,523
Total		<u>\$ -</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, 2020

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
911 Emergency Surcharge	Law	\$ 1,721
Street and Bridge	Law	82,049
Illinois Municipal Retirement	Law	223,168
FICA	Law	130,240
Liability Insurance	Law	15,791
Development TIF Area # 3	Law	3,391,198
Development TIF Area # 5	Law	395,133
Development TIF Area # 6	Law	71,706
Audit	Law	13,935
Drug Traffic Prevention	Law	128,885
Cable Commission	Law	21,571
Hotel/Motel Tax	Law	186,310
Total Restricted Net Position for Other Purposes		<u>\$ 4,661,707</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	\$ 34,815,310	\$ 4,420,928
Net of related debt:		
Capital leases	(33,797)	(303,309)
Bonds payable	(5,965,058)	(475,000)
Current portion of bonds payable - offset by restricted cash	-	235,000
Net investment in capital assets	<u>\$ 28,816,455</u>	<u>\$ 3,877,619</u>

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

NOTE M – FUND BALANCES

Categories

At April 30, 2020, the City's fund balance was classified as follows:

	General	Development TIF Area #3	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepays	\$ 93,695	\$ -	\$ -	\$ 93,695
Total Nonspendable	<u>93,695</u>	<u>-</u>	<u>-</u>	<u>93,695</u>
Restricted for:				
911 Emergency Surcharge	-	-	1,721	1,721
Street and Bridge	-	-	82,049	82,049
Illinois Municipal Retirement	-	-	223,168	223,168
FICA	-	-	130,240	130,240
Liability Insurance	-	-	15,791	15,791
Development TIF Area #3	-	3,391,198	-	3,391,198
Development TIF Area #5	-	-	395,133	395,133
Development TIF Area #6	-	-	71,706	71,706
Audit	-	-	13,935	13,935
Drug Traffic Prevention	-	-	128,885	128,885
Cable Commission	-	-	21,571	21,571
Hotel/Motel Tax	-	-	186,310	186,310
Total Restricted	<u>-</u>	<u>3,391,198</u>	<u>1,270,509</u>	<u>4,661,707</u>
Total Unassigned	<u>(3,925,949)</u>	<u>-</u>	<u>(201,112)</u>	<u>(4,127,061)</u>
Total Fund Balance	<u>\$ (3,832,254)</u>	<u>\$ 3,391,198</u>	<u>\$ 1,069,397</u>	<u>\$ 628,341</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.

CITY OF ZION, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended April 30, 2020

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, 2020:

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, 2020, 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.

NOTE P – 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 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 5, 2020, the City issued an installment note in the amount of \$337,363 through Municipal Fund Solutions, LLC for the purpose of acquiring radio system equipment, programming, and support accessories. The installment note is payable in three payments annually of principal and interest on May 5th beginning in May 5, 2021. Interest is charged at an interest rate of 3.50%.

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.

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, 2020

	2019	2018	2017	2016	2015
Total Pension Liability:					
Service Cost	\$ 287,737	\$ 302,795	\$ 403,172	\$ 400,712	\$ 400,246
Interest	1,978,452	1,806,975	1,846,207	1,718,507	1,647,031
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	717,740	1,899,069	(639,940)	755,076	(49,812)
Changes in Assumptions	-	773,212	(747,089)	(31,512)	29,814
Benefit Payments and Refunds	(1,701,836)	(1,455,198)	(1,215,314)	(1,128,585)	(959,228)
Net Change in Total Pension Liability	1,282,093	3,326,853	(352,964)	1,714,198	1,068,051
Total Pension Liability - Beginning	27,996,048	24,669,195	25,022,159	23,307,961	22,239,910
Total Pension Liability - Ending	\$ 29,278,141	\$ 27,996,048	\$ 24,669,195	\$ 25,022,159	\$ 23,307,961
Plan Fiduciary Net Position:					
Contributions - Employer	\$ 230,352	\$ 337,100	\$ 344,341	\$ 418,762	\$ 423,590
Contributions - Member	162,301	228,319	150,296	172,083	166,767
Net Investment Income	4,533,603	(1,465,485)	3,927,023	1,420,627	106,598
Benefit Payments and Refunds	(1,701,836)	(1,455,198)	(1,215,314)	(1,128,585)	(959,228)
Administrative Expense	-	-	-	-	-
Other	194,977	689,428	(391,294)	340,042	(137,792)
Net Change in Plan Fiduciary Net Position	3,419,397	(1,665,836)	2,815,052	1,222,929	(400,065)
Plan Fiduciary Net Position - Beginning	23,476,113	25,141,949	22,326,897	21,103,968	21,504,033
Plan Fiduciary Net Position - Ending	\$ 26,895,510	\$ 23,476,113	\$ 25,141,949	\$ 22,326,897	\$ 21,103,968
Employer Net Pension Liability - Ending	\$ 2,382,631	\$ 4,519,935	\$ (472,754)	\$ 2,695,262	\$ 2,203,993
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.86%	83.86%	101.92%	89.23%	90.54%
Covered-Employee Payroll	\$ 2,798,936	\$ 2,991,124	\$ 3,340,331	\$ 3,824,059	\$ 3,705,950
Employer Net Pension Liability as a Percentage of Covered Employee-Payroll	85.13%	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, 2020

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 230,352	\$ 337,100	\$ 344,388	\$ 411,851	\$ 423,590
Contributions in Relation to the Actuarially Determined Contribution	230,352	337,100	344,341	418,762	423,590
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 47	\$ (6,911)	\$ -
Covered-Employee Payroll	\$ 2,798,936	\$ 2,991,124	\$ 3,340,331	\$ 3,824,059	\$ 3,705,950
Contribution as a Percentage of Covered-Employee Payroll	8.23%	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	3.35% to 14.25% including inflation
Investment Rate of Return	7.50%
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, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service Cost	\$ 1,388,464	\$ 1,541,063	\$ 1,566,029	\$ 1,487,348	\$ 1,685,418	\$ 1,065,992
Interest	3,937,467	3,755,712	3,611,903	3,668,567	2,331,132	3,218,200
Changes of Benefit Terms	329,726	-	-	-	-	-
Differences Between Expected and Actual Experience	1,367,028	467,240	(60,713)	2,718,796	(3,136,070)	-
Changes in Assumptions	20,634,062	(2,202,511)	(1,313,982)	(6,470,509)	22,812,214	-
Benefit Payments and Refunds	(2,884,163)	(2,708,988)	(2,542,027)	(2,473,281)	(2,343,098)	(2,044,692)
Net Change in Total Pension Liability	24,772,584	852,516	1,261,210	(1,069,079)	21,349,596	2,239,500
Total Pension Liability - Beginning	71,630,375	70,777,859	69,516,649	70,585,728	49,236,132	46,996,632
Total Pension Liability - Ending	\$ 96,402,959	\$ 71,630,375	\$ 70,777,859	\$ 69,516,649	\$ 70,585,728	\$ 49,236,132
Plan Fiduciary Net Position:						
Contributions - Employer	\$ 1,876,739	\$ 1,571,516	\$ 1,339,134	\$ 1,241,303	\$ 1,149,486	\$ 995,843
Contributions - Member	417,284	439,080	432,908	466,547	409,829	414,277
Net Investment Income	(487,644)	2,047,467	2,151,230	2,552,325	(384,359)	2,127,421
Benefit Payments and Refunds	(2,884,163)	(2,708,988)	(2,542,027)	(2,473,280)	(2,343,098)	(2,044,692)
Administrative Expense	(83,793)	(101,473)	(66,686)	(90,475)	(71,945)	(45,356)
Other	94	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(1,161,483)	1,247,602	1,314,559	1,696,420	(1,240,087)	1,447,493
Plan Fiduciary Net Position - Beginning	31,019,361	29,771,759	28,457,200	26,760,780	28,000,867	26,553,374
Plan Fiduciary Net Position - Ending	\$ 29,857,878	\$ 31,019,361	\$ 29,771,759	\$ 28,457,200	\$ 26,760,780	\$ 28,000,867
Employer Net Pension Liability - Ending	\$ 66,545,081	\$ 40,611,014	\$ 41,006,100	\$ 41,059,449	\$ 43,824,948	\$ 21,235,265
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.97%	43.30%	42.06%	40.94%	37.91%	56.87%
Covered Payroll	\$ 4,420,356	\$ 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	1505.42%	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, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,903,741	\$ 2,088,403	\$ 1,675,646	\$ 1,588,521	\$ 1,440,282	\$ 1,220,758
Contributions in Relation to the Actuarially Determined Contribution	1,876,739	1,571,516	1,339,134	1,241,303	1,149,486	995,843
Contribution Deficiency (Excess)	\$ 27,002	\$ 516,887	\$ 336,512	\$ 347,218	\$ 290,796	\$ 224,915
Covered Payroll	\$ 4,420,356	\$ 4,374,868	\$ 4,088,576	\$ 3,959,880	\$ 3,862,772	\$ 4,086,319
Contribution as a Percentage of Covered Payroll	42.46%	35.92%	32.75%	31.35%	29.76%	24.37%

Schedule of Investment Returns

<u>Fiscal Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2015	N/A
2016	(1.29%)
2017	10.03%
2018	7.32%
2019	6.61%
2020	(1.73%)

Notes to the Required Supplementary Information

Fiscal Year End for Reporting	April 30, 2020
Measurement Date	April 30, 2020
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, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service Cost	\$ 656,565	\$ 727,397	\$ 902,753	\$ 854,071	\$ 798,240	\$ 728,226
Interest	2,443,040	2,328,225	2,207,297	2,115,133	1,838,024	2,014,664
Changes of Benefit Terms	159,716	-	-	-	-	-
Differences Between Expected and Actual Experience	543,695	318,334	24,403	107,261	(669,214)	-
Changes in Assumptions	4,756,922	(1,650,912)	(4,273,524)	101,296	4,411,843	-
Benefit Payments and Refunds	(1,845,071)	(1,711,191)	(1,610,582)	(1,501,946)	(1,307,211)	(1,241,213)
Net Change in Total Pension Liability	6,714,867	11,853	(2,749,653)	1,675,815	5,071,682	1,501,677
Total Pension Liability - Beginning	36,796,581	36,784,728	39,534,381	37,858,566	32,786,884	31,285,207
Total Pension Liability - Ending	\$ 43,511,448	\$ 36,796,581	\$ 36,784,728	\$ 39,534,381	\$ 37,858,566	\$ 32,786,884
Plan Fiduciary Net Position:						
Contributions - Employer	\$ 1,280,793	\$ 1,264,861	\$ 995,811	\$ 984,602	\$ 932,135	\$ 789,443
Contributions - Member	208,362	231,183	236,304	227,494	236,113	229,193
Contributions - Other	17,295	-	-	5,889	-	-
Net Investment Income	(1,659,627)	1,502,448	933,003	1,628,916	(269,524)	901,009
Benefit Payments and Refunds	(1,845,071)	(1,711,191)	(1,610,582)	(1,501,946)	(1,307,211)	(1,241,213)
Administrative Expense	(55,987)	(49,451)	(58,083)	(50,496)	(51,006)	(31,266)
Prior Period Audit Adjustment	-	-	-	-	48,589	-
Net Change in Plan Fiduciary Net Position	(2,054,235)	1,237,850	496,453	1,294,459	(410,904)	647,166
Plan Fiduciary Net Position - Beginning	18,050,621	16,812,771	16,316,318	14,950,786	15,361,690	14,714,524
Plan Fiduciary Net Position - Ending	\$ 15,996,386	\$ 18,050,621	\$ 16,812,771	\$ 16,245,245	\$ 14,950,786	\$ 15,361,690
Employer Net Pension Liability - Ending	\$ 27,515,062	\$ 18,745,960	\$ 19,971,957	\$ 23,289,136	\$ 22,907,780	\$ 17,425,194
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.76%	49.06%	45.71%	41.09%	39.49%	46.85%
Covered Payroll	\$ 2,439,298	\$ 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	1127.99%	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, 2020
(Unaudited)

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 1,299,222	\$ 1,233,162	\$ 1,022,182	\$ 1,328,578	\$ 1,188,404	\$ 1,047,048
Contributions in Relation to the Actuarially Determined Contribution	1,280,793	1,264,861	995,811	984,602	932,135	789,443
Contribution Deficiency (Excess)	<u>\$ 18,429</u>	<u>\$ (31,699)</u>	<u>\$ 26,371</u>	<u>\$ 343,976</u>	<u>\$ 256,269</u>	<u>\$ 257,605</u>
Covered Payroll	\$ 2,439,298	\$ 2,505,652	\$ 2,418,789	\$ 2,342,653	\$ 2,379,756	\$ 2,325,644
Contribution as a Percentage of Covered Payroll	52.51%	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%
2020	(8.77%)

Notes to the Required Supplementary Information

Fiscal Year End for Reporting	April 30, 2020
Measurement Date	April 30, 2020
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 1% Pay (Closed)
Inflation	2.50
Salary Increases	3.75-14.25
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, 2020
(Unaudited)

	2020	2019
Total OPEB Liability		
Service Cost	\$ 66,244	\$ 46,203
Interest on Total OPEB Liability	146,249	157,777
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes in Assumptions	193,397	215,528
Benefit Payments	(193,061)	(226,777)
Net Change in Total OPEB Liability	212,829	192,731
Total OPEB Liability, Beginning	4,652,589	4,459,858
Total OPEB Liability, Ending	\$ 4,865,418	\$ 4,652,589
Covered - Employee Payroll*	\$ 8,710,021	\$ 8,415,855
City's total OPEB Liability as a Percentage of Covered Employee Payroll	55.86%	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, 2020
(Unaudited)

	2020	2019
Actuarially determined contribution	\$ -	\$ -
Contribution in relation to the actuarially determined contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 8,710,021	\$ 8,415,855
Contributions as a percentage of covered employee payroll	0.00%	0.00%

Notes to the Required Supplementary Information

Valuation date:	May 1, 2018
Measurement date:	April 30, 2020
Actuarial cost method	Entry Age Normal
Discount rate	2.85%
Inflation Rate	3.00%
Salary rate increase	3.50%
Funded ratio	0.00%
Retirement age	<u>IMRF Employees</u> : Rates from the December 31, 2020 IMRF Actuarial Valuation Report. <u>Firefighter Employees</u> : Rates from the Zion Firefighters Pension Fund Actuarial Valuation Report as of May 1, 2020. <u>Police Employees</u> : Rates from the Zion Police Pension Fund Actuarial Valuation Report as of May 1, 2020.
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, 2020

	SPECIAL REVENUE FUNDS						FICA
	911 Emergency Surcharge	Zion - Newport Fire Station	Emergency Service Rescue	Fire Protection Service	Street and Bridge	Illinois Municipal Retirement	
ASSETS							
Cash and equivalents	\$ -	\$ 89	\$ -	\$ -	\$ 82,049	\$ 251,602	\$ 150,376
Restricted cash and equivalents	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	-	541,997	748,234	217,174	246,989	338,009
Other receivables and current assets	16,742	-	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 16,742	\$ 89	\$ 541,997	\$ 748,234	\$ 299,223	\$ 498,591	\$ 488,385
LIABILITIES							
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	304	28,513	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-	-
Due to other funds	14,717	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	28,434	20,136
TOTAL LIABILITIES	15,021	28,513	-	-	-	28,434	20,136
DEFERRED INFLOWS OF RESOURCES							
Subsequent year tax levy	-	-	541,997	748,234	217,174	246,989	338,009
Unavailable revenue	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	541,997	748,234	217,174	246,989	338,009
FUND BALANCES (DEFICITS)							
Restricted	1,721	-	-	-	82,049	223,168	130,240
Committed	-	-	-	-	-	-	-
Unassigned	-	(28,424)	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	1,721	(28,424)	-	-	82,049	223,168	130,240
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 16,742	\$ 89	\$ 541,997	\$ 748,234	\$ 299,223	\$ 498,591	\$ 488,385

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2020

	SPECIAL REVENUE FUNDS						
	Development TIF Area #1	Development TIF Area #5	Development TIF Area #4	Development TIF Area #6	Impact Fee Fund	Impact Fee Fire & Rescue	Motor Fuel Tax
ASSETS							
Cash and equivalents	\$ 189,719	\$ 395,133	\$ 185,843	\$ 71,706	\$ -	\$ -	\$ -
Restricted cash and equivalents	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	263,831	76,011	283,296	-	-	-
Other receivables and current assets	-	-	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	-	-	72,406
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 189,719	\$ 658,964	\$ 261,854	\$ 355,002	\$ -	\$ -	\$ 72,406
LIABILITIES							
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	189,719	-	185,843	-	-	-	31,641
Due to other governmental agencies	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	203,443
Accrued payroll	-	-	-	-	-	-	-
TOTAL LIABILITIES	189,719	-	185,843	-	-	-	235,084
DEFERRED INFLOWS OF RESOURCES							
Subsequent year tax levy	-	263,831	76,011	283,296	-	-	-
Unavailable revenue	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	263,831	76,011	283,296	-	-	-
FUND BALANCES (DEFICITS)							
Restricted	-	395,133	-	71,706	-	-	-
Committed	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(162,678)
TOTAL FUND BALANCES (DEFICITS)	-	395,133	-	71,706	-	-	(162,678)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 189,719	\$ 658,964	\$ 261,854	\$ 355,002	\$ -	\$ -	\$ 72,406

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2020

	SPECIAL REVENUE FUNDS							Total Special Revenue Funds
	Police Protection	Liability Insurance	Audit	Drug Traffic Prevention	Industrial Development	Cable Commission	Hotel/Motel Tax	
ASSETS								
Cash and equivalents	\$ -	\$ 15,791	\$ 13,935	\$ 192,730	\$ -	\$ 21,571	\$ 180,390	\$ 1,750,934
Restricted cash and equivalents	-	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	915,890	-	-	-	-	-	3,631,431
Other receivables and current assets	-	-	-	-	-	-	5,920	22,662
Due from other governmental agencies	-	-	-	-	-	-	-	72,406
Due from other funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 931,681	\$ 13,935	\$ 192,730	\$ -	\$ 21,571	\$ 186,310	\$ 5,477,433
LIABILITIES								
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	81	-	-	-	436,101
Due to other governmental agencies	-	-	-	63,764	-	-	-	63,764
Due to other funds	-	-	-	-	-	-	-	218,160
Accrued payroll	-	-	-	-	-	-	-	48,570
TOTAL LIABILITIES	-	-	-	63,845	-	-	-	766,595
DEFERRED INFLOWS OF RESOURCES								
Subsequent year tax levy	-	915,890	-	-	-	-	-	3,631,431
Unavailable revenue	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	915,890	-	-	-	-	-	3,631,431
FUND BALANCES (DEFICITS)								
Restricted	-	15,791	13,935	128,885	-	21,571	186,310	1,270,509
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(191,102)
TOTAL FUND BALANCES (DEFICITS)	-	15,791	13,935	128,885	-	21,571	186,310	1,079,407
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ -	\$ 931,681	\$ 13,935	\$ 192,730	\$ -	\$ 21,571	\$ 186,310	\$ 5,477,433

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2020

	DEBT SERVICE FUNDS					Total Nonmajor Governmental Funds
	Capital Projects	Area 3 South Sheridan Rd. Project	Bond Debt Service	Bond Series 2002B Road Bond	Bond Series 2003 Road Bond	
ASSETS						
Cash and equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,750,934.00
Restricted cash and equivalents	213,010	-	766,668	-	766,668	979,678
Taxes receivable, net of allowance	-	-	-	-	-	3,631,431
Other receivables and current assets	-	-	-	-	-	22,662
Due from other governmental agencies	-	-	-	-	-	72,406
Due from other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 213,010	\$ -	\$ 766,668	\$ -	\$ 766,668	\$ 6,457,111
LIABILITIES						
Reconciled overdraft	\$ 213,010	\$ -	\$ 766,668	\$ -	\$ 766,668	\$ 979,678
Accounts payable	2,018	-	-	-	-	438,119
Due to other governmental agencies	-	-	-	-	-	63,764
Due to other funds	7,992	-	-	-	-	226,152
Accrued payroll	-	-	-	-	-	48,570
TOTAL LIABILITIES	223,020	-	766,668	-	766,668	1,756,283
DEFERRED INFLOWS OF RESOURCES						
Subsequent year tax levy	-	-	-	-	-	3,631,431
Unavailable revenue	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	3,631,431
FUND BALANCES (DEFICITS)						
Restricted	-	-	-	-	-	1,270,509
Committed	-	-	-	-	-	-
Unassigned	(10,010)	-	-	-	-	(201,112)
TOTAL FUND BALANCES (DEFICITS)	(10,010)	-	-	-	-	1,069,397
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 213,010	\$ -	\$ 766,668	\$ -	\$ 766,668	\$ 6,457,111

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2020

	SPECIAL REVENUE FUNDS						
	911 Emergency Surcharge	Zion - Newport Fire Station	Emergency Service Rescue	Fire Protection Fund	Street and Bridge	Illinois Municipal Retirement	FICA
REVENUES							
Property taxes	\$ -	\$ -	\$ 546,883	\$ 754,950	\$ 219,107	\$ 379,420	\$ 441,611
Other taxes	-	-	-	-	-	-	-
Permits and other fees	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	25,546	-	-	-	89,883	-	-
TOTAL REVENUES	25,546	-	546,883	754,950	308,990	379,420	441,611
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public health and safety	19,985	28,513	-	-	-	-	-
Public works and engineering	-	-	-	-	235,813	326,822	350,444
Economic development and promotion	-	-	-	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
TOTAL EXPENDITURES	19,985	28,513	-	-	235,813	326,822	350,444
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,561	(28,513)	546,883	754,950	73,177	52,598	91,167
OTHER FINANCING SOURCES (USES)							
Proceeds from the issuance of notes payable	-	-	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	57,025	-	-	-	-	-
Transfers (out)	-	(57,935)	(714,217)	(183,692)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(910)	(714,217)	(183,692)	-	-	-
NET CHANGE IN FUND BALANCE	5,561	(29,423)	(167,334)	571,258	73,177	52,598	91,167
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(3,840)	999	167,334	(571,258)	8,872	170,570	39,073
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,721	\$ (28,424)	\$ -	\$ -	\$ 82,049	\$ 223,168	\$ 130,240

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2020

	SPECIAL REVENUE FUNDS						
	Development TIF Area #1	Development TIF Area #5	Development TIF Area #4	Development TIF Area #6	Impact Fee Fund	Impact Fee Fire & Rescue	Motor Fuel Tax
REVENUES							
Property taxes	\$ -	\$ 259,821	\$ 75,938	\$ 152,225	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-	905,537
Permits and other fees	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Interest	-	103	-	32	-	-	14,206
Miscellaneous	-	-	-	-	-	-	53,405
TOTAL REVENUES	-	259,924	75,938	152,257	-	-	973,148
EXPENDITURES							
Current:							
General government	-	-	-	50,175	-	-	-
Public health and safety	-	-	-	-	-	-	-
Public works and engineering	-	-	-	-	-	-	364,721
Economic development and promotion	-	16	75,938	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	372,609
TOTAL EXPENDITURES	-	16	75,938	50,175	-	-	737,330
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	259,908	-	102,082	-	-	235,818
OTHER FINANCING SOURCES (USES)							
Proceeds from the issuance of notes payable	-	-	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	(19,500)	-	(19,500)	-	-	(389,262)
TOTAL OTHER FINANCING SOURCES (USES)	-	(19,500)	-	(19,500)	-	-	(389,262)
NET CHANGE IN FUND BALANCE	-	240,408	-	82,582	-	-	(153,444)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	-	154,725	-	(10,876)	-	-	(9,234)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ 395,133	\$ -	\$ 71,706	\$ -	\$ -	\$ (162,678)

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2020

	SPECIAL REVENUE FUNDS							
	Police Protection	Liability Insurance	Audit	Drug Traffic Prevention	Industrial Development	Cable Commission	Hotel/Motel Tax	Total Special Revenue Funds
REVENUES								
Property taxes	\$ -	\$ 1,009,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,839,107
Other taxes	-	-	-	-	-	-	69,729	975,266
Permits and other fees	-	-	-	-	436,200	-	-	436,200
Intergovernmental	-	-	-	5,000	-	-	-	5,000
Interest	-	-	-	25	-	-	-	14,366
Miscellaneous	-	-	-	6,556	-	-	-	175,390
TOTAL REVENUES	-	1,009,152	-	11,581	436,200	-	69,729	5,445,329
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	50,175
Public health and safety	-	-	-	18,176	-	-	-	66,674
Public works and engineering	-	-	-	-	-	-	-	1,277,800
Economic development and promotion	-	-	-	-	-	-	87,005	162,959
Debt Service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	372,609
TOTAL EXPENDITURES	-	-	-	18,176	-	-	87,005	1,930,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	1,009,152	-	(6,595)	436,200	-	(17,276)	3,515,112
OTHER FINANCING SOURCES (USES)								
Proceeds from the issuance of notes payable	-	-	-	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	22,929	-	-	-	-	-	-	79,954
Transfers (out)	-	(1,009,152)	-	-	(436,200)	-	(14,000)	(2,843,458)
TOTAL OTHER FINANCING SOURCES (USES)	22,929	(1,009,152)	-	-	(436,200)	-	(14,000)	(2,763,504)
NET CHANGE IN FUND BALANCE	22,929	-	-	(6,595)	-	-	(31,276)	751,608
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(22,929)	15,791	13,935	135,480	-	21,571	217,586	327,799
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ 15,791	\$ 13,935	\$ 128,885	\$ -	\$ 21,571	\$ 186,310	\$ 1,079,407

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2020

	DEBT SERVICE FUNDS						Total Nonmajor Governmental Funds
	Capital Projects	Area 3 South Sheridan Rd. Project	Bond Debt Service	Bond Series 2002B Road Bond	Bond Series 2003 Road Bond	Total Debt Service Funds	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,839,107
Other taxes	-	-	-	-	-	-	975,266
Permits and other fees	-	-	-	-	-	-	436,200
Intergovernmental	75,000	-	-	-	-	-	80,000
Interest	-	2,656	7,915	15	10	10,596	24,962
Miscellaneous	-	-	-	-	-	-	175,390
TOTAL REVENUES	75,000	2,656	7,915	15	10	10,596	5,530,925
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	50,175
Public health and safety	-	-	-	-	-	-	66,674
Public works and engineering	-	-	-	-	-	-	1,277,800
Economic development and promotion	-	-	-	-	-	-	162,959
Debt Service:							
Principal retirement	371,031	190,000	735,000	-	-	925,000	1,296,031
Interest and fiscal charges	52,625	4,845	255,010	-	-	259,855	312,480
Bond issuance costs	-	714	2,820	-	-	3,534	3,534
Capital Outlay	531,990	-	-	-	-	-	904,599
TOTAL EXPENDITURES	955,646	195,559	992,830	-	-	1,188,389	4,074,252
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(880,646)	(192,903)	(984,915)	15	10	(1,177,793)	1,456,673
OTHER FINANCING SOURCES (USES)							
Proceeds from the issuance of notes payable	458,345	-	-	-	-	-	458,345
Proceeds from the sale of capital assets	17,000	-	-	-	-	-	17,000
Transfers in	424,000	192,903	984,915	389,262	262,912	1,829,992	2,333,946
Transfers (out)	-	-	-	-	-	-	(2,843,458)
TOTAL OTHER FINANCING SOURCES (USES)	899,345	192,903	984,915	389,262	262,912	1,829,992	(34,167)
NET CHANGE IN FUND BALANCE	18,699	-	-	389,277	262,922	652,199	1,422,506
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(28,709)	-	-	(389,277)	(262,922)	(652,199)	(353,109)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ (10,010)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,069,397

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 the City of Zion, Illinois (the City), as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2024. The financial statements of the City of Zion Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Zion Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund. 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 City'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.

Report on 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified 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 entity'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 2020-001 and 2020-003 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 schedule of findings and responses as item 2020-003 to be a significant deficiency.

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

Report on Compliance and Other Matters

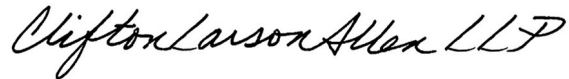
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

Government Auditing Standards requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
July 31, 2024

CITY OF ZION, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2020

2020 – 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; Prior Finding 2019-001

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.

2020 – 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; Prior Finding 2019-002

CITY OF ZION, ILLINOIS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2020

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.

2020 – 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; Prior Finding 2019-003

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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