CITY OF ZION, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Year Ended April 30, 2018

CITY OF ZION, ILLINOIS

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CLA (CliftonLarsonAllen LLP)
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zion, Illinois, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Zion, Illinois Police Pension Fund, whose statements reflect total assets of $29,775,734 as of April 30, 2018. We did not audit the financial statements of the City of Zion, Illinois Firefighters' Pension Fund, whose statements reflect total assets $16,820,639 as of April 30, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Zion, Illinois Police Pension Fund and the City of Zion, Illinois Firefighters' Pension Fund is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zion, Illinois as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note O, the City has suffered recurring losses from operations and has a deficit General Fund fund balance. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note O. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the City's 2017 financial statements and we expressed an unmodified opinion. The summarized comparative information is presented for the General Fund, Development TIF Area #1, Development TIF Area #3, and Fire Protection Fund presented herein as of and for the year ended April 30, 2017 is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wauwatosa, Wisconsin
September 21, 2020

BASIC FINANCIAL STATEMENTS

CITY OF ZION, ILLINOIS
STATEMENT OF NET POSITION
April 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	$ 4,083,548	$ 660,785	$ 4,744,333
Restricted cash and equivalents	-	616,631	616,631
Investments	199,694	781,408	981,102
Taxes receivable, net of allowance for uncollectables	8,256,259	-	8,256,259
Net trade accounts receivable	317,159	1,383,966	1,701,125
Other receivables and current assets	738,396	24,886	763,282
Due from other governmental agencies	1,195,948	-	1,195,948
Internal balances	(1,930,972)	1,930,972	-
Prepaid insurance	302,362	12,485	314,847
Net pension asset	393,000	79,754	472,754
Capital assets, net of accumulated depreciation	35,625,873	4,390,243	40,016,116
TOTAL ASSETS	49,181,267	9,881,130	59,062,397
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	19,428,027	80,859	19,508,886
Deferred charge on refunding	28,105	-	28,105
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,456,132	80,859	19,536,991

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	1,325,425	458,680	1,784,105
Due to other governmental agencies	103,021	-	103,021
Due to fiduciary funds	45,652	-	45,652
Accrued payroll	428,849	87,647	516,496
Unearned revenue	94,358	320,376	414,734
Customer deposits	-	321,463	321,463
Other liabilities	4,500	-	4,500
Accrued interest	174,428	65,168	239,596
Current portion of long-term obligations	2,734,007	230,000	2,964,007
Long-term obligations - net of current portion	68,579,189	710,000	69,289,189
TOTAL LIABILITIES	73,489,429	2,193,334	75,682,763
DEFERRED INFLOWS OF RESOURCES			
Pension related	13,715,348	371,777	14,087,125
Subsequent year tax levy	8,256,259	-	8,256,259
TOTAL DEFERRED INFLOWS OF RESOURCES	21,971,607	371,777	22,343,384
NET POSITION			
Net investment in capital assets	27,159,627	3,450,243	30,609,870
Restricted for:			
Net pension asset	393,000	79,754	472,754
Debt service	-	295,168	295,168
Other purposes	2,946,951	-	2,946,951
Unrestricted (deficit)	(57,323,215)	3,571,713	(53,751,502)
TOTAL NET POSITION	$ (26,823,637)	$ 7,396,878	$ (19,426,759)

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, 2018

		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	$ 1,740,708	$ 1,846,829	$ -	$ -	$ 106,121	$ -	$ 106,121
Public health and safety	20,654,661	1,235,272	18,447	90,582	(19,310,360)	-	(19,310,360)
Public works and engineering	4,328,033	85,913	632,754	362,957	(3,246,409)	-	(3,246,409)
Economic development and promotion	2,341,057	454,033	-	-	(1,887,024)	-	(1,887,024)
Debt service	554,477	-	-	-	(554,477)	-	(554,477)
Total governmental activities	29,618,936	3,622,047	651,201	453,539	(24,892,149)	-	(24,892,149)
Business-type activities:							
Water and sewer	3,866,331	4,594,638	-	-	-	728,307	728,307
Waste collection	1,821,837	1,929,477	-	-	-	107,640	107,640
Total business-type activities	5,688,168	6,524,115	-	-	-	835,947	835,947
Total primary government	$ 35,307,104	$ 10,146,162	$ 651,201	$ 453,539	(24,892,149)	835,947	(24,056,202)
		General revenues:					
		Property taxes			9,809,814	-	9,809,814
		Landfill hosting fees			2,235,707		
		Other taxes			7,287,596	-	7,287,596
		Interest			39,905	8,412	48,317
		Miscellaneous			98,060	-	98,060
		Transfers			200,000	(200,000)	-
		Total general revenues			19,671,082	(191,588)	17,243,787
		Change in net position			(5,221,067)	644,359	(4,576,708)
		Net position - beginning			(21,602,570)	6,752,519	(14,850,051)
		Net position - ending			$ (26,823,637)	$ 7,396,878	$ (19,426,759)

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

CITY OF ZION, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2018

ASSETS

	General	Special Revenue Funds: Development TIF Area #1	Special Revenue Funds: Development TIF Area #3	Special Revenue Funds: Fire Protection	Bond Debt Service	Nonmajor Governmental Funds
ASSETS						
Cash and equivalents	$ 54,396	$ 72,261	$ 2,307,185	$ -	$ -	$ 1,649,706
Investments	199,694	-	-	-	-	-
Taxes receivable, net of allowance	3,850,692	-	793,347	767,957	-	2,844,263
Utility taxes and franchise fees	317,159	-	-	-	-	-
Other receivables	694,961	-	-	-	-	43,435
Due from other governmental agencies	1,140,060	-	-	-	-	55,888
Due from other funds	705,240	-	-	-	-	-
Prepaid expenses	302,362	-	-	-	-	-
TOTAL ASSETS	$ 7,264,564	$ 72,261	$ 3,100,532	$ 767,957	$ -	$ 4,593,292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)						
LIABILITIES						
Accounts payable	$ 508,842	$ 72,261	$ 1,999	$ -	$ -	$ 131,442
Due to other governmental agencies	-	-	-	-	-	103,021
Due to other funds	1,930,972	-	-	571,258	-	94,549
Advance due to fiduciary funds	45,652	-	-	-	-	-
Accrued payroll	401,572	-	-	-	-	27,277
Unearned revenue	94,358	-	-	-	-	-
Other liabilities	4,500	-	-	-	-	-
TOTAL LIABILITIES	2,985,896	72,261	1,999	571,258	-	356,289
DEFERRED INFLOWS OF RESOURCES						
Subsequent year tax levy	3,850,692	-	793,347	767,957	-	2,844,263
Unavailable revenue	473,796	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,324,488	-	793,347	767,957	-	2,844,263
FUND BALANCE (DEFICIT)						
Nonspendable	302,362	-	-	-		-
Restricted	-	-	2,305,186	-		641,765
Committed	11,692	-	-	-		852,972
Unassigned	(359,874)	-	-	(571,258)	-	(101,997)
TOTAL FUND BALANCE (DEFICIT)	(45,820)	-	2,305,186	(571,258)	-	1,392,740
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	$ 7,264,564	$ 72,261	$ 3,100,532	$ 767,957	$ -	$ 4,593,292

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, 2018

Total fund balance - governmental funds		$ 3,080,848
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	$ 52,234,659	
Accumulated depreciation	(23,606,727)	
Net capital assets		35,625,873
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.		473,796
Internal service funds are used by management to charge the cost the City of Zion's self insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		(650,314)
Long-term assets and deferred outflows of resources are not related to the current period and, therefore, are not reported in the funds:		
Net pension asset		393,000
Loss on refunding		28,105
Pension activity		5,712,679
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	$ 7,115,540	
General obligation notes payable	1,538,256	
Capital lease obligations	66,018	
Accrued vacation	854,913	
Other post employment benefits	775,335	
Net pension liability	60,978,057	
Accrued interest	174,428	
Discount on general obligation bonds payable	(14,923)	
Total long-term liabilities		(71,487,624)
Net position of governmental activities		$ (26,823,637)

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, 2018

		Special Revenue Funds					
	General	Development TIF Area #1	Development TIF Area #3	Fire Protection	Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 3,414,029	$ 2,280,950	$ 716,695	$ 762,391	$ -	$ 2,635,749	$ 9,809,814
Other taxes	7,164,310	-	-	-	-	704,200	7,868,510
Charges for services	768,743	-	-	-	-	-	768,743
Permits and other fees	4,086,944	-	-	-	-	425,309	4,512,253
Intergovernmental	109,637	-	-	-	-	362,957	472,594
Fines and forfeitures	531,769	-	-	-	-	-	531,769
Interest	15,934	31	68	-	2,999	20,841	39,873
Sale of easement and other city property	8,224	-	-	-	-	-	8,224
Miscellaneous	71,608	-	-	-	-	62,641	134,249
TOTAL REVENUES	16,171,198	2,280,981	716,763	762,391	2,999	4,211,697	24,146,029
EXPENDITURES							
Current:							
General government	1,380,340	-	-	-	-	227,404	1,607,744
Public health and safety	14,952,570	-	-	-	-	434,792	15,387,362
Public works and engineering	2,438,517	-	-	-	-	666,161	3,104,678
Economic development and promotion	570,251	1,313,568	10,914	-	-	127,101	2,021,834
Debt Service:							
Principal retirement	-	-	-	-	3,685,000	1,147,422	4,832,422
Interest and fiscal charges	-	-	-	-	293,246	68,041	361,287
Bond issuance costs	-	-	-	-	116,433	-	116,433
Capital Outlay	19,654	2,248,547	143,775	-	-	1,391,759	3,803,735
TOTAL EXPENDITURES	19,361,332	3,562,115	154,689	-	4,094,679	4,062,680	31,235,495
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,190,134)	(1,281,134)	562,074	762,391	(4,091,680)	149,017	(7,089,466)
OTHER FINANCING SOURCES (USES)							
Issuance of notes payable	-	-	-	-	-	1,538,256	1,538,256
Issuance of refunding bonds	-	-	-	-	3,140,000	-	3,140,000
Transfers in	2,584,578	-	-	-	951,680	1,101,513	4,637,771
Transfers (out)	(1,152,884)	(9,000)	(197,791)	(762,391)	-	(2,315,705)	(4,437,771)
TOTAL OTHER FINANCING SOURCES (USES)	1,431,694	(9,000)	(197,791)	(762,391)	4,091,680	324,064	4,878,256
NET CHANGE IN FUND BALANCE	(1,758,440)	(1,290,134)	364,283	-	-	473,081	(2,211,210)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	1,712,620	1,290,134	1,940,903	(571,258)	-	919,659	5,292,058
FUND BALANCE (DEFICIT) - END OF YEAR	$ (45,820)	$ -	$ 2,305,186	$ (571,258)	$ -	$ 1,392,740	$ 3,080,848

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, 2018

Net change in fund balance - total governmental funds		$ (2,211,210)
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	$ 3,512,324	
Depreciation	(1,532,540)	
Capital outlay in excess of depreciation and dispositions		1,979,784
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	$ (66,925)	
(Increase)/decrease in compensated absences	12,332	
Pension expense	(4,951,516)	
Total expenses of non-current resources		(5,006,109)
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.		51,840
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.		
Bond principal issued	$ (3,140,000)	
Note principal issued	(1,538,256)	
Principal retirement	4,832,422	
Accrued interest	(48,702)	
Amortization of discounts and deferred amounts	(28,055)	
Net effect of bond activity		77,409
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.		(112,781)
Change in net position of governmental activities		$ (5,221,067)

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, 2018
(With Comparative Information for the Year Ended April 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Taxes	$ 8,586,485	$ 8,586,485	$ 10,578,339	$ 1,991,854	$ 10,190,367
Licenses, permits, and fees	4,723,395	4,723,395	4,086,944	(636,451)	4,197,100
Fines and forfeitures	478,000	478,000	531,769	53,769	623,172
Rental revenue	24,000	24,000	26,225	2,225	26,265
Charges for services	753,907	753,907	742,518	(11,389)	905,674
Intergovernmental	69,030	69,030	109,637	40,607	77,897
Donations and grants	-	-	10,050	10,050	57,244
Interest	3,500	3,500	15,934	12,434	5,490
Sale of easement and other city property	-	-	8,224	8,224	62,479
Miscellaneous	52,500	52,500	61,558	9,058	46,696
TOTAL REVENUES	14,690,817	14,690,817	16,171,198	1,480,381	16,192,384
EXPENDITURES					
General government	1,320,412	1,320,412	1,380,340	(59,928)	1,500,282
Public health and safety	11,893,495	11,893,495	14,972,224	(3,078,729)	13,908,697
Public works and engineering	2,466,308	2,466,308	2,438,517	27,791	2,781,966
Economic development and promotion	573,056	573,056	570,251	2,805	707,650
TOTAL EXPENDITURES	16,253,271	16,253,271	19,361,332	(3,108,061)	18,898,595
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,562,454)	(1,562,454)	(3,190,134)	(1,627,680)	(2,706,211)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	-	-	310,620
Transfers in	2,585,039	2,585,039	2,584,578	(461)	2,443,294
Transfers (out)	(1,226,133)	(1,226,133)	(1,152,884)	73,249	(1,305,014)
TOTAL OTHER FINANCING SOURCES (USES)	1,358,906	1,358,906	1,431,694	72,788	1,448,900
NET CHANGE IN FUND BALANCE	(203,548)	(203,548)	(1,758,440)	(1,554,892)	(1,257,311)
FUND BALANCE - BEGINNING OF YEAR	1,712,620	1,712,620	1,712,620	-	2,969,931
FUND BALANCE - END OF YEAR	$ 1,509,072	$ 1,509,072	($ 45,820)	$ (1,554,892)	$ 1,712,620

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 #1
For the Year Ended April 30, 2018
(With Comparative Information for the Year Ended April 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Property taxes	$ 2,391,761	$ 2,391,761	$ 2,280,950	$ (110,811)	$ 2,446,905
Interest	75	75	31	(44)	50
TOTAL REVENUES	2,391,836	2,391,836	2,280,981	(110,855)	2,446,955
EXPENDITURES					
Economic Development and Promotion:					
Contractual Services:					
Promotional	542,342	542,342	542,342	-	777,159
Surplus distributions	633,703	633,703	768,611	(134,908)	70,000
Legal and professional	5,750	5,750	2,615	3,135	4,447
Consultants	7,000	7,000	-	7,000	4,593
Miscellaneous	-	-	-	-	648
Total Contractual Services	1,188,795	1,188,795	1,313,568	(124,773)	856,847
Capital Outlay:					
Capital projects	2,494,505	2,494,505	2,248,547	245,958	74,145
Total Capital Outlay	2,494,505	2,494,505	2,248,547	245,958	74,145
TOTAL EXPENDITURES	3,683,300	3,683,300	3,562,115	121,185	930,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,291,464)	(1,291,464)	(1,281,134)	10,330	1,515,963
OTHER FINANCING SOURCES (USES)					
Transfers (out)	(9,000)	(9,000)	(9,000)	-	(609,253)
TOTAL OTHER FINANCING SOURCES (USES)	(9,000)	(9,000)	(9,000)	-	(609,253)
NET CHANGE IN FUND BALANCE	(1,300,464)	(1,300,464)	(1,290,134)	10,330	906,710
FUND BALANCE - BEGINNING OF YEAR	1,290,134	1,290,134	1,290,134	-	383,424
FUND BALANCE - END OF YEAR	$ (10,330)	$ (10,330)	$ -	$ 10,330	$ 1,290,134

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, 2018
(With Comparative Information for the Year Ended April 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Property taxes	$ 729,424	$ 729,424	$ 716,695	$ (12,729)	$ 780,854
Interest	75	75	68	(7)	50
TOTAL REVENUES	729,499	729,499	716,763	(12,736)	780,904
EXPENDITURES					
Economic Development and Promotion:					
Contractual Services:					
Legal	10,000	10,000	4,845	5,155	903
Consultants	3,000	3,000	5,000	(2,000)	2,735
Professional	1,750	1,750	1,069	681	1,350
Appraisal	2,500	2,500	-	2,500	-
Total Contractual Services	17,250	17,250	10,914	6,336	4,988
Capital Outlay:					
Capital projects	828,500	828,500	143,775	684,725	-
Total Capital Outlay	828,500	828,500	143,775	684,725	-
TOTAL EXPENDITURES	845,750	845,750	154,689	691,061	4,988
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(116,251)	(116,251)	562,074	678,325	775,916
OTHER FINANCING SOURCES (USES)					
Transfers out	(199,148)	(199,148)	(197,791)	1,357	(193,683)
TOTAL OTHER FINANCING SOURCES (USES)	(199,148)	(199,148)	(197,791)	1,357	(193,683)
NET CHANGE IN FUND BALANCE	(315,399)	(315,399)	364,283	679,682	582,233
FUND BALANCE - BEGINNING OF YEAR	1,940,903	1,940,903	1,940,903	-	1,358,670
FUND BALANCE - END OF YEAR	$ 1,625,504	$ 1,625,504	$ 2,305,186	$ 679,682	$ 1,940,903

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 – FIRE PROTECTION FUND
For the Year Ended April 30, 2018
(With Comparative Information for the Year Ended April 30, 2017)

	2018				2017
	Budgeted Amounts			Variance with Final Budget Positive	
	Original	Final	Actual	(Negative)	Actual
REVENUES					
Property taxes	$ 767,956	$ 767,956	$ 762,391	$ (5,565)	$ 771,286
TOTAL REVENUES	767,956	767,956	762,391	(5,565)	771,286
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	767,956	767,956	762,391	(5,565)	771,286
OTHER FINANCING SOURCES (USES)					
Transfers out	(767,956)	(767,956)	(762,391)	5,565	(771,286)
TOTAL OTHER FINANCING SOURCES (USES)	(767,956)	(767,956)	(762,391)	5,565	(771,286)
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	(571,258)	(571,258)	(571,258)	-	(571,258)
FUND BALANCE - END OF YEAR	$ (571,258)	$ (571,258)	$ (571,258)	$ -	$ (571,258)

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

CITY OF ZION, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Waste Collection	Totals	Internal Service Fund
ASSETS				
Current assets:				
Cash and equivalents	$ 455,020	$ 205,765	$ 660,785	$ -
Restricted cash and equivalents	616,631	-	616,631	-
Trade accounts receivable	479,242	220,588	699,830	-
Unbilled trade accounts	684,136	-	684,136	-
Other receivables	24,886	-	24,886	-
Due from other funds	1,930,972	-	1,930,972	-
Prepaid expenses	12,485	-	12,485	-
TOTAL CURRENT ASSETS	4,203,372	426,353	4,629,725	-
Noncurrent assets:				
Investments	781,408	-	781,408	-
Advance due from other funds	334,909	-	334,909	-
Net pension asset	79,754	-	79,754	-
Capital assets:				
Land	352,575	79,256	431,831	-
Buildings and improvements	-	45,496	45,496	-
Water mains and related infrastructure	12,328,377	-	12,328,377	-
Equipment	1,225,450	171,889	1,397,339	-
Accumulated depreciation	(9,595,415)	(217,385)	(9,812,800)	-
Total capital assets, net of accumulated depreciation	4,310,987	79,256	4,390,243	-
TOTAL NONCURRENT ASSETS	5,507,058	79,256	5,586,314	-
TOTAL ASSETS	9,710,430	505,609	10,216,039	-
DEFERRED OUTFLOWS OF RESOURCES				
Pension activity	80,859	-	80,859	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	80,859	-	80,859	-
LIABILITIES				
Current liabilities:				
Accounts payable	320,473	138,207	458,680	610,881
Unearned revenue - unearned collection fees	-	320,376	320,376	-
Accrued payroll and related expenses	87,647	-	87,647	-
Due to other funds	-	-	-	39,433
Customer deposits - restricted assets	321,463	-	321,463	-
Current portion of General Obligation Bonds - restricted assets	230,000	-	230,000	-
Accrued interest - restricted assets	65,168	-	65,168	-
TOTAL CURRENT LIABILITIES	1,024,751	458,583	1,483,334	650,314
Noncurrent liabilities:				
Advance due to other funds	-	334,909	334,909	-
General Obligation Bonds	710,000	-	710,000	-
TOTAL NONCURRENT LIABILITIES	710,000	334,909	1,044,909	-
TOTAL LIABILITIES	1,734,751	793,492	2,528,243	650,314
DEFERRED INFLOWS OF RESOURCES				
Pension activity	371,777	-	371,777	-
TOTAL DEFERRED INFLOWS OF RESOURCES	371,777	-	371,777	-
NET POSITION				
Net investment in capital assets	3,370,987	79,256	3,450,243	-
Restricted for:				
Pension asset	79,754	-	79,754	-
Bond retirement	295,168	-	295,168	-
Unrestricted net position	3,938,852	(367,139)	3,571,713	(650,314)
TOTAL NET POSITION	$ 7,684,761	$ (287,883)	$ 7,396,878	$ (650,314)

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, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Waste Collection	Totals	Internal Service Fund
OPERATING REVENUES				
Charges for services	$ 4,594,638	$ 1,929,477	$ 6,524,115	$ 2,495,821
TOTAL OPERATING REVENUES	4,594,638	1,929,477	6,524,115	2,495,821
OPERATING EXPENSES				
Personal services	1,102,431	-	1,102,431	-
Contractual services	1,307,705	1,812,457	3,120,162	-
Materials and supplies	81,957	9,380	91,337	-
Repairs and maintenance	1,157,598	-	1,157,598	-
Claims	-	-	-	2,609,224
Depreciation	186,646	-	186,646	-
TOTAL OPERATING EXPENSES	3,836,337	1,821,837	5,658,174	2,609,224
(LOSS) FROM OPERATIONS	758,301	107,640	865,941	(113,403)
NONOPERATING REVENUES (EXPENSES)				
Interest income	8,412	-	8,412	622
Interest and fiscal charges	(29,994)	-	(29,994)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(21,582)	-	(21,582)	622
INCOME BEFORE TRANSFERS	736,719	107,640	844,359	(112,781)
Transfers out	(200,000)	-	(200,000)	-
CHANGE IN NET POSITION	536,719	107,640	644,359	(112,781)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	7,148,042	(395,523)	6,752,519	(537,533)
NET POSITION (DEFICIT) - END OF YEAR	$ 7,684,761	$ (287,883)	$ 7,396,878	$ (650,314)

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, 2018

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	**Waste Collection**	**Totals**	**Internal Service Fund**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 4,622,700	$ 1,809,436	$ 6,432,136	$ -
Cash received from interfund charges for health insurance	-	-	-	2,495,821
Cash payments to suppliers for goods and services	(2,231,169)	(1,689,256)	(3,920,425)	(2,323,386)
Cash payments to employees for services	(1,089,048)	-	(1,089,048)	-
Cash payments from (to) other funds for services	(125,000)	125,000	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,177,483	245,180	1,422,663	172,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Short-term loan to other funds	(1,930,972)	-	(1,930,972)	-
Collections on advances to other funds	245,180	-	245,180	(173,057)
Payment on advances from other funds	-	(245,180)	(245,180)	-
Transfer to (from) other funds	(200,000)	-	(200,000)	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(1,885,792)	(245,180)	(2,130,972)	(173,057)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(129,011)	-	(129,011)	-
Principal paid on capital lease	(23,953)	-	(23,953)	-
Principal paid on bonds	(225,000)	-	(225,000)	-
Interest paid on bonds	(25,818)	-	(25,818)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(403,782)	-	(403,782)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investment activity	8,935	-	8,935	-
Interest on cash and equivalents	8,412	-	8,412	622
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,347	-	17,347	622
NET (DECREASE) IN CASH AND EQUIVALENTS	(1,094,744)	-	(1,094,744)	-
CASH AND EQUIVALENTS - BEGINNING OF YEAR	2,166,395	205,765	2,372,160	-
CASH AND EQUIVALENTS - END OF YEAR	$ 1,071,651	$ 205,765	$ 1,277,416	$ -

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

CITY OF ZION, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
For the Year Ended April 30, 2018

LIABILITIES

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

INCOME (LOSS) FROM OPERATIONS	$ 758,301	$ 107,640	$ 865,941	$ (113,403)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	186,646	-	186,646	-
Prior period adjustment			-	-
Amortization of bond discount	-	-	-	-
Changes in assets and liabilities:				
Decrease in accounts receivable	4,793	6,015	10,808	-
Decrease in unbilled water usage	15,118	-	15,118	-
Increase in other receivables	(12,741)	-	(12,741)	-
Decrease in inventory	46,000	-	46,000	559
Increase in prepaid expenses	(6,207)	-	(6,207)	-
Decrease in deferred outflows of resources - pension	248,647	-	248,647	-
Increase in accounts payable	151,298	132,581	283,879	285,279
Increase in accrued payroll and related expenses	4,431	-	4,431	-
Decrease in deferred revenue	-	(1,056)	(1,056)	-
Increase in customer deposits	20,892	-	20,892	-
Decrease in net pension asset (liability)	(602,365)	-	(602,365)	-
Increase in deferred inflows of resources - pension	362,670	-	362,670	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,177,483	$ 245,180	$ 1,422,663	$ 172,435

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, 2018

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and equivalents	$ 1,290,779	$ 2,038,356	$ 3,329,135
Investments:			
U.S. agency obligations	8,098,751	183,696	8,282,447
Corporate obligations	1,094,494	5,023,717	6,118,211
Insurance annuities	-	2,604,620	2,604,620
Common stock	7,544,067	2,562,490	10,106,557
Equity mutual funds	11,648,627	4,385,267	16,033,894
Receivables:			
Prepaid assets	-	1,651	1,651
Due from City	25,386	20,557	45,943
Accrued interest	73,630	285	73,915
TOTAL ASSETS	$ 29,775,734	$ 16,820,639	$ 46,596,373

LIABILITIES AND NET POSITION

	Police Pension	Firefighters' Pension	Total
LIABILITIES			
Accounts payable	$ 3,975	$ 7,607	$ 11,582
NET POSITION			
Restricted - held in trust for pension benefits	29,771,759	16,813,032	46,584,791
TOTAL LIABILITIES AND NET POSITION	$ 29,775,734	$ 16,820,639	$ 46,596,373

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, 2018

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions:			
Contributions - Employer	$ 1,339,134	$ 996,072	$ 2,335,206
Other	432,908	-	432,908
Contributions - Plan members	-	236,304	236,304
Total contributions	1,772,042	1,232,376	3,004,418
Investment earnings:			
Interest and dividends earned	925,985	207,528	1,133,513
Change in fair market value	1,314,672	806,701	2,121,373
Total investment earnings	2,240,657	1,014,229	3,254,886
Less investment expenses	89,427	81,226	170,653
Net investment earnings	2,151,230	933,003	3,084,233
TOTAL ADDITIONS	3,923,272	2,165,379	6,088,651
DEDUCTIONS			
Administration	66,686	58,083	124,769
Benefit payments	2,542,027	1,610,582	4,152,609
TOTAL DEDUCTIONS	2,608,713	1,668,665	4,277,378
CHANGE IN NET POSITION	1,314,559	496,714	1,811,273
Net position, beginning of year	28,457,200	16,316,318	44,773,518
Net position, end of year	$ 29,771,759	$ 16,813,032	$ 46,584,791

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

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.).

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 Statements 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:

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 #1** – Accounts for revenues and expenditures for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Development TIF Area #3** – Accounts for revenues and expenditures restricted for encouraging private and commercial redevelopment and investing through incremental property tax revenues.
- **Fire Protection** – Accounts for restricted revenues and expenditures of City fire protection efforts and is restricted for public safety use.
- **Bond Debt Service** – Accounts for the accumulation of funds for the periodic payment of principal and interest on outstanding bonds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Major and Nonmajor Funds (continued):

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.
- **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.
- **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.
- **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.
- **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:

- **Bond Series 2002B Road Bond** – Accounts restricted for the accumulation aof 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.
- **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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

Major and Nonmajor Funds (continued):

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.

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 inflows of resources, liabilities, and deferred outflows 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 inflows of resources, liabilities, and deferred outflows 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Modified Accrual (continued):

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.

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 J 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Amounts (continued)

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:

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 I for details on compensated absences.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued):

Deferred Outflows/Inflows of Resources:

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

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

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 I 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued):

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.

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 Equity of Individual Funds

The following funds had deficit fund equity as of April 30, 2018:

General Fund	$	45,820
Special Revenue Funds		
911 Emergency Surcharge		3,840
Street and Bridge		5,389
FICA		69,839
Police Protection		22,929
Fire Protection		571,258
Enterprise Funds		
Waste Collection		367,139
Internal Service Fund		650,314

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)
General Fund	$ 17,479,404	$ 23,876,177	$ 20,514,216	$ 3,361,961
Special Revenue Funds				
Development TIF Area #1	$ 3,692,300	$ 3,742,300	$ 3,571,115	$ 171,185
Development TIF Area #3	1,044,898	1,044,898	352,480	692,418
Fire Protection	767,956	767,956	762,391	5,565
911 Emergency Surcharge	180,000	180,000	124,707	55,293
Zion-Newport Fire Station	57,886	57,886	68,998	(11,112)
Emergency Service Rescue	556,305	556,305	552,285	4,020
Street and Bridge	266,880	766,880	197,469	569,411
Illinois Municipal Retirement Fund	393,125	443,125	348,562	94,563
FICA	401,276	451,276	372,213	79,063
Impact Fee Fund	-	-	300	(300)
Impact Fee Fire and Rescue Fund	-	-	500	(500)
Motor Fuel Tax	1,325,997	1,325,997	1,160,665	165,332
Development TIF Area #4	-	-	39,866	(39,866)
Development TIF Area #5	-	-	-	-
Police Protection	-	-	-	-
Liability Insurance	908,120	908,120	893,598	14,522
Audit	-	-	-	-
Drug Traffic Prevention	-	35,900	63,062	(27,162)
Industrial Development	418,235	419,061	424,509	(5,448)
Cable Commission	-	-	-	-
Hotel/Motel Tax	173,500	162,000	86,243	75,757
	$ 10,186,478	$ 10,861,704	$ 9,018,963	$ 1,842,741
Capital Projects Funds				
Capital Projects Fund	$ 2,083,336	$ 2,083,336	$ 1,197,990	$ 885,346
Debt Service Funds				
Area 3 South Sheridan Road Project (Debt Service)	$ 190,148	$ 200,148	$ 190,123	$ (190,123)
Bond Debt Service	1,021,853	1,073,853	4,094,679	(3,020,826)
Series 2002B Road Bond	394,110	404,110	394,085	10,025
Series 2003 Road Bond	263,235	273,235	263,210	10,025
	$ 1,869,346	$ 1,951,346	$ 4,942,097	$ (3,190,899)
Total Governmental Funds	$ 31,618,564	$ 38,772,563	$ 35,673,266	$ 2,899,149
Enterprise Funds				
Water and Sewer	$ 5,335,256	$ 5,242,048	$ 4,066,331	$ 1,175,717
Waste Collection	1,813,182	1,813,182	1,821,837	(8,655)
	$ 7,148,438	$ 7,055,230	$ 5,888,168	$ 1,167,062
Internal Service Fund	$ 2,345,159	$ 2,345,159	$ 2,609,224	$ (264,065)
Total All Funds	$ 41,112,161	$ 48,172,952	$ 44,170,658	$ 3,802,146

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, 2018, management asserts the City complied, in all material respects, with these revenue restrictions.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

As of April 30, 2018, a reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

	Carrying Value	Bank Balance
Checking accounts	$ 1,711,744	$ 1,967,478
Money market and savings accounts	354,120	354,120
Money market mutual funds - restricted	1,321,148	1,321,148
Cash with Escrow Agent	1,039,655	1,039,655
Certificates of deposit	981,102	981,102
Illinois Funds	933,247	933,247
Cash on hand	1,050	-
Total	$ 6,342,066	$ 6,596,750

A reconciliation to the financial statements is shown below:

Statement of Net Position - governmental activities:	
Cash and equivalents	$ 4,083,548
Investments	199,694
Statement of Net Position - business-type activities:	
Cash and equivalents	1,277,416
Investments	781,408
	$ 6,342,066

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 $2,065,864 and the bank balances totaled $2,321,054. Of the bank balances, $1,096,996 was covered by federal depository insurance, $1,224,058 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.

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, 2018, the City had the following investments subject to interest rate risk, including maturities:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1-5	6-10	Greater than 10
Money market mutual funds	$ 1,321,148	$ 1,321,148	$ -	$ -	$ -
Illinois Funds	933,247	933,247	-	-	-
Certificates of deposit	981,102	374,575	606,527	-	-
Total	$ 3,235,497	$ 2,628,970	$ 606,527	$ -	$ -

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, 2018 the Illinois Funds weighted average maturity is the dollar weighted maturity of all of the holding of the fund. This number represents the theoretical number of days before all of the investments would mature and thus be re-invested.

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

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

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, 2018:

- Money Market Mutual Funds of $933,247 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Certificates of Deposits of $981,102 are valued using a matrix pricing model (Level 2 inputs).

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, 2018, the Police Pension Fund had the following investments subject to interest rate risk, including maturities:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Treasuries	$ 7,664,488	$ 1,087,536	$ 4,979,133	$ 1,597,819	$ -
U.S. Agencies	434,263	453	284,383	31,923	117,504
Corporate Bonds	1,094,494	189,436	905,058	-	-
Total	$ 9,193,245	$ 1,277,425	$ 6,168,574	$ 1,629,742	$ 117,504

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 the U.S Agencies were all rated AA+ by Standard & Poor's and the corporate bonds were rated from A- to AA+ by Standard and Poor'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, 2018, 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, 2018, 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 $7,544,067 invested in common stocks.

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, 2018:

- Mutual Funds of $11,648,627 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of $7,544,067 was value using unadjusted quoted prices in active markets (Level 1 inputs).
- U.S. Treasuries of $7,664,488 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies of $434,263 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of $1,094,494 are valued using a matrix pricing model (Level 2 inputs).

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. The Pension Fund does not have a formal written policy with regards to limiting its exposure to interest rate risk.

As of April 30, 2018, the Firefighters' Pension Fund had the following investments subject to interest rate risk, including maturities:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1-5	6-10	Greater than 10
U.S. Agencies	$ 183,696	$ -	$ 10,182	$ 1,006	$ 172,508
Corporate Bonds	5,023,717	-	5,023,717	-	-
Total	$ 5,207,413	$ -	$ 5,033,899	$ 1,006	$ 172,508

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

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2018, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension Fund does not have a formal written policy with regards to requiring 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, 2018, the U.S. Government Agencies and the State and Local obligations are held by the counterparty in the trust department. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third-party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

Concentration of credit risk: This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. The Pension Fund does not have a formal written policy with regards to concentration credit risk for investments. At year-end, the Fund has over 5 percent of net plan position available for retirement benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) invested in Jackson National Variable Annuity of $886,338 and Pacific Life Variable Annuity of $1,146,635. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation. Additionally, the Pension Fund has $2,562,490 invested in common stocks and $2,604,620 invested in insurance annuities.

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, 2018:

- Mutual Funds of $4,385,267 are valued using unadjusted quoted prices in active markets (Level 1 inputs).
- Common Stocks of $2,562,490 was value using unadjusted quoted prices in active markets (Level 1 inputs).
- Insurance Annuities of $2,604,620 are valued using a matrix pricing model (Level 2 inputs).
- U.S. Agencies of $183,696 are valued using a matrix pricing model (Level 2 inputs).
- Corporate Bonds of $5,023,717 are valued using a matrix pricing model (Level 2 inputs).

NOTE D – ACCOUNTS RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Accounts Receivable

Receivables details at April 30, 2018, are as follows:

	Governmental Activities	Business-type Activities	Total
Trade accounts receivable	$ 317,159	$ 1,383,966	$ 1,701,125
Other receivables/current assets	1,988,035	49,772	2,037,807
Allowance for doubtful accounts	(1,249,639)	(24,886)	(1,274,525)
Other receivable/current assets, net of allowance	738,396	24,886	763,282
Total receivables, net of allowance	$ 1,055,555	$ 1,408,852	$ 2,464,407

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, 2018, various components of deferred inflows reported in the governmental funds were as follows:

	Unavailable	**Subsequent Year Tax Levy**	**Total**
Property taxes	$ -	$ 8,256,259	$ 8,256,259
Veolia host fees	171,285	-	171,285
Other	302,511	-	302,511
	$ 473,796	$ 8,256,259	$ 8,730,055

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. 2017 taxes became an enforceable lien on January 1, 2018.

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.

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 #1, #3, #4 and #5, 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 2018 was as follows:

TIF #3 assessed valuation was $4,664,585 and the tax extension was $797,334.
TIF #4 assessed valuation was $337,486 and the tax extension was $54,919.
TIF #5 assessed valuation was $958,681 and the tax extension was $154,642.

NOTE E – PROPERTY TAXES (continued)

General Property Taxes (continued)

Assessed Valuations, Rates, Extensions, and Collections

TAX LEVY YEAR	2018	2017
ASSESSED VALUATIONS	$ 289,754,519	$ 255,998,558
TAX RATE/$100 EAV		
General Fund	0.351	0.390
Fire Fund	0.266	0.301
Street and Bridge Fund	0.077	0.088
IMRF	0.134	0.190
Social Security	0.156	0.177
Police Pension	0.546	0.530
Firemen's Pension	0.439	0.394
Emergency Rescue Squad	0.193	0.218
Liability Insurance Fund	0.354	0.353
TOTALS	2.516	2.641

TAX EXTENSIONS

TAX LEVY YEAR	2018	2017
Fiscal Year Collected	4/30/2018	4/30/2017
Purpose of Levy:		
General Fund	$ 1,015,905	$ 999,541
Fire Fund	771,816	771,815
Street and Bridge Fund	224,001	223,999
IMRF	387,897	486,497
Social Security	451,478	453,747
Police Pension	1,581,356	1,355,686
Firemen's Pension	1,272,782	1,008,122
Emergency Rescue Squad	559,102	559,101
Liability Insurance Fund	1,026,516	904,673
TOTAL	$ 7,290,853	$ 6,763,181
Collections		$ 6,672,910
% of Collections		98.67%

NOTE F – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

Capital asset activity for governmental activities for the year ended April 30, 2018 was as follows:

	Balance 5/1/17	Additions	Deletions	Balance 4/30/18
Capital assets not being depreciated:				
Land	$ 6,399,958	$ -	$ -	$ 6,399,958
Construction in progress	216,975	41,468	216,975	41,468
Total capital assets not being depreciated	6,616,933	41,468	216,975	6,441,426
Capital assets being depreciated:				
Building and improvements	12,085,667	-	-	12,085,667
Machinery and equipment	6,484,413	809,860	-	7,294,273
Roads and bridges	30,556,678	2,877,971	-	33,434,649
Total capital assets being depreciated	49,126,758	3,687,831	-	52,814,589
Less accumulated depreciation for:				
Buildings and improvements	6,725,501	348,658	-	7,074,159
Machinery and equipment	5,835,480	515,189	-	6,350,669
Road and bridges	9,536,621	668,693	-	10,205,314
Total accumulated depreciation	22,097,602	1,532,540	-	23,630,142
Total capital assets being depreciated, net	27,029,156	2,155,291	-	29,184,447
Governmental activities capital assets, net	$ 33,646,089	$ 2,196,759	$ 216,975	$ 35,625,873

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

General government	$ 47,316
Public health and safety	285,276
Public works and engineering	985,914
Economic development and promotion	214,034
Total depreciation expense - governmental activities	$ 1,532,540

NOTE G – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

Capital asset activity for business-type activities for the year ended April 30, 2018 was as follows:

	Balance 5/1/17	Additions	Deletions	Balance 4/30/18
Capital assets not being depreciated:				
Land	$ 431,831	$ -	$ -	$ 431,831
Capital assets being depreciated:				
Water mains and plant	12,244,862	129,011	-	12,373,873
Machinery and equipment	1,397,339	-	-	1,397,339
Total capital assets being depreciated	13,642,201	129,011	-	13,771,212
Less accumulated depreciation for:				
Water mains and plant	8,281,424	159,031	-	8,440,455
Machinery and equipment	1,344,730	27,615	-	1,372,345
Total accumulated depreciation	9,626,154	186,646	-	9,812,800
Total capital assets being depreciated, net	4,016,047	(57,635)	-	3,958,412
Business-type activities capital assets, net	$ 4,447,878	$ (57,635)	$ -	$ 4,390,243

NOTE H – RETIREMENT FUND COMMITMENTS

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

As of April 30, 2018, the City's summarized pension related activities are summarized as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Illinois Municipal Retirement Fund	$ 472,754	$ 479,306	$ -	$ 2,203,775
Police Pension Fund	-	15,870,162	41,006,100	7,733,591
Firefighter's Pension Fund	-	3,159,418	19,971,957	4,149,759
Total	$ 472,754	$ 19,508,886	$ 60,978,057	$ 14,087,125

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 Comprehensive Annual 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.

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Employees Covered by Benefit Terms

As of April 30, 2018, the following employees were covered by the benefit terms:

	IMRF
Retirees and Beneficiaries currently receiving benefits	83
Inactive Plan Members entitled to by not yet receiving benefits	39
Active plan members	46
Total	168

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 2017 was 10.31%. For the fiscal year ended April 30, 2017, the City of Zion contributed $344,341 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, 2017. 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, 2017:

- The **Actuarial Cost Method** used was Aggregate Entry Age Normal.
- The **Asset Valuation Method** used was 5-year smoothed market; 20% corridor.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

- The **long-tern 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:

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

Single Discount Rate

A Single Discount Rate of 7.50% 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 7.50%, the municipal bond rate is 3.31%, and the resulting single discount rate is 7.50%.

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, 2016	$ 25,022,159	$ 22,326,897	$ 2,695,262
Changes for the year:			
Service Cost	403,172	-	403,172
Interest on the Total Pension Liability	1,846,207	-	1,846,207
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	(639,940)	-	(639,940)
Changes of Assumptions	(747,089)	-	(747,089)
Contributions - Employer	-	344,341	(344,341)
Contributions - Employees	-	150,296	(150,296)
Net Investment Income	-	3,927,023	(3,927,023)
Benefit Payments, including Refunds of Employee Contributions	(1,215,314)	(1,215,314)	-
Other (Net Transfer)	-	(391,294)	391,294
Balances at December 31, 2017	$ 24,669,195	$ 25,141,949	$ (472,754)

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 7.50%, 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% Lower (6.50%)	Current Discount (7.50%)	1% Higher (8.50%)
Net Pension Liability (Asset)	$ 2,540,751	$ (472,754)	$ (2,947,713)

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, 2018, the City of Zion, recognized pension expense of $555,982. At April 30, 2018, 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**
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	$ 357,218	$ (486,185)
Changes in assumptions	6,426	(569,963)
Net difference between projected and actual earnings on pension plan investments	-	(1,147,627)
Pension Contributions made subsequent to the Measurement Date	115,662	-
Total Deferred Amounts Related to Pensions	$ 479,306	$ (2,203,775)

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 April 30	**Amortization of Deferred Items**
2018	$ (300,659)
2019	(335,292)
2020	(745,339)
2021	(458,841)
Total	$ (1,840,131)

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund

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

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

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

Employees Covered by Benefit Terms

As of April 30, 2018, the following employees were covered by the benefit terms:

	Police Pension
Retirees and Beneficiaries currently receiving benefits	45
Inactive Plan Members entitled to by not yet receiving benefits	-
Active plan members	46
Total	91

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded. For the year ended April 30, 2018, the City's contribution was 32.75% of covered payroll.

Actuarial Assumptions

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	5.41%
Long-Term Expected Rate of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt GO Bond Rate	3.97%
Projected Individual Salary Increases	4.00% - 20.40%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Urban)	2.50%
Inflation Rate Included	2.50%

Actuarial Assumptions (Demographic)

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

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

Assumption Changes

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

The assumptions impacted include:
- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Disability Rates
- Termination Rates

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

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Actuarial Assumptions (continued)

Assumption Changes (continued)

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

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

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

Individual Pay Increases

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

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

Demographic Assumptions

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

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

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

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

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

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

Postemployment Benefit Changes

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

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

Expected Return on Pension Plan Investments

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

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

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

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

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

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

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Police Pension Fund (continued)

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

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

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

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

Discount Rate

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

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

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

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, 2017 to April 30, 2018:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at May 1, 2017	$ 69,516,649	$ 28,457,200	$ 41,059,449
Changes for the year:			
Service Cost	1,566,029	-	1,566,029
Interest on the Total Pension Liability	3,611,903	-	3,611,903
Actuarial Experience	(60,713)	-	(60,713)
Changes of Assumptions	(1,313,982)	-	(1,313,982)
Contributions - Employer	-	1,339,134	(1,339,134)
Contributions - Employees	-	432,908	(432,908)
Net Investment Income	-	2,151,230	(2,151,230)
Benefit Payments, including Refunds of Employee Contributions	(2,542,027)	(2,542,027)	-
Administrative Expenses	-	(66,686)	66,686
Balances at April 30, 2018	$ 70,777,859	$ 29,771,759	$ 41,006,100

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, 2018 are as follows:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	$ 1,968,782	$ (1,915,307)
Changes in assumptions	13,551,502	(5,818,284)
Net difference between projected and actual earnings on pension plan investments	349,878	-
Total Deferred Amounts Related to Pensions	$ 15,870,162	$ (7,733,591)

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
2019	$	2,238,941
2020		2,238,940
2021		1,776,049
2022		1,917,732
2023		331,294
Thereafter		(366,385)
Total	$	8,136,571

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% Lower (4.41%)		Current Discount (5.41%)		1% Higher (6.41%)
Net Pension Liability	$	53,211,531	$	41,006,100	$	31,369,201

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.

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Defined Benefit Pension Plan – Firefighters' Pension Fund

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

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

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

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service with the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at $106,800 for the calendar year of 2011, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e. ½% for each month under 55). The monthly benefit for a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, effective each January 1st 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, 2018, the following employees were covered by the benefit terms:

	Firefighters' Pension
Retirees and Beneficiaries currently receiving benefits	27
Inactive Plan Members entitled to by not yet receiving benefits	-
Active plan members	27
Total	54

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

Contributions

Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded, by the year 2040. For the year ended April 30, 2018, the City's contribution was 41.17% of covered payroll.

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

Actuarial Assumptions

Actuarial Assumptions (Economic)

Discount Rate used for the Total Pension Liability	6.48%
Long-Term Expected Rate of Return on Plan Assets	7.00%
High Quality 20 Year Tax-Exempt GO Bond Rate	3.97%
Projected Individual Salary Increases	3.75% - 14.25%
Projected Increase in Total Payroll	3.25%
Consumer Price Index (Utilities)	2.50%
Inflation Rate Included	2.50%

Actuarial Assumptions (Demographic)

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

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

Assumption Changes

There were no changes in assumptions from the prior year.

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

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

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

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

Individual Pay Increases

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

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

Demographic Assumptions

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

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

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

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

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

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

Postemployment Benefit Changes

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

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

Expected Return on Pension Plan Investments

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

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

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

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

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

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

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

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

Discount Rate

The discount rate of 6.48% used in the determination of the Total Pension Liability is based on a combination of the expected long-term rate of return on plan investments and the municipal bond rate.

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

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

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, 2017 to April 30, 2018:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at May 1, 2017	$ 39,534,381	$ 16,316,318	$ 23,218,063
Changes for the year:			
Service Cost	902,753	-	902,753
Interest on the Total Pension Liability	2,207,297	-	2,207,297
Changes of Benefit Terms	-	-	-
Actuarial Experience	24,403	-	24,403
Changes of Assumptions	(4,273,524)	-	(4,273,524)
Contributions - Employer	-	995,811	(995,811)
Contributions - Employees	-	236,304	(236,304)
Contributions - Other	-	-	-
Net Investment Income	-	933,003	(933,003)
Benefit Payments, including Refunds of Employee Contributions	(1,610,582)	(1,610,582)	-
Administrative Expenses	-	(58,083)	58,083
Balances at April 30, 2018	$ 36,784,728	$ 16,812,771	$ 19,971,957

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, 2018 are as follows:

Deferred Amounts Related to Pensions	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	$ 102,274	$ (401,884)
Changes in assumptions	2,725,830	(3,747,875)
Net difference between projected and actual earnings on pension plan investments	331,314	-
Total Deferred Amounts Related to Pensions	$ 3,159,418	$ (4,149,759)

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
2019	$	188,644
2020		188,644
2021		(79,671)
2022		39,137
2023		(242,835)
Thereafter		(1,084,260)
Total	$	(990,341)

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% Lower (5.48%)		Current Discount (6.48%)		1% Higher (7.48%)
Net Pension Liability	$	25,589,365	$	19,971,957	$	15,432,466

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.

NOTE H – RETIREMENT FUND COMMITMENTS (continued)

Other Post Employment Benefits

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. A separate, audited GAAP-basis post employment benefit plan report is not available.

The City's annual other post employment benefit (OPEB) cost is calculated on the annual required contribution (ARC). Actuarial calculations reflect a long-term perspective. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For fiscal year 2018, the City's annual OPEB cost was $291,549. The calculations are based on the OPEB benefits provided under the substantive plan in effect at the time of each evaluation of the pattern of sharing costs between the employer and plan members to this point.

Annual Required Contribution	$	303,971
Interest on Net OPEB Obligation		24,794
Adjustment to ARC		(37,215)
Annual OPEB Cost		291,550
Estimated Employer Contributions		(224,625)
Change in Net OPEB Obligation		66,925
Net OPEB Obligation - May 1, 2017		708,410
Net OPEB Obligation - April 30, 2018	$	775,335

		Actuarial Valuation Date 5/1/2016
Actuarial Accrued Liability (AAL)	$	4,724,360
Actuarial Value of Assets		-
Unfunded AAL	$	4,724,360
Funded Ratio		0.00%
Covered Payroll		N/A
AAL as % of Covered Payroll		N/A

Actuarial calculations are performed by the City triennially. In the actuarial valuation for the fiscal year ended April 30, 2018, the projected unit credit method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.00% initially, reduced by decrements to an ultimate of 5.00% by the fiscal year 2026. The Unfunded Accrued Actuarial Liability (equal to AAL) is being amortized as a level dollar of projected payrolls over 30 years. A discount rate of 3.50% was used. Probabilities of death for participants were according to the RP-2000 Combined Mortality Table for males and females with mortality improvement projected to 2016 using Scale AA. It was estimated that 10% of future retirees will elect medical coverage at retirement (100% of future retirees eligible for coverage under the Public Safety Employees Benefits Act (PSEBA) will elect it). Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

NOTE I – LONG-TERM LIABILITIES

The following is a summary of governmental activities long-term liabilities for the year ended April 30, 2018:

	5/1/2017	Increases	Retirements	4/30/2018	Current Portion
Other Liabilities:					
Accrued Vacation Liability	$ 867,245	$ 841,917	$ 854,249	$ 854,913	$ 854,913
Capital Lease	313,360	-	247,342	66,018	15,840
Net OPEB Obligation	708,410	291,550	224,625	775,335	-
Net Pension Liability - IMRF	2,172,651	-	2,172,651	-	-
Net Pension Liability - Police	41,059,449	-	53,349	41,006,100	-
Net Pension Liability - Fire	23,218,063	-	3,246,106	19,971,957	-
Long-Term Obligations:					
General Obligation Limited Tax Debt Certificates, Series 2007	1,125,000	-	205,000	920,000	215,000
General Obligation Bonds, Series 2012 (Special Tax Allocation Fund Alternate Revenue Source)	1,910,000	-	325,000	1,585,000	365,000
General Obligation Refunding Bonds, Series 2012B (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax) Receipts Alternate Revenue Bonds	760,000	-	375,000	385,000	385,000
General Obligation Refunding Bonds, Series 2012C (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax) Receipts Alternate Revenue Bonds	510,000	-	250,000	260,000	260,000
General Obligation Refunding Bonds, Series 2013 (Area 3 South Sheridan Road Special Tax Allocation Fund Alternate Revenue Bonds)	545,000	-	175,000	370,000	180,000
General Obligation Taxable Debt Certificates, Series 2014	3,400,000	-	3,155,000	245,000	120,000
General Obligation Limited Tax Debt Certificates, Series 2016	310,620	-	100,080	210,540	103,501
Note Payable - July 20, 2017 - Misc. Equipment	-	1,072,633	-	1,072,633	199,507
Note Payable - July 20, 2017 - Fire Equipment	-	465,623	-	465,623	39,425
General Obligation Refunding Bonds, Series 2017 (Area 3 South Sheridan Rd, Special Tax Allocation Fund Alternate Revenue Bonds)	-	3,140,000	-	3,140,000	-
Discount on Long-Term Liabilities	(42,978)	-	(28,055)	(14,923)	(4,179)
Governmental Long-Term Liability Totals	$ 76,856,820	$ 5,811,723	$ 11,355,347	$ 71,313,196	$ 2,734,007

The following is a summary of business-type activities long-term liabilities for the year ended April 30, 2018:

	5/1/2017	Increases	Retirements	4/30/2018	Current Portion
Capital Lease	$ 23,953	$ -	$ 23,953	$ -	$ -
Net Pension Liability	522,611	-	522,611	-	-
General Obligation Refunding Bonds (Waterworks and Sewerage System Alternate Revenue Source), Series 2015	1,165,000	-	225,000	940,000	230,000
Business-Type Long-Term Liability Totals	$ 1,711,564	$ -	$ 771,564	$ 940,000	$ 230,000

NOTE I – 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
2019	$ 15,840	$ 2,280	$ 18,120
2020	16,381	1,739	18,120
2021	16,942	1,178	18,120
2022	16,855	599	17,454
	$ 66,018	$ 5,796	$ 71,814

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
2019	$ 215,000	$ 39,340	$ 254,340
2020	225,000	30,203	255,203
2021	235,000	20,640	255,640
2022	245,000	10,535	255,535
	$ 920,000	$ 100,718	$ 1,020,718

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
2019	$ 365,000	$ 95,100	$ 460,100
2020	385,000	73,200	458,200
2021	405,000	50,100	455,100
2022	430,000	25,800	455,800
	$ 1,585,000	$ 244,200	$ 1,829,200

NOTE I – LONG-TERM LIABILITIES (continued)

General Obligation Debt (continued)

General Obligation Refunding Bonds (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax Receipts Alternate Revenue Source), Series 2012-B

General Obligation Bonds, Series 2012-B were issued on December 17, 2012 in the amount of $2,160,000 with an interest rate of 2.35%, payable June 30 and December 30 each year. Proceeds were used to refund the General Obligation Bonds (Motor Fuel Tax Road Bonds), Series 2002-B and to pay the related costs of issuance. These bonds are secured by (a) revenues from fees received by the City under the host agreement with Zion Energy LLC, (b) collections distributed to the City from taxes imposed by the State of Illinois pursuant to the Motor Fuel Tax Law, and (c) from taxes to be levied upon all of the taxable property in the City. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2019	$ 385,000	$ 9,048	$ 394,048
	$ 385,000	$ 9,048	$ 394,048

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $47,669. This difference, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2018 using the straight-line method. The advance refunding was completed to reduce its total debt service payments over the next 6 years by $129,381 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $72,654.

General Obligation Refunding Bonds (Combined Zion Energy LLC Agreement Fees and Motor Fuel Tax Receipts Alternate Revenue Source), Series 2012-C

General Obligation Bonds, Series 2012-C were issued on December 17, 2012 in the amount of $1,460,000 with an interest rate of 2.35%, payable June 30 and December 30 each year. Proceeds were used to refund the General Obligation Bonds (Motor Fuel Tax Road Bonds), Series 2003 and to pay the related costs of issuance. These bonds are secured by (a) revenues from fees received by the City under the host agreement with Zion Energy LLC, (b) collections distributed to the City from taxes imposed by the State of Illinois pursuant to the Motor Fuel Tax Law, and (c) from taxes to be levied upon all of the taxable property in the City. Debt service requirements to maturity are as follows:

Year Ending April 30,	Principal	Interest	Total
2019	$ 260,000	$ 6,110	$ 266,110
	$ 260,000	$ 6,110	$ 266,110

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $35,668. This difference, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2018 using the straight-line method. The advance refunding was completed to reduce its total debt service payments over the next 6 years by $28,771 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $3,919.

NOTE I – LONG-TERM LIABILITIES (continued)

General Obligation Debt (continued)

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

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

Year Ending April 30,	Principal	Interest	Total
2019	$ 180,000	$ 9,435	$ 189,435
2020	190,000	4,845	194,845
	$ 370,000	$ 14,280	$ 384,280

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $33,168. This difference, reported in the accompanying financial statements as a reduction to bonds payable, is being charged to operations through the year 2022 using the straight-line method. The advance refunding was completed to reduce its total debt service payments over the next 8 years by $44,932 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of ($38,475).

General Obligation Limited Tax Debt Certificates, Series 2014

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

Year Ending April 30,	Principal	Interest	Total
2019	$ 120,000	$ 8,698	$ 128,698
2020	125,000	4,438	129,438
	$ 245,000	$ 13,136	$ 258,136

NOTE I – 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
2019	$ 230,000	$ 14,273	$ 244,273
2020	235,000	10,250	245,250
2021	235,000	6,185	241,185
2022	240,000	2,076	242,076
	$ 940,000	$ 32,784	$ 972,784

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

General Obligation Limited Tax Debt Certificates, Series 2016

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

Year Ending April 30,	Principal	Interest	Total
2019	$ 103,501	$ 7,196	$ 110,697
2020	107,039	3,659	110,698
	$ 210,540	$ 10,855	$ 221,395

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
2019	$ 199,507	$ 38,937	$ 238,444
2020	206,749	31,694	238,443
2021	214,254	24,189	238,443
2022	222,032	16,412	238,444
2023	230,091	8,352	238,443
	$ 1,072,633	$ 119,584	$ 1,192,217

NOTE I – 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
2019	$ 39,425	$ 16,972	$ 56,397
2020	40,862	15,535	56,397
2021	42,352	14,045	56,397
2022	43,895	12,502	56,397
2023	45,495	10,902	56,397
Thereafter	253,594	28,391	281,985
	$ 465,623	$ 98,347	$ 563,970

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
2019	$ -	$ 132,069	$ 132,069
2020	-	132,069	132,069
2021	160,000	132,069	292,069
2022	165,000	127,749	292,749
2023	170,000	122,881	292,881
Thereafter	2,645,000	866,497	3,511,497
	$ 3,140,000	$ 1,513,334	$ 4,653,334

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 eceonomic loss on refunding using an effective interest rate of 4.30% was $208,661.

NOTE J – 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, 2018, interfund receivables, payables, and advances consisted of the following:

Fund	Due from/ Advance to Other Funds	Due to/ Advance from Other Funds
General Fund:		
Internal Service Fund	$ 39,433	$ -
Nonmajor Governmental Funds	665,807	-
Water and Sewer Fund	-	1,930,972
	705,240	1,930,972
Water and Sewer Fund:		
General Fund	1,930,972	-
Internal Service Fund:		
General fund	-	39,433
Nonmajor Governmental:		
General Fund	-	665,807
Total	$ 2,636,212	$ 2,636,212

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.

NOTE J – INTERFUND TRANSACTIONS AND BALANCES (continued)

Transfers:

The following transfers were made during the year ended April 30, 2018:

Fund	Transfer In	Transfer Out
General Fund:		
TIF Area #1 Fund	$ 9,000	$ -
TIF Area #3 Fund	9,000	-
Fire Protection	703,511	-
Bond Debt Service	-	951,680
Nonmajor Governmental Funds	1,663,067	201,204
Water and Sewer	200,000	-
	2,584,578	1,152,884
TIF Area #1 Fund:		
General Fund	-	9,000
	-	9,000
TIF Area #3 Fund:		
General Fund	-	9,000
Nonmajor Governmental Funds	-	188,791
	-	197,791
Fire Protection		
General Fund	-	703,511
Nonmajor Governmental	-	58,880
	-	762,391
Bond Debt Service		
General Fund	951,680	-
	951,680	-
Nonmajor Governmental:		
General Fund	201,204	1,663,067
TIF Area #3 Fund	188,791	-
Fire Protection	58,880	-
Nonmajor Governmental	652,638	652,638
	1,101,513	2,315,705
Water and Sewer		
General Fund	-	200,000
	-	200,000
Total	$ 4,637,771	$ 4,637,771

Transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, or (2) move receipts restricted to capital projects from funds collecting the receipts to the capital projects fund.

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

NOTE K – NET POSITION

The following table shows the City's net position restricted for other purposes as shown on the Statement of Net Position:

Activity	Restricted by	Amount
Debt service	Law	$ -
Zion-Newport Fire Station	Law	1,000
Emergency Service Rescue	Law	167,334
Illinois Municipal Retirement	Law	73,175
Motor Fuel Tax	Law	19,935
Development TIF Area # 1	Law	-
Development TIF Area # 3	Law	2,305,186
Development TIF Area # 4	Law	-
Liability Insurance	Law	15,791
Audit	Law	13,935
Drug Traffic Prevention	Law	129,211
Cable Commission	Law	21,571
Hotel/Motel Tax	Law	199,813
Pension Asset	Law	393,000
Total Restricted Net Position for Other Purposes		$ 3,339,951

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

Description	Governmental Activities Amount	Business-Type Activities Amount
Capital assets, net of accumulated depreciation	$ 35,625,873	$ 4,390,243
Net of related debt:		
Capital leases	(66,018)	-
Bonds payable	(8,443,256)	(940,000)
(Premium) discount on long-term bonds	14,923	-
Deferred charge on refunding	28,105	-
Net investment in capital assets	$ 27,159,627	$ 3,450,243

NOTE L – FUND BALANCES

Categories

At April 30, 2018, the City's fund balance was classified as follows:

	General	Development TIF Area #1	Development TIF Area #3	Fire Protection	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepaids	$ 302,362	$ -	$ -	$ -	$ -	$ 302,362
Total Nonspendable	302,362	-	-	-	-	302,362
Restricted for:						
Zion-Newport Fire Station	-	-	-	-	1,000	1,000
Emergency Service Rescue	-	-	-	-	167,334	167,334
Illinois Municipal Retirement	-	-	-	-	73,175	73,175
Motor Fuel Tax	-	-	-	-	19,935	19,935
Development TIF Area # 3	-	-	2,305,186	-	-	2,305,186
Liability Insurance	-	-	-	-	15,791	15,791
Audit	-	-	-	-	13,935	13,935
Drug Traffic Prevention	-	-	-	-	129,211	129,211
Cable Commission	-	-	-	-	21,571	21,571
Hotel/Motel Tax	-	-	-	-	199,813	199,813
Total Restricted	-	-	2,305,186	-	641,765	2,946,951
Committed for:						
Capital Projects	-	-	-	-	852,972	852,972
Other	11,692	-	-	-	-	11,692
Total Committed	11,692	-	-	-	852,972	864,664
Total Unassigned	(359,874)	-	-	(571,258)	(101,997)	(1,033,129)
Total Fund Balance	$ (45,820)	$ -	$ 2,305,186	$ (571,258)	$ 1,392,740	$ 3,080,848

NOTE M – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Contractual Agreements

The City maintained a note in relation to the Sheridan Road Development Project Area No. 1 TIF. The agreement is such that beginning on January 31 of the year following the tax year in which the equalized assessed valuation (EAV) of the property first exceeds the EAV of the property as of the date of the note, and each January 31 thereafter, payments will be due as detailed below with the final payment due and payable on November 1, 2017. Total payments from the City hereunder shall never exceed (i) the principal amount of the note or (ii) the total certified project costs of the developer, whichever amount is less. Payments to date total $4,663,967. The City has made all payments related to this agreement and no remaining commitment exists as of April 30, 2018.

NOTE N – 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, 2018:

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 health insurance. The City is 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, 2018, 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 O – MANAGEMENTS ALLEVIATION OF A GOING CONCERN

Cash flow considerations:
The fire rescue fund and internal service funds report fund deficits that represent strains on the City's ability to manage cash flow. In addition, as of April 30, 2018, the General Fund required an interfund loan from the Water and Sewer Fund of $1,930,072 to cover the deficit cash balance as of the end of the year. The Board approved the forgiveness of the interfund loan subsequent to the end of the year. The General Fund is expected to run a deficit cash balance in fiscal year 2019 and 2020. Management excepts to fund these deficits in 2019 and 2020 through budgeted transfers from the Water and Sewer Fund using funds that were accumulated to fund capital improvements in the water and sewer that have been deferred. In fiscal year 2021, to cover the cash flow deficit throughout the year, management issued $1,000,000 of Tax Anticipation Warrants (the "Warrants"), Series 2020, as noted in Note P. The Warrants are expected to be repaid no later than September 30, 2020 and an additional round of Tax Anticipation Warrants are planned to be issued in November 2020. The additional Warrants are expected to cover the cash flow requirements of the City through November 2021.

Operating and fund balance deficit considerations:
The net change in fund balance for the General Fund of the City was a use of fund balance of $1,758,440 for the year ended April 30, 2018. This resulted in a deficit total fund balance in the General Fund of $45,820. The General Fund is expected to use additional fund balance in fiscal year 2019 and 2020. Management excepts to fund these deficits in 2019 and 2020 through budgeted transfers from the Water and Sewer Fund using funds that were accumulated to fund capital improvements in the water and sewer that have been deferred. Management's use of Tax Anticipation Warrants in 2021 are reported as short term liabilities and will not offset the use of fund balance in 2021. Management is evaluating several budgetary adjustments to eliminate the operating deficit in the General Fund. The evaluation process looks to create operational efficiencies through reduced spending, service cuts where deemed appropriate, and seeking of additional revenue sources through additional grant funding and other revenue sources. Management will continue to work with the various employee unions, on ways to create additional savings. In addition, management notes that the City has the potential to become a Home Rule municipality under Illinois law, which will allow the City to implement new revenue streams to balance the budget. The Home Rule status is expected to be concluded by December 2020 and the potential revenue benefits could begin in December 2021. Management recognizes that any delays in closing the operating deficit creates the need for more signitifcant service and expenditure cuts to rebalance the operating budget of the general fund.

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 2020 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. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

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.

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

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, 2018

	2017	2016	2015
Total Pension Liability:			
Service Cost	$ 403,172	$ 400,712	$ 400,246
Interest	1,846,207	1,718,507	1,647,031
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(639,940)	755,076	(49,812)
Changes in Assumptions	(747,089)	(31,512)	29,814
Benefit Payments and Refunds	(1,215,314)	(1,128,585)	(959,228)
Net Change in Total Pension Liability	(352,964)	1,714,198	1,068,051
Total Pension Liability - Beginning	25,022,159	23,307,961	22,239,910
Total Pension Liability - Ending	$ 24,669,195	$ 25,022,159	$ 23,307,961
Plan Fiduciary Net Position:			
Contributions - Employer	$ 344,341	$ 418,762	$ 423,590
Contributions - Member	150,296	172,083	166,767
Net Investment Income	3,927,023	1,420,627	106,598
Benefit Payments and Refunds	(1,215,314)	(1,128,585)	(959,228)
Administrative Expense	-	-	-
Other	(391,294)	340,042	(137,792)
Net Change in Plan Fiduciary Net Position	2,815,052	1,222,929	(400,065)
Plan Fiduciary Net Position - Beginning	22,326,897	21,103,968	21,504,033
Plan Fiduciary Net Position - Ending	$ 25,141,949	$ 22,326,897	$ 21,103,968
Employer Net Pension Liability - Ending	$ (472,754)	$ 2,695,262	$ 2,203,993
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.92%	89.23%	90.54%
Covered-Employee Payroll	$ 3,340,331	$ 3,824,059	$ 3,705,950
Employer Net Pension Liability as a Percentage of Covered Employee-Payroll	-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, 2018

	2017	2016	2015
Actuarially Determined Contribution	$ 344,388	$ 411,851	$ 423,590
Contributions in Relation to the Actuarially Determined Contribution	344,341	418,762	423,590
Contribution Deficiency (Excess)	$ 47	$ (6,911)	$ -
Covered-Employee Payroll	$ 3,340,331	$ 3,824,059	$ 3,705,950
Contribution as a Percentage of Covered-Employee Payroll	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	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP, and ECO groups): 26-year closed period Early Retirement Incentive Plan liabilities: a period up to 10-years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 21 years for most employers (two employers were financed over 30 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	3.50%
Price Inflation	2.75% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.50% 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 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). 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-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment th were applied for non-disabled lives. For active members, an IMRF specific morta table was used with fully generational projection scale MP-2014 (base year 2012 The IMRF specific rates were developed from the RP-2014 Employee Mortality T 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, 2018
(Unaudited)

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

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

Notes to the Required Supplementary Information

Fiscal Year End for Reporting	April 30, 2018
Measurement Date	April 30, 2018
Actuarial Valuation Date	May 1, 2018
Actuarial Valuation Date - Data Date	April 30, 2018
Asset Valuation Method	Investment gains and losses are recognized over a 5-year period
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Normal Cost, Plus An Additional Amount (Determined as a level $ of payroll to bring the plan's funded ratio to 90% by the end of fiscal year 2040.)
Inflation	1.25
Salary Increases	4.5
Investment Rate of Return	6.75
Mortality	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment

CITY OF ZION, ILLINOIS

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
FIREFIGHTERS' PENSION FUND
For the Year Ended April 30, 2018
(Unaudited)

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

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

Notes to the Required Supplementary Information

Fiscal Year End for Reporting	April 30, 2018
Measurement Date	April 30, 2018
Actuarial Valuation Date	May 1, 2018
Actuarial Valuation Date - Data Date	April 30, 2018
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Inflation	2.50
Salary Increases	3.75-14.25
Investment Rate of Return	7.00
Mortality	2016 Illinois Firefighters Mortality Rates

CITY OF ZION, ILLINOIS

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended April 30, 2018
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
4/30/2015	$ -	$ 4,724,360	$ 4,724,360	0.00%	N/A	N/A
4/30/2012	-	3,782,638	3,782,638	0.00%	N/A	N/A
4/30/2010	-	3,582,705	3,582,705	0.00%	N/A	N/A

SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2018
(Unaudited)

	SPECIAL REVENUE FUNDS							
	911 Emergency Surcharge	Zion - Newport Fire Station	Emergency Service Rescue	Street and Bridge	Illinois Municipal Retirement	FICA	Motor Fuel Tax	Development TIF Area #4
ASSETS								
Cash and equivalents	$ -	$ 30,440	$ 167,334	$ -	$ 86,616	$ -	$ 1,564	$ 54,960
Taxes receivable, net of allowance	-	-	556,306	222,881	385,958	449,221	-	54,644
Utility taxes and franchise fees	-	-	-	-	-	-	-	-
Other receivables and current assets	31,578	-	-	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	-	-	55,888	-
TOTAL ASSETS	$ 31,578	$ 30,440	$ 723,640	$ 222,881	$ 472,574	$ 449,221	$ 57,452	$ 109,604
LIABILITIES								
Accounts payable	$ 25,190	$ -	$ -	$ -	$ -	$ -	$ 37,517	$ 54,960
Due to other governmental agencies	-	29,440	-	-	-	-	-	-
Due to other funds	10,228	-	-	5,389	-	56,003	-	-
Accrued payroll	-	-	-	-	13,441	13,836	-	-
TOTAL LIABILITIES	35,418	29,440	-	5,389	13,441	69,839	37,517	54,960
DEFERRED INFLOWS OF RESOURCES								
Subsequent year tax levy	-	-	556,306	222,881	385,958	449,221	-	54,644
Unavailable revenue	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	556,306	222,881	385,958	449,221	-	54,644
FUND BALANCES (DEFICITS)								
Restricted	-	1,000	167,334	-	73,175	-	19,935	-
Committed	-	-	-	-	-	-	-	-
Unassigned	(3,840)	-	-	(5,389)	-	(69,839)	-	-
TOTAL FUND BALANCES (DEFICITS)	(3,840)	1,000	167,334	(5,389)	73,175	(69,839)	19,935	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	$ 31,578	$ 30,440	$ 723,640	$ 222,881	$ 472,574	$ 449,221	$ 57,452	$ 109,604

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2018
(Unaudited)

	SPECIAL REVENUE FUNDS							
	Development TIF Area #5	Police Protection	Liability Insurance	Audit	Drug Traffic Prevention	Cable Commission	Hotel/Motel Tax	Total Special Revenue Funds
ASSETS								
Cash and equivalents	$ -	$ -	$ 15,791	$ 13,935	$ 203,690	$ 21,571	$ 187,956	$ 783,857
Taxes receivable, net of allowance	153,869	-	1,021,384	-	-	-	-	2,844,263
Utility taxes and franchise fees	-	-	-	-	-	-	-	-
Other receivables and current assets	-	-	-	-	-	-	11,857	43,435
Due from other governmental agencies	-	-	-	-	-	-	-	55,888
TOTAL ASSETS	$ 153,869	$ -	$ 1,037,175	$ 13,935	$ 203,690	$ 21,571	$ 199,813	$ 3,727,443
LIABILITIES								
Accounts payable	$ -	$ -	$ -	$ -	$ 898	$ -	$ -	$ 118,565
Due to other governmental agencies	-	-	-	-	73,581	-	-	103,021
Due to other funds	-	22,929	-	-	-	-	-	94,549
Accrued payroll	-	-	-	-	-	-	-	27,277
TOTAL LIABILITIES	-	22,929	-	-	74,479	-	-	343,412
DEFERRED INFLOWS OF RESOURCES								
Subsequent year tax levy	153,869	-	1,021,384	-	-	-	-	2,844,263
Unavailable revenue	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	153,869	-	1,021,384	-	-	-	-	2,844,263
FUND BALANCES (DEFICITS)								
Restricted	-	-	15,791	13,935	129,211	21,571	199,813	641,765
Committed	-	-	-	-	-	-	-	-
Unassigned	-	(22,929)	-	-	-	-	-	(101,997)
TOTAL FUND BALANCES (DEFICITS)	-	(22,929)	15,791	13,935	129,211	21,571	199,813	539,768
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	$ 153,869	$ -	$ 1,037,175	$ 13,935	$ 203,690	$ 21,571	$ 199,813	$ 3,727,443

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2018
(Unaudited)

	Capital Projects	Total Nonmajor Governmental Funds
ASSETS		
Cash and equivalents	$ 865,849	$ 1,649,706
Taxes receivable, net of allowance	-	2,844,263
Utility taxes and franchise fees	-	-
Other receivables and current assets	-	43,435
Due from other governmental agencies	-	55,888
TOTAL ASSETS	$ 865,849	$ 4,593,292
LIABILITIES		
Accounts payable	$ 12,877	$ 131,442
Due to other governmental agencies	-	103,021
Due to other funds	-	94,549
Accrued payroll	-	27,277
TOTAL LIABILITIES	12,877	356,289
DEFERRED INFLOWS OF RESOURCES		
Subsequent year tax levy	-	2,844,263
Unavailable revenue	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	2,844,263
FUND BALANCES (DEFICITS)		
Restricted	-	641,765
Committed	852,972	852,972
Unassigned	-	(101,997)
TOTAL FUND BALANCES (DEFICITS)	852,972	1,392,740
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	$ 865,849	$ 4,593,292

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2018

(Unaudited)

	SPECIAL REVENUE FUNDS									
	911 Emergency Surcharge	Zion - Newport Fire Station	Emergency Service Rescue	Street and Bridge	Illinois Municipal Retirement	FICA	Impact Fee Fund	Impact Fee Fire and Rescue Fund	Motor Fuel Tax	Development TIF Area #4
REVENUES										
Property taxes	$ -	$ -	$ 552,284	$ 221,262	$ 480,536	$ 448,202	$ -	$ -	$ -	$ 39,867
Other taxes	-	-	-	-	-	-	-	-	632,754	-
Permits and other fees	-	-	-	-	-	-	300	500	-	-
Intergovernmental	-	-	-	-	-	-	-	-	362,957	-
Interest	-	-	-	-	-	-	-	-	14,852	-
Miscellaneous	31,578	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	31,578	-	552,284	221,262	480,536	448,202	300	500	1,010,563	39,867
EXPENDITURES										
Current:										
General government	-	-	-	-	109,971	117,433	-	-	-	-
Public health and safety	124,707	29,781	-	-	105,057	112,185	-	-	-	-
Public works and engineering	-	-	-	197,469	126,284	134,853	-	-	207,555	-
Economic development and promotion	-	-	-	-	7,250	7,742	-	-	-	39,866
Debt Service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	561,814	-
TOTAL EXPENDITURES	124,707	29,781	-	197,469	348,562	372,213	-	-	769,369	39,866
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(93,129)	(29,781)	552,284	23,793	131,974	75,989	300	500	241,194	1
OTHER FINANCING SOURCES (USES)										
Issuance of notes payable	-	-	-	-	-	-	-	-	-	-
Transfers in	-	58,880	-	-	-	-	-	-	-	-
Transfers (out)	-	(39,217)	(552,285)	-	-	-	(300)	(500)	(391,296)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	19,663	(552,285)	-	-	-	(300)	(500)	(391,296)	-
NET CHANGE IN FUND BALANCE	(93,129)	(10,118)	(1)	23,793	131,974	75,989	-	-	(150,102)	1
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	89,289	11,118	167,335	(29,182)	(58,799)	(145,828)	-	-	170,037	(1)
FUND BALANCE (DEFICIT) - END OF YEAR	$ (3,840)	$ 1,000	$ 167,334	$ (5,389)	$ 73,175	$ (69,839)	$ -	$ -	$ 19,935	$ -

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2018
(Unaudited)

	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	$ -	$ 893,598	$ -	$ -	$ -	$ -	$ -	$ 2,635,749
Other taxes	-	-	-	-	-	-	71,446	704,200
Permits and other fees	-	-	-	-	424,509	-	-	425,309
Intergovernmental	-	-	-	-	-	-	-	362,957
Interest	-	-	-	-	-	-	-	14,852
Miscellaneous	-	-	-	31,063	-	-	-	62,641
TOTAL REVENUES	-	893,598	-	31,063	424,509	-	71,446	4,205,708
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	227,404
Public health and safety	-	-	-	63,062	-	-	-	434,792
Public works and engineering	-	-	-	-	-	-	-	666,161
Economic development and promotion	-	-	-	-	-	-	72,243	127,101
Debt Service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	561,814
TOTAL EXPENDITURES	-	-	-	63,062	-	-	72,243	2,017,272
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	893,598	-	(31,999)	424,509	-	(797)	2,188,436
OTHER FINANCING SOURCES (USES)								
Issuance of notes payable	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	58,880
Transfers (out)	-	(893,598)	-	-	(424,509)	-	(14,000)	(2,315,705)
TOTAL OTHER FINANCING SOURCES (USES)	-	(893,598)	-	-	(424,509)	-	(14,000)	(2,256,825)
NET CHANGE IN FUND BALANCE	-	-	-	(31,999)	-	-	(14,797)	(68,389)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(22,929)	15,791	13,935	161,210	-	21,571	214,610	608,157
FUND BALANCE (DEFICIT) - END OF YEAR	$ (22,929)	$ 15,791	$ 13,935	$ 129,211	$ -	$ 21,571	$ 199,813	$ 539,768

CITY OF ZION, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended April 30, 2018
(Unaudited)

	Capital Projects	Bond Series 2002B Road Bond	Bond Series 2003 Road Bond	Area 3 South Sheridan Rd. Project	Total Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 2,635,749
Other taxes	-	-	-	-	-	704,200
Permits and other fees	-	-	-	-	-	425,309
Intergovernmental	-	-	-	-	-	362,957
Interest	-	2,789	1,868	1,332	5,989	20,841
Miscellaneous	-	-	-	-	-	62,641
TOTAL REVENUES	-	2,789	1,868	1,332	5,989	4,211,697
EXPENDITURES						
Current:						
General government	-	-	-	-	-	227,404
Public health and safety	-	-	-	-	-	434,792
Public works and engineering	-	-	-	-	-	666,161
Economic development and promotion	-	-	-	-	-	127,101
Debt Service:						
Principal retirement	347,422	375,000	250,000	175,000	800,000	1,147,422
Interest and fiscal charges	20,623	19,085	13,210	15,123	47,418	68,041
Bond issuance costs	-	-	-	-	-	-
Capital Outlay	829,945	-	-	-	-	1,391,759
TOTAL EXPENDITURES	1,197,990	394,085	263,210	190,123	847,418	4,062,680
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,197,990)	(391,296)	(261,342)	(188,791)	(841,429)	149,017
OTHER FINANCING SOURCES (USES)						
Issuance of notes payable	1,538,256	-	-	-	-	1,538,256
Transfers in	201,204	391,296	261,342	188,791	841,429	1,101,513
Transfers (out)	-	-	-	-	-	(2,315,705)
TOTAL OTHER FINANCING SOURCES (USES)	1,739,460	391,296	261,342	188,791	841,429	324,064
NET CHANGE IN FUND BALANCE	541,470	-	-	-	-	473,081
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	311,502	-	-	-	-	919,659
FUND BALANCE (DEFICIT) - END OF YEAR	$ 852,972	$ -	$ -	$ -	$ -	$ 1,392,740