

**CITY OF PALOS HEIGHTS
STATE OF ILLINOIS**

Comprehensive Annual Financial Report

**Fiscal Year:
January 1, 2018 - December 31, 2018**



**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - v
GFOA Certificate of Achievement	vi
Organizational Chart	vii
Officers and Officials	viii
FINANCIAL SECTION	
Independent Auditor's Report	ix - xi
Management's Discussion and Analysis	xii - xxi
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	1 - 2
Statement of Activities	3 - 4
Fund Financial Statements:	
Balance Sheet - Governmental Funds	5 - 6
Reconciliation of Fund Balances - Total Governmental Funds to Net Position of Governmental Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8 - 11
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds to the Change in Net Position of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	13 - 14

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
Statement of Net Position - Proprietary Funds	15 - 16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18 - 19
Statement of Fiduciary Net Position - Fiduciary Fund - Pension Trust Fund	20
Statement of Changes in Fiduciary Net Position - Fiduciary Fund - Pension Trust Fund	21
Notes to Basic Financial Statements	22 - 63
Required Supplementary Information:	
Employee Retirement and Post-Employment Benefit Plans:	
Police Pension Plan	64 - 69
Illinois Municipal Retirement Fund	70 - 74
Health Insurance Plan for Retired Employees	75
Combining and Individual Fund Financial Statements and Schedules:	
Major Governmental Funds:	
General Fund:	
Combining Schedule of Balance Sheet Accounts	76
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	77
Corporate Fund:	
Balance Sheet	78
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	79

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
Schedule of Expenditures - Budget and Actual:	
General Government	80
Public Safety	81
Public Works / Lake Katherine	82 - 83
Recreation Department / Swimming Pool	84
Roads and Construction	85
Beautification Committee Fund:	
Balance Sheet	86
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	87
Vehicle License Fund:	
Balance Sheet	88
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	89
Capital Projects Fund:	
Balance Sheet	90
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	91
Capital Projects Fund - Recreation Center:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	92

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
Major Proprietary Fund:	
Waterworks and Sewerage Fund:	
Statement of Net Position	93 - 94
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	95
Schedule of Operating Expenses - Budget and Actual	96
Statement of Cash Flows	97 - 98
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	99 - 100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	101 - 102
Special Revenue Funds:	
Seizure and Forfeiture Fund:	
Balance Sheet	103
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	104
Motor Fuel Tax Fund:	
Balance Sheet	105
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	106

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
Social Security and Illinois Municipal Retirement Fund:	
Balance Sheet	107
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	108
Special Recreation Fund:	
Balance Sheet	109
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	110
Police DUI Fine Fund:	
Balance Sheet	111
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	112
Cal Sag Trail Fund:	
Balance Sheet	113
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	114
Business District Fund:	
Balance Sheet	115
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	116

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
Capital Projects Funds:	
127th and Harlem Tax Increment Fund:	
Balance Sheet	117
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual	118
Gateway Tax Increment Fund:	
Balance Sheet	119
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	120
Debt Service Fund:	
Bond and Interest Fund:	
Balance Sheet	121
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	122
Nonmajor Proprietary Fund:	
Metra Station Parking Fund:	
Statement of Net Position	123
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	124
Statement of Cash Flows	125

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

CONTENTS

	<u>Page</u>
STATISTICAL SECTION	
Net Position by Component	126 - 127
Changes in Net Position	128 - 131
Governmental Activities Tax Revenues by Source	132
Fund Balances of Governmental Funds	133 - 134
Changes in Fund Balances of Governmental Funds	135 - 136
Assessed Value and Estimated Actual Value of Taxable Property	137
Property Tax Rates - Direct and Overlapping Governments	138 - 139
Principal Property Taxpayers	140
Schedule of Assessed Valuation, Rate Extension and Collections	141 - 142
Ratios of Outstanding Debt by Type	143 - 144
Ratios of General Obligation Bonded Debt Outstanding	145
Direct and Overlapping General Obligation Bonded Debt	146
Legal Debt Margin Information	147 - 148
Pledged Revenue Coverage	149
Demographic and Economic Statistics	150 - 151
Full-time Equivalent City Government Employees by Function	152
Operating Indicators by Function	153 - 154

INTRODUCTORY SECTION



Mayor

Robert S. Straz

City Clerk

Thomas Kantas

City Treasurer

James Daemicke, CPA

Aldermen

WARD 1

Jeffrey Key
Donald Bylut

WARD 2

Jack Clifford
Robert Basso

WARD 3

Dolores Kramarski
Brent Lewandowski

WARD 4

Michael McGrogan
Jerry McGovern

June 25, 2019

The Honorable Mayor and Members of the City Council
City of Palos Heights, Illinois:

The comprehensive annual financial report for the City of Palos Heights, Illinois, for the fiscal year ended December 31, 2018, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Palos Heights. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City's reporting entity includes the City government and all related organizations for which the City exercises financial accountability as defined by the Government Accounting Standards Board (GASB). The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City should be included within its financial reporting entity. Governmental entities such as Palos Heights School District 128, Palos Community Consolidated School District 118, Consolidated High School District 230, and Palos Heights Fire Protection District which are located primarily within the City's limits are not included in the City's reporting entity. The City exercises no financial accountability for these entities, and they are not included in the City's basic financial statements.

The City and its Services

The City of Palos Heights was incorporated as a City in 1959 and adopted the Mayor-Alderman form of government. The Mayor, City Clerk, City Treasurer and the eight Aldermen of the City Council are elected for four-year terms.

The City of Palos Heights is a residential community of 12,515 people. It is approximately twenty- six miles southwest of downtown Chicago in Cook County.

The City of Palos Heights provides the following municipal services:

Administration	Police
Building and Zoning	Public Works
Economic Development	Water and Sewer
Recreation	

Major Initiatives

ECONOMIC CONDITION AND OUTLOOK

In 1999, the City of Palos Heights' General Fund had a deficit balance of \$13,030. The City lost a car dealership and several hundred thousands of dollars in sales tax revenue that year. In 2003, the City's attempt at a referendum to increase the Maximum Corporate Tax Rate was successful. Over the past fifteen years, sales tax revenues have returned to and exceeded the level before the car dealership left Palos Heights.

The City has established a Fund Balance Policy to ensure that the City maintains an adequate General Fund Balance. The City established a Capital Improvement Fund to fund future capital improvements.

FOR THE YEAR

The City of Palos Heights continues major infrastructure improvements in such areas as road resurfacing, drainage improvements, new and replaced sidewalks, bike path resurfacing, and flood control. A few of the projects completed this year were improvements to City Hall grounds including signage and landscaping, the purchase of capital equipment for Public Works, tennis court improvements, new sidewalks throughout the City, resurfacing of a portion of the bike trail, sewer lining and repairs, expansion of the Municipal Lot, and purchase of capital equipment for Police Department. We maintain one of the lowest water and sewer rates in the area.

The City of Palos Heights provides Park and Receptions services to its residents. The City of Palos Heights recently made improvements to the pool HVAC system, improvements to the Orchard Room at the Recreation Center, installment of new security cameras, new deck boards at the pool, and purchase of property to expand the parking at the Recreation Center.

We are also the lead agency for an intergovernmental agreement to construct a continuous 12 mile regional, multi-purpose asphalt/gravel trail that will extend from the I&M Canal Trail near Lemont in southwestern Cook County, east through Cook County to the Alsip Boat Ramp in southern Cook County. Phase I engineering was completed in 2008 and Phase II engineering was completed in 2013. Construction was completed in 2014 for the City's portion of the trail. Construction for the west section of the trail was completed in 2015.

FOR THE FUTURE

The City of Palos Heights enters fiscal year 2019 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2019 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2019 are also balanced. These two funds represent the majority of the financial activity of the City.

The City of Palos Heights is currently working on further landscaping improvements at the entrance of City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks throughout the City, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot expansion, reconstruction of the Ridgeland Corridor, Meyers Park renovation project and improvements at the Recreation Center.

LONG-TERM FINANCIAL PLANNING

The City expects to continue to increase General Fund revenues above expenditures. The General Fund surplus will continue to be transferred to the Capital Improvement Fund to prepare for upcoming capital projects. We will continue to seek federal and state funding grants to assist in the cost of these projects.

Accounting System and Budgetary Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the detailed account level through the use of departmental budgetary reports. These monthly reports are utilized to analyze actual versus the budget. The Mayor and City Council regularly discuss favorable and unfavorable variances of the actual to budget.

Financial Highlights

The accounts of the City are organized on the basis of funds. Each fund is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that include assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. This method of accounting is known as Fund Accounting. Fund Accounting shows how money was spent rather than how much profit is earned.

Debt Administration

On November 4, 2014, the City's attempt to pass a referendum for the issuance of \$6.3 million in General Obligation Bonds for a Recreation Center expansion was successful. These bonds were issued in 2015.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Mueller & Co. was selected by the City Council to perform the audit in conformance with the requirements set forth in Illinois Compiled Statutes.

The independent auditor's report on the basic financial statements is included in the financial section of this report.

Acknowledgements

The preparation of the comprehensive annual financial report could not have been completed without the efficient and dedicated service of the entire staff at the City of Palos Heights. I would like to express my appreciation to all departments who assisted and contributed to its preparation. In addition, the firm of Mueller & Co. made substantial contributions by way of consulting on, and interpretations of recent pronouncements.

I should also like to thank the Mayor, City Council members, City Treasurer and City Administrator for their interest and support of this CAFR, and for their responsible and progressive approach that contributes to the financial strength of the City of Palos Heights.

Respectfully submitted,

A handwritten signature in cursive script that reads "Janice E. Colvin". The signature is written in black ink and is positioned above the printed name.

Janice E. Colvin

Director of Accounting, City of Palos Heights



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

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**City of Palos Heights
Illinois**

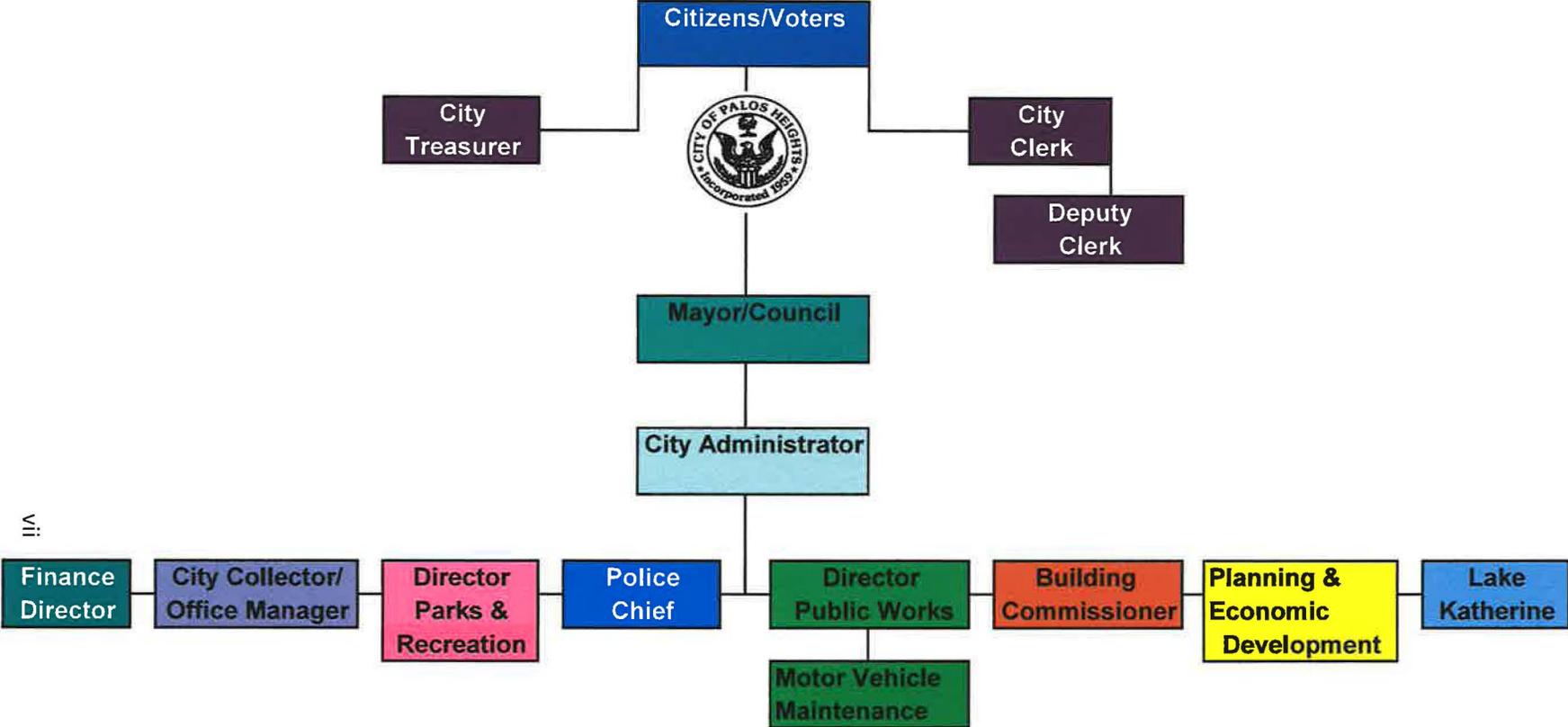
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS
OFFICERS AND OFFICIALS
DECEMBER 31, 2018**

MAYOR

ROBERT S. STRAZ

ALDERMEN

DONALD BYLUT - WARD ONE
JEFFREY M. KEY - WARD ONE
ROBERT BASSO - WARD TWO
JACK CLIFFORD - WARD TWO
ALAN FULKERSON - WARD THREE
DOLORES KRAMARSKI - WARD THREE
JERRY MCGOVERN - WARD FOUR
MICHAEL MCGROGAN - WARD FOUR

CLERK

THOMAS KANTAS

TREASURER

JAMES DAEMICKE

ADMINISTRATOR

DANIEL NISAVIC

ATTORNEY

THOMAS BROWN

FINANCIAL SECTION



14300 Ravinia Avenue ■ Orland Park, Illinois ■ 60462
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Palos Heights, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Palos Heights, Illinois, as of and for the year ended December 31, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. 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 discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Palos Heights, Illinois, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xii through xxi and employee retirement and post-employment benefit plan information on pages 64 through 75 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Palos Heights, Illinois. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Palos Heights, Illinois for the year ended December 31, 2017, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Palos Heights, Illinois as a whole. The individual fund financial statements and schedules for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2017 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Muller & Co., LLP

Orland Park, Illinois
June 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

As management of the City of Palos Heights, Illinois, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2018 by \$18,599,576 (*net position*). Of this amount, \$28,292,803 is invested in capital assets and \$2,158,526 is restricted; (\$11,851,753) is a deficit.
- The total net position of the City increased by \$730,430 during the year ended December 31, 2018.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$8,323,309. Approximately 45% of this amount (\$3,751,432) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2018, total governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$382,974.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned and unassigned* components of *fund balance*) for the general fund was \$3,751,432, or approximately 32% of total general fund expenditures.
- The City's long-term liabilities at December 31, 2018 totaled \$37,933,686. The City's long-term liabilities include a liability of \$22,778,430 related to the police pension, a liability of \$2,950,637 related to the Illinois Municipal Retirement Fund, and a liability of \$1,674,933 related to other post-employment benefits as of December 31, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, police and emergency services, public works, and recreation and culture. The City has two business type activities: waterworks and sewerage, and the commuter parking lot.

The City has one discretely presented component unit, the Palos Heights Public Library; the Library's financial statements have been incorporated into the City's annual financial report. The City has one fiduciary-type component unit, the Police Pension Fund. Although it is legally separate from the City, the Police Pension Fund is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the City's sworn police officers. The Police Pension Fund is reported as a pension trust fund.

The government-wide financial statements can be found on pages 1-4 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be categorized as one of three types: governmental fund, proprietary fund, or fiduciary fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains fifteen individual governmental funds and subfunds. Information is presented separately for the major governmental funds in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. The General Fund, the Capital Projects Fund, and the Capital Projects Fund - Recreation Center are considered major funds. There are ten nonmajor governmental funds.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 5-14 of this report.

Proprietary Funds. The City maintains one type of proprietary fund, which is the enterprise fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the activities related to waterworks and sewerage and commuter parking lot activities.

The basic proprietary fund financial statements can be found on pages 15-19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds *are not* available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary fund utilized by the City is the Pension Trust Fund.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 22-63 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. This information is provided on pages 64-75 of the report.

The combining and individual fund financial statements and schedules in connection with the major and non-major governmental and proprietary funds are presented immediately following the required supplementary information on pensions and OPEB. These statements and schedules can be found on pages 76-125 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,599,576 at the close of the most recent fiscal year.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 17,047,410	\$ 15,856,229	\$ 8,187,754	\$ 7,533,223	\$ 25,235,164	\$ 23,389,452
Capital assets	29,904,202	30,511,017	4,915,047	4,512,484	34,819,249	35,023,501
Total assets	<u>46,951,612</u>	<u>46,367,246</u>	<u>13,102,801</u>	<u>12,045,707</u>	<u>60,054,413</u>	<u>58,412,953</u>
Deferred outflows of resources	<u>7,294,145</u>	<u>4,393,071</u>	<u>668,616</u>	<u>211,344</u>	<u>7,962,761</u>	<u>4,604,415</u>
Current and other liabilities	1,959,402	1,534,893	349,745	642,868	2,309,147	2,177,761
Long-term liabilities outstanding	<u>36,575,958</u>	<u>32,572,185</u>	<u>1,357,728</u>	<u>745,873</u>	<u>37,933,686</u>	<u>33,318,058</u>
Total liabilities	<u>38,535,360</u>	<u>34,107,078</u>	<u>1,707,473</u>	<u>1,388,741</u>	<u>40,242,833</u>	<u>35,495,819</u>
Deferred inflows of resources	<u>8,892,247</u>	<u>9,215,804</u>	<u>282,518</u>	<u>436,599</u>	<u>9,174,765</u>	<u>9,652,403</u>
Net position:						
Net investment in capital assets	23,712,812	24,257,020	4,579,991	3,924,132	28,292,803	28,181,152
Restricted	2,158,526	1,644,174	-	-	2,158,526	1,644,174
Unrestricted	<u>(19,053,188)</u>	<u>(18,463,759)</u>	<u>7,201,435</u>	<u>6,507,579</u>	<u>(11,851,753)</u>	<u>(11,956,180)</u>
Total net position	<u>\$ 6,818,150</u>	<u>\$ 7,437,435</u>	<u>\$ 11,781,426</u>	<u>\$ 10,431,711</u>	<u>\$ 18,599,576</u>	<u>\$ 17,869,146</u>

A large portion of the City's net position reflects its investment in capital assets (e.g. roads received via contribution from incorporation, buildings and improvements, and furniture and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the City's net position (11.61%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City had an unrestricted net deficit of \$19,053,188 related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$730,430 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

On the next page is a chart summarizing the financial activities of the City during 2018 and its effects on net position.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,959,654	\$ 2,896,274	\$ 7,134,893	\$ 7,259,311	\$ 10,094,547	\$ 10,155,585
Capital grants and contributions	86,662	101,420	-	-	86,662	101,420
General revenues:						
Property taxes	6,795,656	6,336,789	-	-	6,795,656	6,336,789
Utility taxes	1,128,801	1,131,427	-	-	1,128,801	1,131,427
Business district taxes	108,926	110,569	-	-	108,926	110,569
Intergovernmental - unrestricted	3,183,251	3,016,498	-	-	3,183,251	3,016,498
Investment income (loss)	183,623	19,302	100,501	45,510	284,124	64,812
Gain on sale of assets	-	23,184	-	-	-	23,184
Other income	915,909	974,165	43,170	9,700	959,079	983,865
Total revenues	<u>15,362,482</u>	<u>14,609,628</u>	<u>7,278,564</u>	<u>7,314,521</u>	<u>22,641,046</u>	<u>21,924,149</u>
Expenses:						
General government	2,494,207	2,833,267	-	-	2,494,207	2,833,267
Police and emergency services	7,293,695	6,532,287	-	-	7,293,695	6,532,287
Public works	3,091,306	2,757,154	-	-	3,091,306	2,757,154
Recreation and culture	2,684,856	2,757,104	-	-	2,684,856	2,757,104
Interest	417,703	433,167	-	-	417,703	433,167
Waterworks and sewerage	-	-	5,898,952	6,143,184	5,898,952	6,143,184
Parking lot	-	-	29,897	71,961	29,897	71,961
Total expenses	<u>15,981,767</u>	<u>15,312,979</u>	<u>5,928,849</u>	<u>6,215,145</u>	<u>21,910,616</u>	<u>21,528,124</u>
Change in net position	(619,285)	(703,351)	1,349,715	1,099,376	730,430	396,025
Net position at beginning of year	<u>7,437,435</u>	<u>8,140,786</u>	<u>10,431,711</u>	<u>9,332,335</u>	<u>17,869,146</u>	<u>17,473,121</u>
Net position at end of year	<u>\$ 6,818,150</u>	<u>\$ 7,437,435</u>	<u>\$ 11,781,426</u>	<u>\$ 10,431,711</u>	<u>\$ 18,599,576</u>	<u>\$ 17,869,146</u>

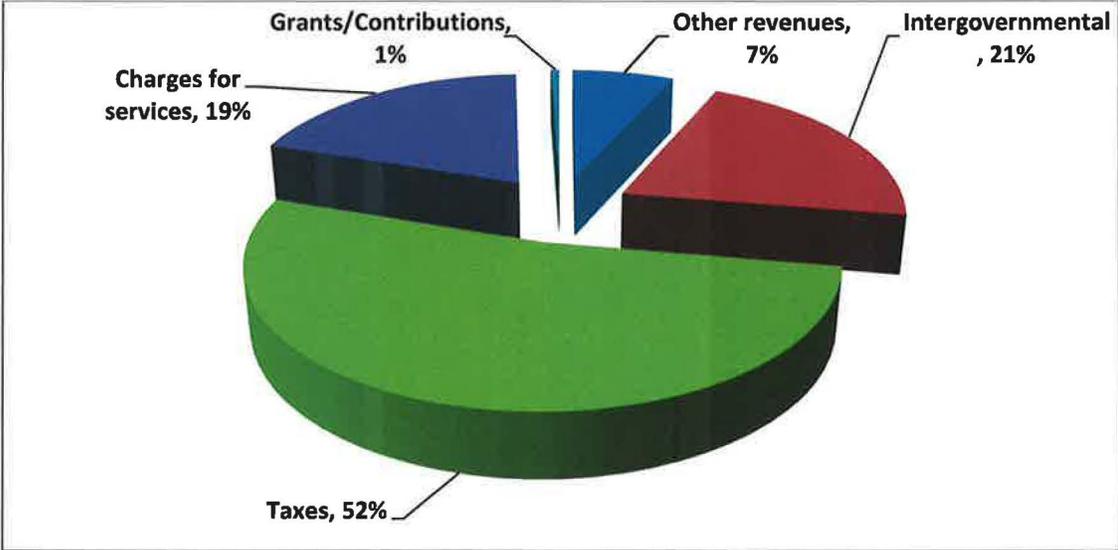
Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$619,285 from the prior fiscal year for an ending net position balance of \$6,818,150. This was mainly related to pension benefits and other personnel costs, as well as maintenance projects throughout the City.

Business-type Activities. During the current fiscal year, net position for the business-type activities increased by \$1,349,715 from the prior fiscal year for an ending net position balance of \$11,781,426. This increase was mainly due to a decrease in water and sewer related expenses.

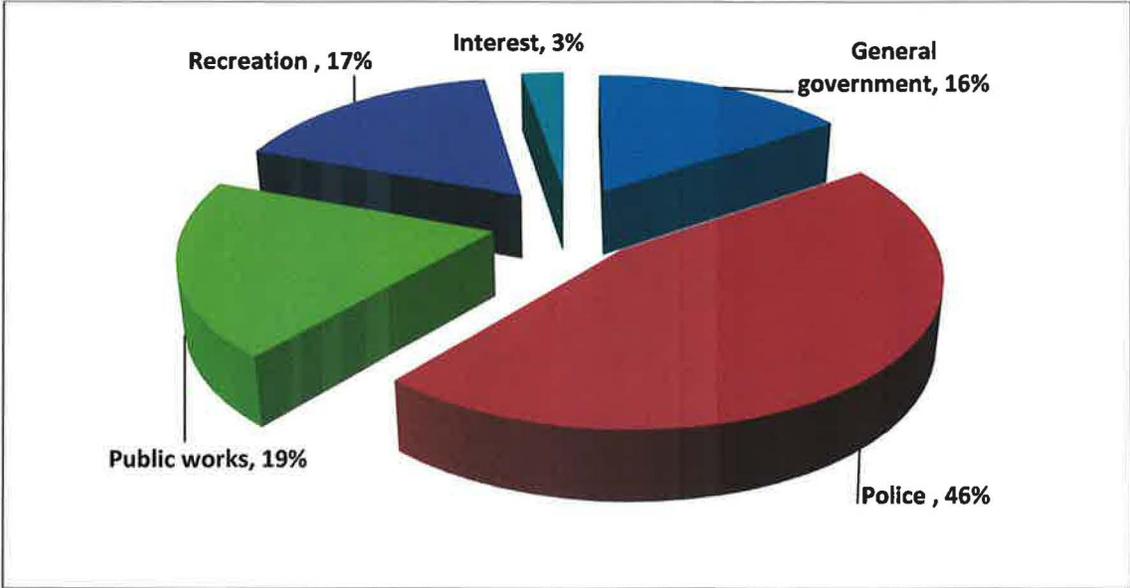
**City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018**

The following graphs illustrate general governmental activity revenues by source as well as how funds are used by the governmental activities, based on the data shown in the above chart:

General Revenues by Source - Governmental Activities



Expenses - Governmental Activities



City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for particular purposes by City Council.

As of December 31, 2018 the City's governmental funds reported combined fund balances of \$8,323,309, an increase of \$382,974 over the prior fiscal year. As noted earlier, approximately 45% of this amount (\$3,751,432) is available for spending at the government's discretion (*unassigned fund balance*). The remainder of the fund balance is either *nonspendable*, *restricted*, *committed* or *assigned* to indicate that it is 1) restricted for particular purposes (\$2,173,703), 2) assigned for particular purposes (\$2,289,266) or 3) considered to be nonspendable (\$108,908).

As of December 31, 2018, the City's General Fund, its chief operating fund, reported an ending balance of \$3,860,340. This is an increase of \$185,676 in comparison with the prior fiscal year. Revenues from property taxes and intergovernmental revenues increased in the current year, but were partially offset by increases in capital outlay, retirement contributions and personnel expenditures. \$3,751,432 of this fund balance was unassigned at December 31, 2018. The remaining amount relates to prepaid items and is considered nonspendable.

As of December 31, 2018, the City's Capital Projects Fund reported an ending balance of \$1,910,999. This is a decrease of \$270,665 in comparison to the prior year. The change in fund balance was due to capital improvements relating to the purchase of property, City Hall signage and landscaping, tennis court improvements and pool H AC improvements.

Proprietary Funds. As noted before, the focus of the City's proprietary funds is similar to that of the government-wide statements. The City has two proprietary activities: waterworks and sewerage, and commuter parking at the Metra train station.

The waterworks and sewerage fund saw a \$1,328,881 increase in its net position in 2018. Personnel and commodities expenses decreased in the current year, whereas revenue remained comparable. Net position in the waterworks and sewerage fund will be used for planned capital projects.

Fiduciary Fund. As stated before, fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others and the accounting is similar to proprietary funds. As of December 31, 2018, \$20,076,157 was held in trust for police pension benefits.

Budgetary Highlights

The 2018 annual expenditure budget for the City's General Fund identified the budgeted level of spending at \$10,519,755. Actual expenditures were higher than budgeted expenditures by approximately 12.2 percent or \$1,279,285.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Actual revenues were greater than budgeted revenues in the General Fund by \$2,023,661 or approximately 18.9 percent.

The most significant difference between estimated revenues and actual revenues was as follows:

<u>Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Property levies, net	\$3,618,500	\$5,296,734	\$1,678,234

The budgetary amounts for property tax levies do not include the amount of property taxes received by the Police Pension Fund.

The most significant differences between estimated expenditures and actual expenditures were as follows:

<u>Expenditure function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government - Corporate subfund	\$1,869,751	\$1,762,934	\$106,817
Public safety – Corporate subfund	4,265,587	5,895,170	(1,629,583)

General government expenditures for personnel and contractual expenditures came in lower than expected, while expenditures for hospital and medical insurance came in higher than expected. The budgetary amount for public safety does not include the amount transferred to the Police Pension Fund for property taxes levied and received, as noted above.

Capital Asset Administration

The City's investment in capital assets as of December 31, 2018, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2018	2017	2018	2017	2018	2017
Land and land improvements	\$ 9,421,350	\$ 9,036,679	\$ 45,849	\$ 45,849	\$ 9,467,199	\$ 9,082,528
Buildings and building improvements	13,300,170	13,558,980	1,447,962	1,518,468	14,748,132	15,077,448
Equipment	772,976	997,554	162,590	166,065	935,566	1,163,619
Water distribution, storm system and sanitary systems			3,258,646	2,626,191	3,258,646	2,626,191
Infrastructure	6,388,206	6,829,144			6,388,206	6,829,144
Construction in progress	21,500	88,660	-	155,911	21,500	244,571
Total	\$ 29,904,202	\$ 30,511,017	\$ 4,915,047	\$ 4,512,484	\$ 34,819,249	\$ 35,023,501

Major capital asset events during the current fiscal year included the following:

City Hall sign, land purchase, 3 Chevy Tahoes, tennis court renovations, pool renovations, and Meyer Park renovations.

Additional information on the City's capital assets can be found in note II C on pages 38 – 40 of this report.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Long-term Liabilities

The City's long-term liabilities outstanding are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 418,221	\$ 407,904	\$ 112,327	\$ 112,558	\$ 530,548	\$ 520,462
Net pension liability	22,778,430	20,148,788	-	-	22,778,430	20,148,788
Post-employment benefits liability	1,394,382	1,406,707	280,551	237,026	1,674,933	1,643,733
IMRF liability	2,300,684	484,954	649,953	152,520	2,950,637	637,474
General obligation bond, including premium	5,827,417	6,120,097	-	-	5,827,417	6,120,097
Notes payable	3,758,147	3,869,835	-	-	3,758,147	3,869,835
Installment contract	98,677	133,900	314,897	243,769	413,574	377,669
Total	<u>\$ 36,575,958</u>	<u>\$ 32,572,185</u>	<u>\$ 1,357,728</u>	<u>\$ 745,873</u>	<u>\$ 37,933,686</u>	<u>\$ 33,318,058</u>

Additional information on the City's long-term liabilities can be found in note II E on pages 42 – 46 of this report.

Economic Factors and Next Year's Budget

- During 2005, the City established the Gateway Tax Increment Financing (TIF) project, which will provide economic development benefits to the area around Harlem Avenue and College Drive. These benefits will continue to be utilized during FY 2019 as the City oversees the development of a new senior living complex.
- During 2011, the City established the 127th and Harlem Avenue Tax Increment Financing (TIF) project and Harlem Avenue Business District, which will provide economic development benefits to the area around Harlem Avenue and 127th Street. These benefits will continue to be utilized during 2019 and it is the City's intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2019 the City will continue to review possible economic development projects to encourage redevelopment of the Harlem Avenue business corridor as well as various infill areas throughout the City.
- In 2019, the City will continue with capital projects such as further landscaping at the entrance of City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks throughout the City, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot, completion of the reconstruction of the Ridgeland Corridor, Meyers Park renovation project and improvements at the Recreation Center. The City will continue its Road Program in 2019 at various locations throughout the City.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Treasurer or the Office of the City Administrator, 7607 College Drive, Palos Heights, IL 60463.

General information relating to the City of Palos Heights, Illinois, can be found at the City's website, <http://www.palosheights.org>.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 8,932,902	\$ 6,865,734	\$ 15,798,636	\$ 1,276,189
Receivables	7,699,777	1,322,020	9,021,797	1,341,760
Due from other governments	-	-	-	7,586
Other	414,731	-	414,731	29,159
Capital assets not being depreciated:				
Land	4,596,979	45,849	4,642,828	314,652
Construction in progress	21,500	-	21,500	-
Capital assets net of accumulated depreciation:				
Land improvements	4,824,371	-	4,824,371	66,082
Buildings and improvements	13,300,170	1,447,962	14,748,132	3,309,573
Equipment	772,976	162,590	935,566	420,127
Water distribution, storm and sanitary system	-	3,258,646	3,258,646	-
Infrastructure	<u>6,388,206</u>	<u>-</u>	<u>6,388,206</u>	<u>-</u>
Total assets	<u>46,951,612</u>	<u>13,102,801</u>	<u>60,054,413</u>	<u>6,765,128</u>
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	6,965,757	568,644	7,534,401	529,025
Deferred outflows of resources related to other post-employment benefits	<u>328,388</u>	<u>99,972</u>	<u>428,360</u>	<u>-</u>
Total deferred outflows of resources	<u>7,294,145</u>	<u>668,616</u>	<u>7,962,761</u>	<u>529,025</u>

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

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
LIABILITIES				
Accounts payable and other current liabilities	1,536,048	349,745	1,885,793	35,408
Deposits held	301,642	-	301,642	-
Unearned revenue - other	121,712	-	121,712	-
Noncurrent liabilities:				
Due within one year	791,548	198,704	990,252	-
Due in more than one year	<u>35,784,410</u>	<u>1,159,024</u>	<u>36,943,434</u>	<u>614,657</u>
Total liabilities	<u>38,535,360</u>	<u>1,707,473</u>	<u>40,242,833</u>	<u>650,065</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	1,832,688	265,752	2,098,440	243,678
Deferred inflows of resources related to other post-employment benefits	90,534	16,766	107,300	-
Property taxes levied for future periods	<u>6,969,025</u>	<u>-</u>	<u>6,969,025</u>	<u>1,341,760</u>
Total deferred inflows of resources	<u>8,892,247</u>	<u>282,518</u>	<u>9,174,765</u>	<u>1,585,438</u>
NET POSITION				
Net investment in capital assets	23,712,812	4,579,991	28,292,803	4,110,434
Restricted for:				
Law enforcement	907,143	-	907,143	-
Community redevelopment	585,813	-	585,813	-
Road construction and maintenance	383,841	-	383,841	-
Other purposes	281,729	-	281,729	18,754
Unrestricted	<u>(19,053,188)</u>	<u>7,201,435</u>	<u>(11,851,753)</u>	<u>929,462</u>
Total net position	<u>\$ 6,818,150</u>	<u>\$ 11,781,426</u>	<u>\$ 18,599,576</u>	<u>\$ 5,058,650</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/programs:			
Primary government:			
Governmental activities:			
General government	\$ 2,494,207	\$ 959,010	\$ -
Police and emergency services	7,293,695	732,105	-
Public works	3,091,306	-	86,662
Recreation and culture	2,684,856	1,268,539	-
Interest expense	417,703	-	-
	<u>15,981,767</u>	<u>2,959,654</u>	<u>-</u>
Total governmental activities			<u>86,662</u>
Business-type activities:			
Waterworks and sewerage	5,898,952	7,084,162	-
Parking lot	29,897	50,731	-
	<u>5,928,849</u>	<u>7,134,893</u>	<u>-</u>
Total business-type activities			<u>-</u>
	<u>\$ 21,910,616</u>	<u>\$ 10,094,547</u>	<u>\$ -</u>
Total primary government			<u>\$ 86,662</u>
Component unit	<u>\$ 1,752,546</u>	<u>\$ 31,138</u>	<u>\$ 15,644</u>

General revenues:

Taxes:

Property

Utility

Business district sales

Intergovernmental - unrestricted

Investment income

Other income

Total general revenues

Changes in net position

Net position at beginning of year, as restated for component unit

Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (1,535,197)	\$ -	\$ (1,535,197)	\$ -
(6,561,590)	-	(6,561,590)	-
(3,004,644)	-	(3,004,644)	-
(1,416,317)	-	(1,416,317)	-
<u>(417,703)</u>	<u>-</u>	<u>(417,703)</u>	<u>-</u>
<u>(12,935,451)</u>	<u>-</u>	<u>(12,935,451)</u>	<u>-</u>
-	1,185,210	1,185,210	-
<u>-</u>	<u>20,834</u>	<u>20,834</u>	<u>-</u>
-	1,206,044	1,206,044	-
<u>(12,935,451)</u>	<u>1,206,044</u>	<u>(11,729,407)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,605,764)</u>
6,795,656	-	6,795,656	1,211,842
1,128,801	-	1,128,801	-
108,926	-	108,926	-
3,183,251	-	3,183,251	7,588
183,623	100,501	284,124	25,037
<u>915,909</u>	<u>43,170</u>	<u>959,079</u>	<u>13,182</u>
<u>12,316,166</u>	<u>143,671</u>	<u>12,459,837</u>	<u>1,257,649</u>
(619,285)	1,349,715	730,430	(348,115)
<u>7,437,435</u>	<u>10,431,711</u>	<u>17,869,146</u>	<u>5,406,765</u>
<u>\$ 6,818,150</u>	<u>\$ 11,781,426</u>	<u>\$ 18,599,576</u>	<u>\$ 5,058,650</u>

FUND FINANCIAL STATEMENTS

CITY OF PALOS HEIGHTS, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

	General	Capital Projects	Total Nonmajor Funds
ASSETS			
Cash	\$ 3,591,608	\$ 2,315,157	\$ 3,026,137
Receivables:			
Property taxes	5,725,472	-	1,226,100
Accounts, net of allowance for uncollectible accounts	147,835	-	-
Due from other funds	113,764	-	35,391
Due from other governments	472,480	80,200	47,690
Prepaid items	108,908	-	-
Other	305,823	-	-
	<u>\$ 10,465,890</u>	<u>\$ 2,395,357</u>	<u>\$ 4,335,318</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 193,904	\$ 380,906	\$ 508,069
Accrued expenditures	248,843	-	-
Deposits held	301,642	-	-
Due to other funds	-	103,452	45,703
Unearned revenue - other	121,712	-	-
	<u>866,101</u>	<u>484,358</u>	<u>553,772</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	5,739,449	-	1,229,576
FUND BALANCES			
Nonspendable	108,908	-	-
Restricted	-	-	2,173,703
Assigned	-	1,910,999	378,267
Unassigned	3,751,432	-	-
	<u>3,860,340</u>	<u>1,910,999</u>	<u>2,551,970</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,465,890</u>	<u>\$ 2,395,357</u>	<u>\$ 4,335,318</u>

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

<u>Total Governmental Funds</u>	
<u>2018</u>	<u>2017</u>
\$ 8,932,902	\$ 8,295,821
6,951,572	6,579,923
147,835	145,488
149,155	201,709
600,370	586,074
108,908	-
<u>305,823</u>	<u>248,923</u>
<u>\$ 17,196,565</u>	<u>\$ 16,057,938</u>
\$ 1,082,879	\$ 694,432
248,843	218,772
301,642	289,890
149,155	201,709
<u>121,712</u>	<u>121,116</u>
<u>1,904,231</u>	<u>1,525,919</u>
<u>6,969,025</u>	<u>6,591,684</u>
108,908	-
2,173,703	1,655,585
2,289,266	2,610,086
<u>3,751,432</u>	<u>3,674,664</u>
<u>8,323,309</u>	<u>7,940,335</u>
<u>\$ 17,196,565</u>	<u>\$ 16,057,938</u>

CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Fund balances - total governmental funds \$ 8,323,309

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 as assets in the governmental funds. 29,904,202

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds	\$	(5,620,000)	
Unamortized issuance premium		(207,417)	
Notes payable		(3,758,147)	
Installment contract payable		(98,677)	
Compensated absences payable		(418,221)	
Net pension liabilities		(25,079,114)	
Net other post-employment benefits liability		<u>(1,394,382)</u>	
Total			(36,575,958)

Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions and other post-employment benefits	\$	7,294,145	
Deferred inflows related to pensions and other post-employment benefits		<u>(1,923,222)</u>	
Total			5,370,923

Accrued interest payable was recognized for governmental activities, but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (204,326)

Net position of governmental activities \$ 6,818,150

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
Revenues:			
Taxes:			
Property levies, net	\$ 5,296,734	\$ -	\$ 1,498,922
Utility	1,128,801	-	-
Business district sales	-	-	108,926
Intergovernmental	2,846,533	-	336,718
Charges for services	411,831	-	-
Fees by agreement	979,796	-	-
Fines, forfeitures and penalties	195,783	-	536,322
Grants	-	86,662	-
Investment income	153,008	-	30,615
Licenses, permits and inspections	366,866	-	-
Swimming pool	288,743	-	-
Vehicle tag income	180,313	-	-
Other income	<u>852,102</u>	<u>38,968</u>	<u>24,839</u>
Total revenues	<u>12,700,510</u>	<u>125,630</u>	<u>2,536,342</u>
Expenditures:			
Current:			
General government	1,875,813	-	639,333
Public safety	5,895,170	-	232,913
Public works	1,150,725	-	45,000
Recreational department	2,093,860	-	77,831
Roads and construction	441,658	-	51,533
Debt service:			
Principal	35,223	-	381,688
Interest	5,159	-	441,581
Capital outlay:			
General government	-	414,183	-
Public works	25,054	-	-
Recreational department	34,151	335,929	-
Roads and construction	<u>242,227</u>	<u>316,977</u>	<u>278,000</u>
Total expenditures	<u>11,799,040</u>	<u>1,067,089</u>	<u>2,147,879</u>

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

Total Governmental Funds

<u>2018</u>	<u>2017</u>
\$ 6,795,656	\$ 6,336,789
1,128,801	1,131,427
108,926	110,569
3,183,251	3,016,498
411,831	411,883
979,796	880,689
732,105	410,973
86,662	101,420
183,623	19,302
366,866	728,801
288,743	281,733
180,313	182,195
<u>915,909</u>	<u>974,165</u>
<u>15,362,482</u>	<u>14,586,444</u>
2,515,146	2,442,055
6,128,083	5,877,546
1,195,725	954,429
2,171,691	2,143,767
493,191	502,641
416,911	413,254
446,740	463,224
414,183	748,082
25,054	16,720
370,080	894,725
<u>837,204</u>	<u>630,542</u>
<u>15,014,008</u>	<u>15,086,985</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
Excess (deficiency) of revenues over expenditures	<u>901,470</u>	<u>(941,459)</u>	<u>388,463</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	-	34,500
Transfers in	-	670,794	45,000
Transfers out	<u>(715,794)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(715,794)</u>	<u>670,794</u>	<u>79,500</u>
Net change in fund balances	185,676	(270,665)	467,963
Fund balances at beginning of year	<u>3,674,664</u>	<u>2,181,664</u>	<u>2,084,007</u>
Fund balances at end of year	<u>\$ 3,860,340</u>	<u>\$ 1,910,999</u>	<u>\$ 2,551,970</u>

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

<u>Total Governmental Funds</u>	
<u>2018</u>	<u>2017</u>
<u>348,474</u>	<u>(500,541)</u>
34,500	31,000
715,794	1,274,147
<u>(715,794)</u>	<u>(1,274,147)</u>
<u>34,500</u>	<u>31,000</u>
382,974	(469,541)
<u>7,940,335</u>	<u>8,409,876</u>
<u>\$ 8,323,309</u>	<u>\$ 7,940,335</u>
	(concluded)

**CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET
POSITION OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds \$ 382,974

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,398,016) exceeded capitalized capital outlays (\$830,510) in the current period. (567,506)

The net effect of transactions involving dispositions of capital assets was to decrease net position. (39,309)

The issuance of long-term debt (e.g., bonds, installment contracts) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is summarized as follows:

Principal repayments of general obligation bonds	\$	270,000
Amortization of issuance premium		22,680
Principal repayments of notes payable		111,688
Principal repayments of installment contract		<u>35,223</u>

Total 439,591

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded City contributions in the current period. (795,516)

Governmental funds report City other post-employment benefit contributions as expenditures. However, in the statement of activities, the cost of other post-employment benefits earned is reported as other post-employment benefits expense. This is the amount by which other post-employment benefits earned exceeded City contributions in the current period. (35,559)

Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds. (10,317)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in the accrued interest balance results in a decrease in interest expense reported in the statement of activities. 6,357

Change in net position of governmental activities \$ (619,285)

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 3,618,500	\$ 5,296,734	\$ 1,678,234
Utility	1,160,000	1,128,801	(31,199)
Intergovernmental	2,686,500	2,846,533	160,033
Charges for services	410,200	411,831	1,631
Fees by agreement	899,000	979,796	80,796
Fines, forfeitures and penalties	222,000	195,783	(26,217)
Investment income	65,000	153,008	88,008
Licenses, permits and inspections	361,500	366,866	5,366
Swimming pool	287,500	288,743	1,243
Vehicle tag income	180,800	180,313	(487)
Other income	<u>785,849</u>	<u>852,102</u>	<u>66,253</u>
Total revenues	<u>10,676,849</u>	<u>12,700,510</u>	<u>2,023,661</u>
Expenditures:			
Current:			
Personnel	6,140,820	5,925,967	214,853
Retirement contributions	-	1,791,557	(1,791,557)
Hospital and medical insurance	836,300	914,257	(77,957)
Contractual	2,157,075	1,976,116	180,959
Commodities	493,500	511,857	(18,357)
Other	344,560	227,039	117,521
Legal department	64,000	67,590	(3,590)
Vehicle tag expense	38,000	42,843	(4,843)
Debt service:			
Principal	45,000	35,223	9,777
Interest	-	5,159	(5,159)
Capital outlay	<u>400,500</u>	<u>301,432</u>	<u>99,068</u>
Total expenditures	<u>10,519,755</u>	<u>11,799,040</u>	<u>(1,279,285)</u>
Excess of revenues over expenditures	<u>157,094</u>	<u>901,470</u>	<u>744,376</u>

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	5,000	-	(5,000)
Transfers out	<u>(234,799)</u>	<u>(715,794)</u>	<u>(480,995)</u>
Total other financing sources (uses)	<u>(229,799)</u>	<u>(715,794)</u>	<u>(485,995)</u>
Net change in fund balances	(72,705)	185,676	258,381
Fund balances at beginning of year	<u>3,674,664</u>	<u>3,674,664</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,601,959</u>	<u>\$ 3,860,340</u>	<u>\$ 258,381</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

ASSETS	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2018	2017
Current assets:				
Cash	\$ 6,766,151	\$ 99,583	\$ 6,865,734	\$ 6,119,542
Accounts receivable - water customers:				
Billed	425,766	-	425,766	541,198
Unbilled	896,254	-	896,254	872,483
Total current assets	8,088,171	99,583	8,187,754	7,533,223
Noncurrent assets:				
Capital assets:				
Land	45,849	-	45,849	45,849
Construction in progress	-	-	-	155,911
Building and structures	3,578,933	-	3,578,933	3,578,933
Distribution system	9,056,043	-	9,056,043	8,274,891
Equipment	1,628,867	-	1,628,867	1,573,157
Total	14,309,692	-	14,309,692	13,628,741
Less accumulated depreciation	(9,394,645)	-	(9,394,645)	(9,116,257)
Net capital assets	4,915,047	-	4,915,047	4,512,484
Total assets	13,003,218	99,583	13,102,801	12,045,707
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows or resources related to pensions	568,644	-	568,644	153,874
Deferred outflows of resources related to other post-employment benefits	99,972	-	99,972	57,470
Total deferred outflows of resources	668,616	-	668,616	211,344

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

	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2018	2017
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 320,082	\$ 225	\$ 320,307	\$ 607,615
Accrued payroll	29,438	-	29,438	35,253
Current portion of long-term liabilities:				
Compensated absences	84,245	-	84,245	84,419
Installment contracts	114,459	-	114,459	189,720
Total current liabilities	<u>548,224</u>	<u>225</u>	<u>548,449</u>	<u>917,007</u>
Long-term liabilities:				
Compensated absences	28,082	-	28,082	28,139
Installment contracts	200,438	-	200,438	54,049
Net pension liability	649,953	-	649,953	152,520
Net other post-employment benefits liability	280,551	-	280,551	237,026
Total long-term liabilities	<u>1,159,024</u>	<u>-</u>	<u>1,159,024</u>	<u>471,734</u>
Total liabilities	<u>1,707,248</u>	<u>225</u>	<u>1,707,473</u>	<u>1,388,741</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	265,752	-	265,752	420,089
Deferred inflows of resources related to other post-employment benefits	16,766	-	16,766	16,510
Total deferred inflows of resources	<u>282,518</u>	<u>-</u>	<u>282,518</u>	<u>436,599</u>
NET POSITION				
Net investment in capital assets	4,579,991	-	4,579,991	3,924,132
Unrestricted	7,102,077	99,358	7,201,435	6,507,579
Total net position	<u>\$ 11,682,068</u>	<u>\$ 99,358</u>	<u>\$ 11,781,426</u>	<u>\$ 10,431,711</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
Operating revenues:				
Charges for services	\$ 7,084,162	\$ 50,731	\$ 7,134,893	\$ 7,259,311
Sales of water meters	20,051	-	20,051	4,520
Other	23,119	-	23,119	5,180
	<u>7,127,332</u>	<u>50,731</u>	<u>7,178,063</u>	<u>7,269,011</u>
Total operating revenues				
Operating expenses:				
Personnel	1,100,160	20,000	1,120,160	1,242,576
Contractual	3,469,423	742	3,470,165	3,468,404
Commodities	702,391	9,155	711,546	914,249
Depreciation	278,388	-	278,388	277,457
Other	348,590	-	348,590	312,459
	<u>5,898,952</u>	<u>29,897</u>	<u>5,928,849</u>	<u>6,215,145</u>
Total operating expenses				
Operating income	1,228,380	20,834	1,249,214	1,053,866
Nonoperating revenues:				
Investment income	100,501	-	100,501	45,510
Net increase in net position	1,328,881	20,834	1,349,715	1,099,376
Net position at beginning of year	<u>10,353,187</u>	<u>78,524</u>	<u>10,431,711</u>	<u>9,332,335</u>
Net position at end of year	<u>\$ 11,682,068</u>	<u>\$ 99,358</u>	<u>\$ 11,781,426</u>	<u>\$ 10,431,711</u>

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,218,993	\$ 50,731	\$ 7,269,724	\$ 7,016,589
Payments to employees	(1,176,601)	(20,000)	(1,196,601)	(1,198,487)
Payments to suppliers	<u>(4,796,948)</u>	<u>(20,661)</u>	<u>(4,817,609)</u>	<u>(4,551,463)</u>
Net cash provided by operating activities	<u>1,245,444</u>	<u>10,070</u>	<u>1,255,514</u>	<u>1,266,639</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(250,104)	-	(250,104)	(214,895)
Principal paid on capital debt	<u>(359,719)</u>	<u>-</u>	<u>(359,719)</u>	<u>(189,719)</u>
Net cash used by capital and related financing activities	<u>(609,823)</u>	<u>-</u>	<u>(609,823)</u>	<u>(404,614)</u>
Cash flows from investing activities:				
Investment income received	<u>100,501</u>	<u>-</u>	<u>100,501</u>	<u>45,510</u>
Net increase in cash	736,122	10,070	746,192	907,535
Cash at beginning of year	<u>6,030,029</u>	<u>89,513</u>	<u>6,119,542</u>	<u>5,212,007</u>
Cash at end of year	<u>\$ 6,766,151</u>	<u>\$ 99,583</u>	<u>6,865,734</u>	<u>\$ 6,119,542</u>

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

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,228,380	\$ 20,834	\$ 1,249,214	\$ 1,053,866
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	278,388	-	278,388	277,457
(Increase) decrease in:				
Accounts receivable	91,661	-	91,661	(252,422)
Deferred outflows of resources related to pensions	(422,333)	-	(422,333)	26,643
Deferred outflows of resources related to other post-employment benefits	(34,939)	-	(34,939)	(57,470)
Increase (decrease) in:				
Accounts payable	(276,544)	(10,764)	(287,308)	143,649
Accrued payroll	(5,815)	-	(5,815)	(2,017)
Compensated absences	(231)	-	(231)	5,966
Net pension liability	497,433	-	497,433	(335,902)
Net other post-employment benefits liability	43,525	-	43,525	44,478
Deferred inflows of resources related to pensions	(148,741)	-	(148,741)	345,881
Deferred inflows of resources related to other post-employment benefits	(5,340)	-	(5,340)	16,510
	<u>(5,340)</u>	<u>-</u>	<u>(5,340)</u>	<u>16,510</u>
Net cash provided by operating activities	<u>\$ 1,245,444</u>	<u>\$ 10,070</u>	<u>\$ 1,255,514</u>	<u>\$ 1,266,639</u>
Noncash capital and related financing activities:				
Purchase of equipment financed by installment contract	<u>\$ 430,847</u>	<u>\$ -</u>	<u>\$ 430,847</u>	<u>\$ -</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017

	2018	2017
ASSETS		
Cash	\$ 5,982	\$ 10,010
Accrued interest receivable	42,413	46,557
Prepaid expenses	5,024	-
Investments:		
Certificates of deposit	117,665	121,310
Debt issues:		
Corporate	1,328,016	832,778
Municipal	824,991	1,051,510
GNMA	69,086	90,178
Mutual funds:		
Equities	11,289,332	11,644,304
Mutual money market funds	160,533	337,708
U.S. government agency obligations	5,346,341	5,689,198
U.S. Treasury notes	898,867	908,523
Total assets	20,088,250	20,732,076
LIABILITIES		
Accounts payable	12,093	-
NET POSITION		
Restricted for pension benefits	\$ 20,076,157	\$ 20,732,076

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Contributions:		
Employees	\$ 268,587	\$ 331,562
Employer	<u>1,791,557</u>	<u>1,533,870</u>
Total contributions	<u>2,060,144</u>	<u>1,865,432</u>
Investment income (loss)	(894,524)	2,452,587
Less investment expense	<u>(61,814)</u>	<u>(46,172)</u>
Net investment income (loss)	<u>(956,338)</u>	<u>2,406,415</u>
Total additions	<u>1,103,806</u>	<u>4,271,847</u>
Deductions:		
Benefit payments	1,730,623	1,696,249
Refunds of contributions	-	48,776
Administrative expenses	<u>29,102</u>	<u>35,837</u>
Total deductions	<u>1,759,725</u>	<u>1,780,862</u>
Increase (decrease) in net position	(655,919)	2,490,985
Net position at beginning of year	<u>20,732,076</u>	<u>18,241,091</u>
Net position at end of year	<u>\$ 20,076,157</u>	<u>\$ 20,732,076</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Palos Heights, Illinois was incorporated on April 16, 1959. The City Council is composed of the Mayor and eight aldermen which forms the legislative branch of the City. The City provides a wide range of general municipal services, including police protection, crime prevention, community planning and zoning, building inspection and safety, street building and maintenance, traffic control, animal control, street lighting, public improvements, and recreation services. In addition, water and sewer and Metra station parking services are provided under an enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Fiduciary-type Component Unit. The City's sworn police employees participate in the Police Pension Fund (PPF). The City and the PPF participants are obligated to fund all PPF costs based upon actuarial valuations. The state of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of the contribution levels. Although it is legally separate from the City, the PPF is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the City's sworn police officers. The PPF is reported as a pension trust fund.

Discretely Presented Component Unit. The Palos Heights Public Library ("Library") is responsible for providing library services to the City's residents. The Library is administered by a separate board appointed by the Mayor of the City of Palos Heights, Illinois and confirmed by the City Council. The Library is fiscally dependent on the City as the tax levy established by the Library must be approved by the City.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

A separately issued financial report for the Library can be obtained directly from the administrative offices.

Palos Heights Public Library
12501 S. 71st Avenue
Palos Heights, Illinois 60463

C. Basis of Presentation - Government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has one discretely presented component unit. While the Palos Heights Public Library is considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's waterworks and sewerage function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It is comprised of three subfunds: the Corporate Fund, the Beautification Committee Fund, and the Vehicle License Fund. The General Fund accounts for all financial resources of the general government, except those required to be accounted in another fund. The services which are administered by the City and accounted for in the General Fund include general services, public safety, public works, recreation, and roads and construction.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

The Capital Projects Fund accounts for financial resources earmarked or segregated for the acquisition and/or construction of capital assets, except those financed and accounted for in other funds.

The Capital Projects Fund - Recreation Center accounts for financial resources earmarked or segregated for the construction of a recreation center.

The City reports the following nonmajor governmental funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The City's nonmajor special revenue funds are the Seizure and Forfeiture Fund, the Motor Fuel Tax Fund, the Social Security and Illinois Municipal Retirement Fund, the Special Recreation Fund, the Police DUI Fine Fund, the Cal Sag Trail Fund, and the Business District Fund.

Capital projects funds are used to account for financial resources earmarked or segregated for the acquisition and/or construction of capital assets, except those financed and accounted for in other funds. The City's nonmajor capital projects funds are the 127th and Harlem Tax Increment Fund and the Gateway Tax Increment Fund.

The Bond and Interest Fund, a debt service fund, is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs.

The City reports the following major enterprise fund:

The Waterworks and Sewerage Fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

The City reports the following nonmajor enterprise fund:

The Metra Station Parking Fund accounts for the operations of a municipal parking lot.

Additionally, the City reports the following fiduciary fund type:

The Pension Trust Fund accounts for funds held by the City in a fiduciary capacity for a public employee retirement system.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Additionally, property taxes are recognized as revenues in accordance with the City's appropriation ordinance. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under installment contracts are reported as other financing sources.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Property taxes, intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (see preceding paragraph for discussion of the availability period). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (see preceding paragraph for discussion of the availability period). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary Basis of Accounting

The annual appropriations ordinance (budget) is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds except the Pension Trust Fund. The budget appropriations lapse at the end of each fiscal year. The City does not utilize an encumbrance system. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance. The budget for the year ended December 31, 2018 was adopted through the passage of ordinance number O-05-18 on March 6, 2018.
4. The City Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgets are adopted on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds. The level of control (level at which expenditures may not exceed budget/appropriations) is the fund.
6. Formal budgetary integration is employed as a management control device during the year for the budgeted funds. Formal budgetary integration was not employed for the Pension Trust Fund because effective budgetary control was achieved through other means.

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018**

7. The budget was not amended during the year ended December 31, 2018.
8. Budgeted amounts reported in the financial statements represent the working budget as adopted. The appropriation as adopted for each fund is as follows:

General subfunds:	
Corporate	\$ 12,283,165
Beautification Committee	82,175
Vehicle License	246,750
Special revenue funds:	
Seizure and Forfeiture	151,450
Motor Fuel Tax	339,150
Social Security and IMRF	751,250
Special Recreation	221,550
Police DUI Fine	10,500
Cal Sag Trail	63,000
Business District	176,107
Capital projects funds:	
Capital Projects	1,413,090
127th and Harlem Tax Increment	224,576
Gateway Tax Increment	43,050
Debt service fund:	
Bond and Interest	487,922
Enterprise funds:	
Waterworks and Sewerage	9,876,997
Metra Station Parking	58,800

2. Excess of Expenditures/Expenses over Working Budget Amounts

For the year ended December 31, 2018, expenditures/expenses exceeded working budget amounts in the following funds:

Fund	Budget	Actual	Variance
General subfunds:			
Corporate	\$ 10,206,495	\$ 11,489,161	\$ (1,282,666)
Vehicle License	235,000	239,843	(4,843)
Nonmajor governmental funds:			
Special revenue funds:			
Seizure and Forfeiture	144,238	221,965	(77,727)
Police DUI Fine	10,000	10,948	(948)
Business District	167,720	173,810	(6,090)
127th and Harlem Tax Increment	213,882	244,302	(30,420)

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Fund	Budget	Actual	Variance
Debt service fund:			
Bond and Interest	\$ 464,688	\$ 465,162	\$ (474) (concluded)

The overexpenditures in the Corporate Fund, Seizure and Forfeiture Fund, Police DUI Fine Fund and Bond and Interest Fund were funded by greater than anticipated revenues. The overexpenditures in the Vehicle License Fund and the Business District Fund were funded by available fund balance. The overexpenditure in 127th and Harlem Tax Increment Fund was funded by greater than anticipated revenues and available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments of the City and the Library are reported at fair value (generally based on quoted market prices) except for the positions in the Illinois Funds Investment Pool (Pool) and the Illinois Metropolitan Investment Fund (IMET).

Illinois Funds is an investment pool managed by the Illinois State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The State of Illinois provides regulatory oversight of the Illinois Funds. Illinois Funds is not registered with the Securities and Exchange Commission as an investment company.

IMET is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a board of trustees elected from participating members.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of a prepaid item is recorded as an expense/expenditure when consumed rather than when purchased.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

4. Capital Assets

Capital assets, which include land, buildings, land and building improvements, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost exceeding the following capitalization limits (amounts not rounded) and an estimated useful life in excess of one year:

Equipment	\$	5,000
Land, buildings, land and building improvements		20,000
Infrastructure		50,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 - 50
Equipment	2 - 20
Land improvements	10 - 20
Public domain infrastructure	50
System infrastructure	15 - 50

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report 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 has two items that qualify for reporting in this category in the government-wide statement of net position. They are *deferred outflows of resources related to pensions* (see Notes II.G.1 and 2 for further discussion of deferred outflows of resources related to pensions) and *deferred outflows of resources related to other post-employment benefits* (see Note II.G.4 for further discussion of deferred outflows of resources related to other post-employment benefits).

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

In addition to liabilities, the financial statements will sometimes report 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 (revenues) until that time. The City has three types of items that qualify for reporting in this category. One item, *unearned/unavailable revenue*, is reported in the government-wide statement of net position and governmental funds balance sheet. The City reports unearned/unavailable revenue from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned or become available. The other items, *deferred inflows of resources related to pensions* and *deferred inflows of resources related to other post-employment benefits*, are reported in the government-wide statement of net position (see Notes II.G.1 and 2 for further discussion of deferred inflows of resources related to pensions and Note II.G.4 for further discussion of deferred inflows of resources related to other post-employment benefits).

6. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as gains (losses) on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred inflows (outflows) of resources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Net Position Flow Assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

8. *Fund Balance Flow Assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may by resolution authorize an individual or body to assign fund balance. The City Council has not adopted such a resolution. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenses/Expenditures

1. *Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

2. *Property Taxes*

Property taxes are levied as of January 1 on property values assessed on the same date. The tax levy is divided into two billings: the first billing is mailed on or about February 1 of the following year and the second billing is mailed on or about July 1 of the following year. The billings are considered past due 30 days after the respective tax billing date at which time the applicable property is subject to lien and penalties and interest are assessed. The City receives significant property tax distributions in the month following the due dates.

3. *Compensated Absences*

Vacation leave accumulates on January 1 for the current calendar year and must be taken by end of the following calendar year. Sick leave is accumulated at the rate of twelve (12) days per year. Upon retirement, accumulated sick leave may be credited toward retirement as allowed by statute. If an employee elects not to use accumulated sick leave towards retirement, the City pays these days out at \$20 per day. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements as noncurrent liabilities, due in more than one year. Vacation pay is only reported in governmental funds if it has matured.

4. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenue of the waterworks and sewerage enterprise fund is charges to customers for sales and services. The waterworks and sewerage enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets, liabilities, and deferred outflows/inflows of resources; the disclosure of contingent assets and liabilities; and the reported revenues and expenses/expenditures. Significant estimates used in preparing the government-wide financial statements include the assumptions used to determine the net pension and total other post-employment benefits liabilities and the related deferred outflows/inflows of resources. It is at least reasonably possible that the significant estimates used will change within the next year.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

J. Comparative Data

Comparative data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of the City.

K. Reclassifications

Certain amounts as reported for the previous year have been reclassified to conform to the current year's presentation.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

The City maintains a cash and investment pool that is available for use by all funds, except for the Pension Trust Fund. The deposits and investments of the Pension Trust Fund are held separately from those of other funds. At year end, deposits are summarized as follows.

City of Palos Heights, Illinois

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's investment policy protects the City from custodial credit risk by requiring funds on deposit (checking accounts, certificates of deposit, etc.), in excess of FDIC limits, to be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City of Palos Heights, Illinois. As of December 31, 2018, \$8,714,604 of the City's bank balances of \$9,715,604 was in excess of FDIC limits and was collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

Pension Trust Fund

At year end, the Pension Trust Fund's bank balances were fully covered by federal depository insurance.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Investments

City of Palos Heights, Illinois

As of December 31, 2018, the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Credit Quality Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Pooled investments:			
External investment pools:			
Illinois Funds	\$ 6,223,175	AAAm	<1
Illinois Metropolitan Investment Fund: Liquidating Trust (3)	<u>125,861</u>	N/A	Not available
Total investments	<u>\$ 6,349,036</u>		

- (1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable.
- (2) *Interest Rate Risk* is estimated using weighted average years to maturity.
- (3) Amounts held in this trust have been reduced to their estimated net realizable value. It is not currently known when funds will be released to the City as a result of IMET's legal proceedings.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Pension Trust Fund

As of December 31, 2018, the Pension Trust Fund had the following investments:

Type of Investment	Fair Value	Average Credit Quality Ratings (1)	Weighted Average Years to Maturity (2)
Certificates of deposit	\$ 117,665	N/A	6.65
Debt issues:			
Corporate	1,328,016	Aaa - Baa1	5.43
Municipal (3)	824,991	Aa1 - A1	5.27
GNMA	69,086	N/R	15.84
Mutual funds:			
Equities	11,289,332	N/A	N/A
Mutual money market funds	160,533	N/A	N/A
U.S. government agency obligations (3)	5,346,341	Aaa	6.29
U.S. Treasury notes	<u>898,867</u>	Aaa	2.13
Total investments	<u>\$ 20,034,831</u>		

- (1) Ratings are provided where applicable to indicate associated *Credit Risk*. N/A indicates not applicable. N/R indicates not rated.
- (2) *Interest Rate Risk* is estimated using weighted average years to maturity.
- (3) Some investments are not rated.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Investment Policies

The City's investments are subject to the following risks:

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have an investment policy for this risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy allows for investment vehicles authorized by Illinois Statutes. Illinois Statutes authorize the City to make deposits in commercial banks and savings and loan institutions, and to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds pool, which is under the oversight of the state of Illinois. Pension funds may also invest in other investments as allowed by the Illinois statutes.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy requires that all funds on deposit must be secured by some form of collateral, witnessed by a written agreement and held at an independent - third party institution in the City's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have an investment policy for this risk.

B. Fair Value Measurements

The City and Pension Trust Fund categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City and Pension Trust Fund had the following recurring fair value measurements as of December 31, 2018:

Certificates of deposit, debt issues, U.S. government agency obligations, and U.S. Treasury notes - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

External investment pools - Valued using the pool's share price, the price for which the investment could be sold.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the City and Police Pension Fund are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the City and Police Pension Fund are deemed to be actively traded.

The following table summarizes the investments of the City and Police Pension Fund for which fair values are determined on a recurring basis as of December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
City of Palos Heights:				
External investment pools	\$ -	\$ 6,349,036	\$ -	\$ 6,349,036
Pension Trust Fund:				
Certificates of deposit	\$ -	\$ 117,665	\$ -	\$ 117,665
Debt issues:				
Corporate	-	1,328,016	-	1,328,016
Municipal	-	824,991	-	824,991
GNMA	-	69,086	-	69,086
Mutual funds:				
Equities	11,289,332	-	-	11,289,332
Mutual money market funds	-	160,533	-	160,533
U.S. government agency obligations	-	5,346,341	-	5,346,341
U.S. Treasury notes	-	898,867	-	898,867
 Total investments at fair value	 <u>\$ 11,289,332</u>	 <u>\$ 8,745,499</u>	 <u>\$ -</u>	 <u>\$ 20,034,831</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

C. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Primary government:				
City of Palos Heights, Illinois:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,357,099	\$ 239,880	\$ -	\$ 4,596,979
Construction in progress	88,660	40,650	(107,810)	21,500
Total capital assets, not being depreciated	<u>4,445,759</u>	<u>280,530</u>	<u>(107,810)</u>	<u>4,618,479</u>
Capital assets, being depreciated:				
Land improvements	6,850,887	312,257	-	7,163,144
Buildings and improvements	19,578,418	86,019	107,810	19,772,247
Equipment	4,647,132	151,704	(965,005)	3,833,831
Infrastructure	20,013,105	-	-	20,013,105
Total capital assets, being depreciated	<u>51,089,542</u>	<u>549,980</u>	<u>(857,195)</u>	<u>50,782,327</u>
Less accumulated depreciation for:				
Land improvements	(2,171,307)	(167,466)	-	(2,338,773)
Buildings and improvements	(6,019,438)	(452,639)	-	(6,472,077)
Equipment	(3,649,578)	(336,973)	925,696	(3,060,855)
Infrastructure	(13,183,961)	(440,938)	-	(13,624,899)
Total accumulated depreciation	<u>(25,024,284)</u>	<u>(1,398,016)</u>	<u>925,696</u>	<u>(25,496,604)</u>
Total capital assets, being depreciated, net	<u>26,065,258</u>	<u>(848,036)</u>	<u>68,501</u>	<u>25,285,723</u>
Governmental activities capital assets, net	<u>\$ 30,511,017</u>	<u>\$ (567,506)</u>	<u>\$ (39,309)</u>	<u>\$ 29,904,202</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 45,849	\$ -	\$ -	\$ 45,849
Construction in progress	155,911	93,553	(249,464)	-
Total capital assets, not being depreciated	<u>201,760</u>	<u>93,553</u>	<u>(249,464)</u>	<u>45,849</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	3,578,933	-	-	3,578,933
Equipment	1,573,157	55,710	-	1,628,867
Water distribution, storm and sanitary system	<u>8,274,891</u>	<u>531,688</u>	<u>249,464</u>	<u>9,056,043</u>
Total capital assets, being depreciated	<u>13,426,981</u>	<u>587,398</u>	<u>249,464</u>	<u>14,263,843</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,060,465)	(70,506)	-	(2,130,971)
Equipment	(1,407,092)	(59,185)	-	(1,466,277)
Water distribution, storm and sanitary system	<u>(5,648,700)</u>	<u>(148,697)</u>	<u>-</u>	<u>(5,797,397)</u>
Total accumulated depreciation	<u>(9,116,257)</u>	<u>(278,388)</u>	<u>-</u>	<u>(9,394,645)</u>
Total capital assets, being depreciated, net	<u>4,310,724</u>	<u>309,010</u>	<u>249,464</u>	<u>4,869,198</u>
Business-type activities capital assets, net	<u>\$ 4,512,484</u>	<u>\$ 402,563</u>	<u>\$ -</u>	<u>\$ 4,915,047</u>
Component unit:				
Palos Heights Public Library:				
Capital assets, not being depreciated:				
Land	<u>\$ 314,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,652</u>
Capital assets, being depreciated:				
Land improvements	200,577	14,470	(11,800)	203,247
Buildings and improvements	5,388,889	80,649	(3,093)	5,466,445
Furniture and equipment	740,240	3,607	(1,160)	742,687
Library collection	<u>534,105</u>	<u>95,766</u>	<u>(120,926)</u>	<u>508,945</u>
Total capital assets, being depreciated	<u>6,863,811</u>	<u>194,492</u>	<u>(136,979)</u>	<u>6,921,324</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Less accumulated depreciation for:				
Land improvements	(136,812)	(8,908)	8,555	(137,165)
Buildings and improvements	(2,000,515)	(158,604)	2,247	(2,156,872)
Furniture and equipment	(572,249)	(50,787)	1,160	(621,876)
Library collection	<u>(223,733)</u>	<u>(106,821)</u>	<u>120,925</u>	<u>(209,629)</u>
Total accumulated depreciation	<u>(2,933,309)</u>	<u>(325,120)</u>	<u>132,887</u>	<u>(3,125,542)</u>
Total capital assets, being depreciated, net	<u>3,930,502</u>	<u>(130,628)</u>	<u>(4,092)</u>	<u>3,795,782</u>
Palos Heights Public Library capital assets, net	<u>\$ 4,245,154</u>	<u>\$ (130,628)</u>	<u>\$ (4,092)</u>	<u>\$ 4,110,434</u> (concluded)

Depreciation expense was charged to functions/programs as follows:

Primary government:

City of Palos Heights, Illinois:

Governmental activities:

General government	\$ 22,479
Police and emergency services	293,781
Public works	549,772
Recreation and culture	<u>531,984</u>

Total depreciation expense - governmental activities \$ 1,398,016

Business-type activities:

Waterworks and sewerage \$ 278,388

Component unit:

Palos Heights Public Library:

Recreation and culture \$ 325,120

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018**

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2018 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 113,764	\$ -
Capital Projects Fund	-	103,452
Nonmajor governmental funds:		
Motor Fuel Tax Fund	-	10,312
Business District Fund	35,391	-
127th and Harlem Tax Increment Fund	-	35,391
	<u> </u>	<u> </u>
Total	<u>\$ 149,155</u>	<u>\$ 149,155</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made which are expected to be collected in the subsequent year.

Interfund transfers during the year ended December 31, 2018 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 670,794
General Fund	Nonmajor governmental fund: Business District Fund	<u>45,000</u>
		<u>\$ 715,794</u>
Total		

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

E. Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions/ Adjustments	Ending Balance	Due Within One Year
Primary government:					
City of Palos Heights, Illinois:					
Governmental activities:					
General obligation bonds	\$ 5,890,000	\$ -	\$ (270,000)	\$ 5,620,000	\$ 275,000
Issuance premium	230,097	-	(22,680)	207,417	-
Notes payable	3,869,835	-	(111,688)	3,758,147	112,279
Installment contract payable	133,900	-	(35,223)	98,677	36,870
Compensated absences payable	407,904	377,431	(367,114)	418,221	367,399
Net pension liabilities:					
Police Pension	20,148,788	2,768,896	(139,254)	22,778,430	-
Illinois Municipal Retirement	484,954	103,469	1,712,261	2,300,684	-
Other post-employment benefits liability	1,406,707	132,315	(144,640)	1,394,382	-
Governmental activity long-term liabilities	<u>\$ 32,572,185</u>	<u>\$ 3,382,111</u>	<u>\$ 621,662</u>	<u>\$ 36,575,958</u>	<u>\$ 791,548</u>
Business-type activities:					
Installment contracts payable	\$ 243,769	\$ 430,847	\$ (359,719)	\$ 314,897	\$ 114,459
Compensated absences payable	112,558	84,188	(84,419)	112,327	84,245
Net pension liability:					
Illinois Municipal Retirement	152,520	8,929	488,504	649,953	-
Other post-employment benefits liability	237,026	20,746	(27,678)	280,551	-
Business-type activity long-term liabilities	<u>\$ 745,873</u>	<u>\$ 544,710</u>	<u>\$ 16,688</u>	<u>\$ 1,357,728</u>	<u>\$ 198,704</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	<u>\$ 121,333</u>	<u>\$ 49,849</u>	<u>\$ 443,475</u>	<u>\$ 614,657</u>	<u>\$ -</u>

Debt service of the general obligation bonds will be paid from the Bond and Interest Fund. Debt service of the notes payable will be paid from the Business District Fund and the 127th and Harlem Tax Increment Fund. Debt service of the governmental activity installment contract will be paid from the Capital Projects Fund. Governmental activity long-term liabilities other than debt have typically been repaid from the General Fund in prior years. Business activity long-term liabilities will be paid from the Waterworks and Sewerage Fund.

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018**

Primary Government - Governmental Activities

General Obligation Bonds

General obligation bonds, which will be used to renovate the recreation facility and build an addition, are direct obligations and pledge the full faith and credit of the City.

Denomination	\$5,000
Bonds due each year	December 15th
Interest dates	June 1st and December 1st
Interest rates	3.00% - 3.75%
Paying agent	Amalgamated Bank of Chicago, Illinois
Total original issue	\$6,300,000

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 275,000	\$ 186,588	\$ 461,588
2020	285,000	178,338	463,338
2021	295,000	169,788	464,788
2022	300,000	160,938	460,938
2023	310,000	151,938	461,938
2024	320,000	142,638	462,638
2025	330,000	133,038	463,038
2026	340,000	123,138	463,138
2027	350,000	112,088	462,088
2028	360,000	100,713	460,713
2029	375,000	88,113	463,113
2030	390,000	74,988	464,988
2031	400,000	61,338	461,338
2032	415,000	47,338	462,338
2033	430,000	32,813	462,813
2034	<u>445,000</u>	<u>16,688</u>	<u>461,688</u>
Total	<u>\$ 5,620,000</u>	<u>\$ 1,780,483</u>	<u>\$ 7,400,483</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Notes Payable

The City has pledged certain future revenues to repay notes payable of \$4,000,000 that were issued in 2014. The notes are payable from 80% of the incremental property tax in the 127th and Harlem TIF Fund, 100% of business district sales tax, and 35% of the incremental sales tax. The notes are payable in annual installments, which include interest at 6.36%, with the final payment due in December, 2033. As of December 31, 2018, the City paid \$1,310,526 in principal and interest on the notes payable. \$772,256 was paid from incremental property tax revenue, \$416,812 from business district sales tax revenue and \$121,458 from incremental sales tax. Future payments of principal and interest have been estimated by management to be as follows:

Year	Principal				Interest			
	Incremental Property Tax	Business District Sales Tax	Incremental Sales Tax	Total	Incremental Property Tax	Business District Sales Tax	Incremental Sales Tax	Total
2019	\$ 62,876	\$ 38,175	\$ 11,228	\$ 112,279	\$ 141,990	\$ 73,126	\$ 23,902	\$ 239,018
2020	105,461	64,030	18,832	188,323	158,519	50,170	23,188	231,877
2021	129,640	78,710	23,150	231,500	159,520	38,390	21,990	219,900
2022	157,737	95,769	28,167	281,673	160,428	24,231	20,518	205,177
2023	170,912	103,768	30,520	305,200	149,309	19,232	18,726	187,267
2024	185,015	112,331	33,038	330,384	137,297	13,769	16,785	167,851
2025	220,521	129,200	38,858	388,579	132,155	-	14,684	146,839
2026	244,943	132,499	41,938	419,380	109,912	-	12,213	122,125
2027	271,085	135,800	45,210	452,095	85,908	-	9,545	95,453
2028	328,498	139,200	51,967	519,665	60,029	-	6,670	66,699
2029	333,461	142,701	52,907	529,069	57,366	-	6,374	63,740
Total	<u>\$ 2,210,149</u>	<u>\$ 1,172,183</u>	<u>\$ 375,815</u>	<u>\$ 3,758,147</u>	<u>\$ 1,352,433</u>	<u>\$ 218,918</u>	<u>\$ 174,595</u>	<u>\$ 1,745,946</u>

Installment Contract Payable

The City entered into an installment contract for fitness equipment on May 17, 2016. Payments under the contract, including interest at 4.29%, are due as follows:

Year	Principal	Interest	Total
2019	\$ 36,870	\$ 3,512	\$ 40,382
2020	41,766	1,981	43,747
2021	20,041	250	20,291
Total	<u>\$ 98,677</u>	<u>\$ 5,743</u>	<u>\$ 104,420</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Primary Government - Business-Type Activities

Installment Contracts Payable

The City entered into an installment contract for the elevated Golfview road tank on December 7, 2015. Payments under the contract, including interest at 0%, are due as follows:

<u>Year</u>	<u>Principal</u>
2019	\$ 30,885
2020	<u>23,165</u>
Total	<u>\$ 54,050</u>

The City entered into an installment contract for the Vactor Sewer Cleaner on June 15, 2018. Payments under the contract, including interest at 3.986%, are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 83,574	\$ 10,397	\$ 93,971
2020	86,905	7,066	93,971
2021	<u>90,368</u>	<u>3,602</u>	<u>93,970</u>
Total	<u>\$ 260,847</u>	<u>\$ 21,065</u>	<u>\$ 281,912</u>

The annual requirements to amortize the outstanding installment contracts as of December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 114,459	\$ 10,397	\$ 124,856
2020	110,070	7,066	117,136
2021	<u>90,368</u>	<u>3,602</u>	<u>93,970</u>
Total	<u>\$ 314,897</u>	<u>\$ 21,065</u>	<u>\$ 335,962</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Legal Debt Margin

The legal debt margin of the City as of December 31, 2018 is calculated as follows:

Assessed valuation - 2017 tax year (most recent information available)	<u>\$ 458,253,064</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 39,524,327</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	5,827,417
Installment contract	98,677
Business-type activities:	
Installment contracts	<u>314,897</u>
Total debt applicable to limit	<u>6,240,991</u>
Legal debt margin	<u>\$ 33,283,336</u>

F. Fund Balances

As of December 31, 2018, fund balances were comprised of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	<u>\$ 108,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,908</u>
Restricted:				
Capital projects	-	-	416,963	416,963
Community redevelopment	-	-	168,850	168,850
Debt service	-	-	15,177	15,177
Law enforcement	-	-	907,143	907,143
Road construction and maintenance	-	-	383,841	383,841
Social Security and IMRF	-	-	166,236	166,236
Special recreation programs	<u>-</u>	<u>-</u>	<u>115,493</u>	<u>115,493</u>
Total restricted	<u>-</u>	<u>-</u>	<u>2,173,703</u>	<u>2,173,703</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assigned:				
Capital projects	-	1,910,999	-	1,910,999
Community redevelopment	-	-	77,887	77,887
Cal Sag Trail	-	-	16,563	16,563
Law enforcement	-	-	17,272	17,272
Social security and IMRF	-	-	114,178	114,178
Special recreation programs	-	-	152,367	152,367
	<u>-</u>	<u>1,910,999</u>	<u>378,267</u>	<u>2,289,266</u>
Unassigned	<u>3,751,432</u>	<u>-</u>	<u>-</u>	<u>3,751,432</u>
Total fund balances	<u>\$ 3,860,340</u>	<u>\$ 1,910,999</u>	<u>\$ 2,551,970</u>	<u>\$ 8,323,309</u> (concluded)

G. Employee Retirement and Post-Employment Benefit Plans

The City maintains the Police Pension Plan which covers its qualified Police Department employees and participates in the statewide Illinois Municipal Retirement Fund, which covers substantially all of the remaining qualified City employees and the qualified employees of the Library. The City also maintains a post-employment benefit plan (Health Insurance Plan for Retired Employees). The information presented in the following notes for these plans is the most current information available as of December 31, 2018.

1. Police Pension Plan

Description of Plan. The Police Pension Plan is a single-employer defined benefit pension plan that is administered by the Police Pension Fund's Board of Trustees. The Police Pension Fund's Board of Trustees consists of five members. Two members of the Board shall be appointed by the mayor; one member of the Board shall be elected by and from among the beneficiaries of the fund, if any; and two members of the Board shall be elected from the regular police force by the full-time members thereof (neither of the members elected by the regular police force need to be residents of the City).

The defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (Chapter 40ILCS 5 / Article 3) and may be amended only by the Illinois legislature.

The Police Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at the Fund's administrative office, located at 7607 W. College Drive, Palos Heights, IL 60463.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Benefits Provided. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired as a police officer prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to 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 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 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. In 2018, a police officer' salary for pension purposes is capped at \$106,800. The cap is adjusted annually by the lesser of 1/2 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 10 years of service may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

Employees Covered by Benefit Terms. At December 31, 2018, the Police Pension Plan's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not receiving benefits	0
Active employees	<u>26</u>
 Total	 <u><u>50</u></u>

Contributions. Employees are required by Illinois Compiled Statutes (ILCS) 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 amount necessary to finance the Police Pension Plan, including the costs of administering the plan, as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended December 31, 2018, the City's contribution was 68.3% of covered payroll.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Investment Policy. The Police Pension Plan's investment program is derived from the terms and provisions of the Illinois Compiled Statutes (ILCS). ILCS requires the Police Pension Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board. During the year, no changes to the investment policy were approved by the Board of Trustees.

The following investments are allowed as limited by the provisions of the ILCS:

- Direct obligations of the United States of America
- Obligations that are fully guaranteed or insured by the United States of America
- Obligations of agencies of the United States of America
- Insured savings accounts or certificates of deposit issued by banks or savings and loan associations
- Insured investments in credit unions
- Bonds of the state of Illinois
- Pooled accounts managed by the Illinois Public Treasurer's Investment Pool
- Funds and pooled accounts managed, operated and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies
- Obligations of any county, township, or municipal corporation of the state of Illinois
- Money market mutual funds
- General and separate accounts of life insurance companies
- Mutual funds
- Common and preferred stocks

Net Pension Liability. The City's net pension liability was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry-age normal

Inflation - 2.5%

Salary increases - 3.75%-16.84%, per year

Investment rate of return - 6.75%, net of administrative expenses

Asset valuation method - Market value

Mortality rates for active employees and pensioners were based on the L&A 2016 Illinois Police Mortality Rates. The L&A 2016 Illinois Police Disability Rates were used for disabled police officers.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police Pension Plan's target asset allocation as of December 31, 2018 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equity	38.5 %	6.66 %
Small cap domestic equity	11.0	8.66
Fixed income	45.0	1.66
International equity	<u>5.5</u>	6.56
	<u>100.0 %</u>	

Single Discount Rate. A Single Discount Rate of 6.75% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the Police Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2018 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) - (b)</u>
Balances at December 31, 2017	\$ 40,880,864	\$ 20,732,076	\$ 20,148,788
Changes for the year:			
Service cost	579,804	-	579,804
Interest on the total pension liability	2,701,050	-	2,701,050
Differences between expected and actual experience	423,492	-	423,492
Net investment income	-	(956,338)	956,338
Contributions - employees	-	268,587	(268,587)
Contributions - employer	-	1,791,557	(1,791,557)
Benefit payments, including refunds of employee contributions	(1,730,623)	(1,730,623)	-
Administrative expense	-	(29,102)	29,102
Net changes	<u>1,973,723</u>	<u>(655,919)</u>	<u>2,629,642</u>
Balances at December 31, 2018	<u>\$ 42,854,587</u>	<u>\$ 20,076,157</u>	<u>\$ 22,778,430</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Lower</u> <u>(5.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Higher</u> <u>(7.75%)</u>
City's net pension liability	<u>\$ 29,036,958</u>	<u>\$ 22,778,430</u>	<u>\$ 17,696,501</u>

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in other locations in this report as the Plan is reported as a fiduciary fund of the City as well as in a separately issued financial report of the Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2018, the City recognized pension expense of \$2,768,896. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 553,377	\$ 215,359
Changes of assumptions	2,357,265	-
Net difference between projected and actual earnings on Plan investments	<u>2,119,787</u>	<u>703,371</u>
Total	<u>\$ 5,030,429</u>	<u>\$ 918,730</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending December 31 as follows:

2019	\$ 1,137,078
2020	925,874
2021	917,942
2022	981,296
2023	73,147
Thereafter	<u>76,362</u>
Total	<u>\$ 4,111,699</u>

2. Illinois Municipal Retirement Fund

Library employees participate in the Illinois Municipal Retirement Fund ("IMRF") through the City. Thus, the information that follows includes both City and Library employees and balances.

Plan Description. The City'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's plan is managed by 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 for download at www.imrf.org.

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018**

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). Employees of the City who are eligible to participate in the plan participate in the RP.

The RP has 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 8 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 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 10 years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 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 lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms. As of December 31, 2018, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	73
Inactive plan members entitled to but not yet receiving benefits	52
Active plan members	<u>59</u>
Total	<u><u>184</u></u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018**

Contributions. As set by statute, the City's RP 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 required contribution rate for calendar year 2018 was 11.93%. For the year ended December 31, 2018, the City contributed \$442,134 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. Contributions for the year ended December 31, 2018 are reported in the financial statements as follows:

Governmental activities	\$ 285,291
Business-type activities	80,603
Component unit	<u>76,240</u>
Total contributions	<u>\$ 442,134</u>

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

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

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Related Value that reflects five-year averaging of investment gains and losses, subject to a 20% corridor
- The Inflation Rate was assumed to be 2.50%.
- Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.25%.
- Retirement rates vary by age and sex.
- For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. Among the active members, 75% of males and 70% of females were assumed to be married.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2018:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	37 %	7.15 %
International equities	18	7.25
Fixed income	28	3.75
Real estate	9	6.25
Alternative investments	7	3.20 - 8.50
Cash equivalents	<u>1</u>	2.50
Total	<u><u>100 %</u></u>	

Single Discount Rate. A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on Plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2018 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at December 31, 2017	\$ 19,511,910	\$ 18,753,103	\$ 758,807
Changes for the year:			
Service cost	347,009	-	347,009
Interest on the total pension liability	1,442,934	-	1,442,934
Differences between expected and actual experience	563,850	-	563,850
Changes of assumptions	632,774	-	632,774
Net investment income	-	(967,034)	967,034
Contributions - employees	-	168,553	(168,553)
Contributions - employer	-	442,134	(442,134)
Benefit payments, including refunds of employee contributions	(892,596)	(892,596)	-
Other changes	-	536,427	(536,427)
Net changes	<u>2,093,971</u>	<u>(712,516)</u>	<u>2,806,487</u>
Balances at December 31, 2018	<u>\$ 21,605,881</u>	<u>\$ 18,040,587</u>	<u>\$ 3,565,294</u>

The net pension liability as of December 31, 2018 is reported on the financial statements as follows:

Governmental activities	\$ 2,300,684
Business-type activities	649,953
Component unit	<u>614,657</u>
Total net pension liability	<u>\$ 3,565,294</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

	<u>1% Lower (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Higher (8.25%)</u>
City's net pension liability (asset)	<u>\$ 6,432,144</u>	<u>\$ 3,565,294</u>	<u>\$ 1,209,442</u>

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued IMRF financial report.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2018, the City recognized pension expense of \$162,247. Pension expense for the year ended December 31, 2018 is reported in the financial statements as follows:

Governmental activities	\$ 103,469
Business-type activities	8,929
Component unit	<u>49,849</u>
Total pension expense	<u>\$ 162,247</u>

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 391,508	\$ 97,044
Changes of assumptions	439,366	276,330
Net difference between projected and actual earnings on Plan investments	2,163,180	1,011,071
Changes in proportionate share	<u>38,943</u>	<u>38,943</u>
Total	<u>\$ 3,032,997</u>	<u>\$ 1,423,388</u>
Governmental activities	\$ 1,935,328	\$ 913,958
Business-type activities	568,644	265,752
Component unit	<u>529,025</u>	<u>243,678</u>
Total	<u>\$ 3,032,997</u>	<u>\$ 1,423,388</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending December 31 as follows:

2019	\$	443,197
2020		450,837
2021		238,961
2022		<u>476,614</u>
Total	\$	<u>1,609,609</u>

3. Summary of Pension Information

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Police Pension Plan (PPP) and the Illinois Municipal Retirement Fund (IMRF) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension-related deferred outflows of resources, liabilities, deferred inflows of resources, and pension expense/expenditures for the City are summarized as follows:

	Primary Government - City of Palos Heights, Illinois		
	PPP	IMRF	Total
Deferred outflows of resources	\$ 5,030,429	\$ 2,503,972	\$ 7,534,401
Net pension liability	22,778,430	2,950,637	25,729,067
Deferred inflows of resources	918,730	1,179,710	2,098,440
Pension expense	2,768,896	112,398	2,881,294
Pension expenditures	1,791,557	365,894	2,157,451

4. Health Insurance Plan for Retired Employees

Plan Description. In addition to providing the pension benefits described above, the City provides post-employment health care benefits (OPEB) for retired employees and their dependents through a single-employer defined benefit plan (the Plan) that is administered by the City. The benefit terms are established by the City and can be amended by the City through its personnel manual and union contracts. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided. The City provides limited health care insurance coverage for its eligible retired employees and their dependents. Such coverage is provided for retired employees until they reach age 65. Retired employees are required to pay 100% of the premiums for such coverage.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Employees Covered by Benefit Terms. As of December 31, 2018, the following employees of the City were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>67</u>
 Total	 <u><u>72</u></u>

Total OPEB Liability. The City’s total OPEB liability of \$1,674,933 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumption and Other Inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- The Actuarial Cost Method used was Entry Age Normal (Alternative Measurement Method).
- Salary increases were expected to be 4.00%, including inflation.
- The discount rate of 3.64% was based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve).
- Healthcare cost trend rate was expected to be 6.50% initially, reduced by decrements to an ultimate rate of 5.00%.
- Age-based turnover rates were developed based on probability of remaining employed until assumed retirement age.
- Mortality rates were based on the CDC National Vital Statistics report for 2014 (separate rates for males and females).
- The retirees' share of benefit-related costs was 100% of the projected health insurance premiums.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Changes in the Total OPEB Liability. Changes in the City's total OPEB liability for the year ended December 31, 2018 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ <u>1,643,733</u>
Changes for the year:	
Service cost	63,880
Interest expense	57,558
Changes in assumptions or other inputs	(1,421)
Benefit payments	(116,224)
Other changes	<u>27,407</u>
Net changes	<u>31,200</u>
Balance at December 31, 2018	\$ <u>1,674,933</u>

The total OPEB liability as of December 31, 2018 is reported in the financial statements as follows:

Governmental activities	\$ 1,394,382
Business-type activities	<u>280,551</u>
Total OPEB liability	<u>\$ 1,674,933</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

	1% Lower (2.64%)	Current Discount Rate (3.64%)	1% Higher (4.64%)
Total OPEB liability	<u>\$ 1,824,357</u>	<u>\$ 1,674,933</u>	<u>\$ 1,540,028</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Lower (4.0% to 5.5%)	Current Healthcare Cost Trend Rates (5.0% to 6.5%)	1% Higher (6.0% to 7.5%)
Total OPEB liability	<u>\$ 1,502,455</u>	<u>\$ 1,674,933</u>	<u>\$ 1,877,387</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2018, the City recognized OPEB expense of \$153,061. OPEB expense for the year ended December 31, 2018 is reported in the financial statements as follows:

Governmental activities	\$ 132,315
Business-type activities	<u>20,746</u>
Total OPEB expense	<u>\$ 153,061</u>

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

<u>Deferred Amounts Related to OPEB</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 51,087
Changes in assumptions and other inputs	387,738	15,591
Change in proportionate share	<u>40,622</u>	<u>40,622</u>
Total	<u>\$ 428,360</u>	<u>\$ 107,300</u>
Governmental activities	\$ 328,388	\$ 90,534
Business-type activities	<u>99,972</u>	<u>16,766</u>
Total	<u>\$ 428,360</u>	<u>\$ 107,300</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in years ending December 31 as follows:

2019	\$ 31,623
2020	31,623
2021	31,623
2022	31,623
2023	31,623
Thereafter	<u>162,945</u>
Total	<u>\$ 321,060</u>

H. Risk Management

The City participates in the Intergovernmental Risk Management Agency (IRMA). IRMA is an organization of municipalities and special districts in northeastern Illinois, which have formed an association under the Illinois Intergovernmental Cooperation Statute, to pool its risk management needs. The agency administers a mix of self-insurance and commercial insurance coverages; property/casualty and workers' compensation claim administration/litigation management services; unemployment claim administration; extensive risk management/loss control consulting and training programs; and a risk information system and financial reporting services for its members.

The City's payments to IRMA are displayed on the financial statements as expenditures/expenses in appropriate funds. Each member assumes the \$1,000 of each occurrence for years prior to 2004 and \$2,500 for each occurrence in 2004 and subsequent years. Beginning in 2005, members were given the option to assume higher deductibles. IRMA has a mix of self-insurance and commercial insurance at various amounts above that level.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

Each member appoints one delegate, along with an alternate delegate, to represent the member of the Board of Directors. The City does not exercise any control over the activities of the Agency beyond its representation on the Board of Directors.

Initial contributions are determined each year based on the individual member's eligible revenue as defined in the bylaws of IRMA, experience modification factors based on past member loss experience and optional deductible credits. Members have a contractual obligation to fund any deficit of IRMA attributable to a membership year during which they were a member. Supplemental contributions may be required to fund these deficits.

I. Prior Period Adjustment

The Palos Heights Public Library, a component unit, restated its beginning net position in the government-wide financial statements to correct errors made in the prior year related to the recognition of property tax revenue. The effect of the restatement was to decrease beginning net position by \$1,508,592.

J. Subsequent Events

Management has evaluated subsequent events through June 25, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEE RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

**CITY OF PALOS HEIGHTS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
POLICE PENSION PLAN
LAST TEN CALENDAR YEARS
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 579,804	\$ 602,360	\$ 564,272
Interest on the total pension liability	2,701,050	2,594,010	2,289,193
Differences between expected and actual experience	423,492	127,223	174,661
Changes of assumptions	-	-	3,159,527
Benefit payments, including refunds of employee contributions	<u>(1,730,623)</u>	<u>(1,745,025)</u>	<u>(1,611,364)</u>
Net change in total pension liability	1,973,723	1,578,568	4,576,289
Total pension liability at beginning of year	<u>40,880,864</u>	<u>39,302,296</u>	<u>34,726,007</u>
Total pension liability at end of year	<u>\$ 42,854,587</u>	<u>\$ 40,880,864</u>	<u>\$ 39,302,296</u>
Plan fiduciary net position:			
Contributions - employees	\$ 268,587	\$ 331,562	\$ 257,628
Contributions - employer	1,791,557	1,533,870	1,431,455
Net investment income	(956,338)	2,406,415	1,112,510
Benefit payments, including refunds of employee contributions	(1,730,623)	(1,745,025)	(1,611,364)
Administrative expense	<u>(29,102)</u>	<u>(35,837)</u>	<u>(29,905)</u>
Net change in plan fiduciary net position	(655,919)	2,490,985	1,160,324
Plan fiduciary net position at beginning of year	<u>20,732,076</u>	<u>18,241,091</u>	<u>17,080,767</u>
Plan fiduciary net position at end of year	<u>\$ 20,076,157</u>	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>
City's net pension liability at end of year	<u>\$ 22,778,430</u>	<u>\$ 20,148,788</u>	<u>\$ 21,061,205</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>46.85 %</u>	<u>50.71 %</u>	<u>46.41 %</u>
Covered payroll	<u>\$ 2,622,430</u>	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>
City's net pension liability as a percentage of covered payroll	<u>868.60 %</u>	<u>763.39 %</u>	<u>823.89 %</u>

Notes to Schedule:

Changes of Assumptions. The change of assumptions amount of \$3,159,527 in 2016 was primarily the result of changes in demographic assumptions based on a study of police pension funds in Illinois.

See independent auditor's report.

<u>2015</u>	<u>2014</u>
\$ 401,819	\$ 386,047
2,392,955	2,311,917
(477,761)	-
1,306,292	-
<u>(1,623,718)</u>	<u>(1,594,195)</u>
1,999,587	1,103,769
<u>32,726,420</u>	<u>31,622,651</u>
<u>\$ 34,726,007</u>	<u>\$ 32,726,420</u>
\$ 249,211	\$ 232,255
1,325,572	1,332,537
212,152	1,091,919
(1,623,718)	(1,594,195)
<u>(32,040)</u>	<u>(31,200)</u>
131,177	1,031,316
<u>16,949,590</u>	<u>15,918,274</u>
<u>\$ 17,080,767</u>	<u>\$ 16,949,590</u>
<u>\$ 17,645,240</u>	<u>\$ 15,776,830</u>
<u>49.19 %</u>	<u>51.79 %</u>
<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
<u>697.85 %</u>	<u>676.78 %</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 POLICE PENSION PLAN
 LAST TEN CALENDAR YEARS
 (SCHEDULES TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,792,221	\$ 1,585,000	\$ 1,361,133
Contributions in relation to the actuarially determined contribution	<u>1,791,557</u>	<u>1,533,870</u>	<u>1,431,455</u>
Contribution deficiency (excess)	<u>\$ 664</u>	<u>\$ 51,130</u>	<u>\$ (70,322)</u>
Covered payroll	<u>\$ 2,622,430</u>	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>
Contributions as a percentage of covered payroll	<u>68.32 %</u>	<u>58.11 %</u>	<u>56.00 %</u>

Notes to Schedule:

Valuation Date. Actuarially determined contribution rates are calculated as of December 31, 2018.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Entry age
Amortization method	Straight-line
Remaining amortization period	18 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.75% - 16.84%
Investment rate of return	6.75%, net of administrative expenses.

See independent auditor's report.

<u>2015</u>	<u>2014</u>
\$ 1,307,931	\$ 1,224,345
<u>1,325,572</u>	<u>1,332,537</u>
<u>\$ (17,641)</u>	<u>\$ (108,192)</u>
<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
<u>52.42 %</u>	<u>57.16 %</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
POLICE PENSION PLAN
LAST TEN CALENDAR YEARS
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF INVESTMENT RETURNS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	<u>(4.48)%</u>	<u>13.05 %</u>	<u>6.46 %</u>

See independent auditor's report.

<u>2015</u>	<u>2014</u>
<u>1.27 %</u>	<u>6.84 %</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TEN CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY)**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S NET
PENSION LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability:			
Service cost	\$ 347,009	\$ 351,233	\$ 359,540
Interest on the total pension liability	1,442,934	1,430,031	1,387,809
Differences between expected and actual experience of the total pension liability	563,850	(63,109)	(345,918)
Changes of assumptions	632,774	(664,788)	(48,316)
Benefit payments, including refunds of employee contributions	<u>(892,596)</u>	<u>(865,831)</u>	<u>(805,145)</u>
Net change in total pension liability	2,093,971	187,536	547,970
Total pension liability at beginning of year	<u>19,511,910</u>	<u>19,324,374</u>	<u>18,776,404</u>
Total pension liability at end of year	<u>\$ 21,605,881</u>	<u>\$ 19,511,910</u>	<u>\$ 19,324,374</u>
Plan fiduciary net position:			
Contributions - employees	\$ 168,553	\$ 194,876	\$ 152,361
Contributions - employer	442,134	431,181	430,424
Net investment income	(967,034)	2,902,427	1,076,475
Benefit payments, including refunds of employee contributions	(892,596)	(865,831)	(805,145)
Other changes	<u>536,427</u>	<u>(520,468)</u>	<u>61,253</u>
Net change in plan fiduciary net position	(712,516)	2,142,185	915,368
Plan fiduciary net position at beginning of year	<u>18,753,103</u>	<u>16,610,918</u>	<u>15,695,550</u>
Plan fiduciary net position at end of year	<u>\$ 18,040,587</u>	<u>\$ 18,753,103</u>	<u>\$ 16,610,918</u>
Net pension liability at end of year	<u>\$ 3,565,294</u>	<u>\$ 758,807</u>	<u>\$ 2,713,456</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.50 %</u>	<u>96.11 %</u>	<u>85.96 %</u>
Covered payroll	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>
Net pension liability as a percentage of covered payroll	<u>96.24 %</u>	<u>21.57 %</u>	<u>80.98 %</u>

See independent auditor's report.

2015

\$ 357,665
1,311,862

135,651
23,426

(776,400)

1,052,204

17,724,200

\$ 18,776,404

\$ 148,433
432,689
77,695

(776,400)
176,599

59,016

15,636,534

\$ 15,695,550

\$ 3,080,854

83.59 %

\$ 3,296,405

93.46 %

**CITY OF PALOS HEIGHTS, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 ILLINOIS MUNICIPAL RETIREMENT FUND
 LAST TEN CALENDAR YEARS
 (SCHEDULE TO BE BUILT PROSPECTIVELY)**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 441,970	\$ 431,005	\$ 430,245
Actual contribution	<u>442,134</u>	<u>431,181</u>	<u>430,424</u>
Contribution deficiency (excess)	<u>\$ (164)</u>	<u>\$ (176)</u>	<u>\$ (179)</u>
Covered payroll	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>
Actual contribution as a percentage of covered payroll	<u>11.93 %</u>	<u>12.26 %</u>	<u>12.85 %</u>

NOTES TO SCHEDULE OF CONTRIBUTIONS

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 in which contributions are reported.

Methods and Assumptions Used to Determine the 2018 Contribution Rate:*

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25-year closed period.
Asset valuation method	Market Related Value that reflects five -year averaging of investment gains and losses, subject to a 20% corridor
Wage growth	3.5%
Price inflation	2.50%.
Salary increases	3.39% to 14.25% including inflation
Investment rate of return	7.25%
Retirement age	Retirement rates vary by age and sex.

See independent auditor's report.

2015

\$ 426,884

432,689

\$ (5,805)

\$ 3,296,405

13.13 %

**CITY OF PALOS HEIGHTS, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION -
ILLINOIS MUNICIPAL RETIREMENT FUND
LAST TEN CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY)**

Mortality

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. Among the active members, 75% of males and 70% of females were assumed to be married.

Other Information:

There were no benefit changes during the year.

- * Based on valuation assumptions used in the December 31, 2016 actuarial valuation; note two year lag between valuation and rate setting.

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION -
 HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES
 LAST TEN CALENDAR YEARS
 (SCHEDULE TO BE BUILT PROSPECTIVELY)**

**SCHEDULE OF CHANGES IN THE EMPLOYER'S TOTAL
 OPEB LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 63,880	\$ 61,434
Interest expense	57,558	44,834
Differences between expected and actual experience	-	(61,193)
Changes in assumptions or other inputs	(1,421)	38,747
Benefit payments	(116,224)	(107,443)
Other changes	<u>27,407</u>	<u>378,544</u>
Net change in total OPEB liability	31,200	354,923
Total OPEB liability at beginning of year	<u>1,643,733</u>	<u>1,288,810</u>
Total OPEB liability at end of year	<u>\$ 1,674,933</u>	<u>\$ 1,643,733</u>
Covered payroll	<u>N/A</u>	<u>\$ 5,470,316</u>
Total OPEB liability as a percentage of covered payroll	<u>N/A</u>	<u>30.05 %</u>

N/A - Information not available

See independent auditor's report.

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
GENERAL FUND
COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS
DECEMBER 31, 2018**

ASSETS	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
Cash	\$ 3,254,225	\$ 71,558	\$ 265,825	-	\$ 3,591,608
Receivables:					
Property taxes	5,725,472	-	-	-	5,725,472
Accounts, net of allowance for uncollectible accounts	147,835	-	-	-	147,835
Due from other funds	172,494	-	-	(58,730)	113,764
Due from other governments	472,480	-	-	-	472,480
Prepaid items	108,908	-	-	-	108,908
Other	305,823	-	-	-	305,823
Total assets	<u>\$ 10,187,237</u>	<u>\$ 71,558</u>	<u>\$ 265,825</u>	<u>\$ (58,730)</u>	<u>\$ 10,465,890</u>
 LIABILITIES					
Accounts payable	\$ 180,082	\$ 1,888	\$ 11,934	\$ -	\$ 193,904
Accrued expenditures	248,843	-	-	-	248,843
Deposits held	301,642	-	-	-	301,642
Due to other funds	-	-	58,730	(58,730)	-
Unearned revenue - other	121,712	-	-	-	121,712
Total liabilities	<u>852,279</u>	<u>1,888</u>	<u>70,664</u>	<u>(58,730)</u>	<u>866,101</u>
 DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	5,739,449	-	-	-	5,739,449
 FUND BALANCES					
Nonspendable	108,908	-	-	-	108,908
Unassigned	3,486,601	69,670	195,161	-	3,751,432
Total fund balances	<u>3,595,509</u>	<u>69,670</u>	<u>195,161</u>	<u>-</u>	<u>3,860,340</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,187,237</u>	<u>\$ 71,558</u>	<u>\$ 265,825</u>	<u>\$ (58,730)</u>	<u>\$ 10,465,890</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,296,734	\$ -	\$ -	\$ 5,296,734
Utility	1,128,801	-	-	1,128,801
Intergovernmental	2,846,533	-	-	2,846,533
Charges for services	411,831	-	-	411,831
Fees by agreement	979,796	-	-	979,796
Fines, forfeitures and penalties	195,783	-	-	195,783
Investment income	153,008	-	-	153,008
Licenses, permits and inspections	366,866	-	-	366,866
Swimming pool	288,743	-	-	288,743
Vehicle tag income	-	-	180,313	180,313
Other income	793,251	58,851	-	852,102
Total revenues	<u>12,461,346</u>	<u>58,851</u>	<u>180,313</u>	<u>12,700,510</u>
Expenditures:				
Current:				
Personnel	5,925,967	-	-	5,925,967
Retirement contributions	1,791,557	-	-	1,791,557
Hospital and medical insurance	914,257	-	-	914,257
Contractual	1,976,116	-	-	1,976,116
Commodities	511,857	-	-	511,857
Other	157,003	70,036	-	227,039
Legal department	67,590	-	-	67,590
Vehicle tag expense	-	-	42,843	42,843
Debt service:				
Principal	35,223	-	-	35,223
Interest	5,159	-	-	5,159
Capital outlay	104,432	-	197,000	301,432
Total expenditures	<u>11,489,161</u>	<u>70,036</u>	<u>239,843</u>	<u>11,799,040</u>
Excess (deficiency) of revenues over expenditures	972,185	(11,185)	(59,530)	901,470
Other financing uses:				
Transfers out	(715,794)	-	-	(715,794)
Net change in fund balances	256,391	(11,185)	(59,530)	185,676
Fund balances at beginning of year	<u>3,339,118</u>	<u>80,855</u>	<u>254,691</u>	<u>3,674,664</u>
Fund balances at end of year	<u>\$ 3,595,509</u>	<u>\$ 69,670</u>	<u>\$ 195,161</u>	<u>\$ 3,860,340</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

ASSETS	2018	2017
Cash	\$ 3,254,225	\$ 3,169,076
Receivables:		
Property taxes	5,725,472	5,421,988
Accounts, net of allowance for uncollectible accounts	147,835	145,488
Due from other funds	172,494	180,048
Due from other governments	472,480	447,643
Prepaid items	108,908	-
Other	305,823	248,923
Total assets	\$ 10,187,237	\$ 9,613,166
LIABILITIES		
Accounts payable	\$ 180,082	\$ 168,696
Accrued expenditures	248,843	218,772
Deposits held	301,642	289,890
Due to other funds	-	45,000
Unearned revenue - other	121,712	121,116
Total liabilities	852,279	843,474
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	5,739,449	5,430,574
FUND BALANCES		
Nonspendable	108,908	-
Unassigned	3,486,601	3,339,118
Total fund balances	3,595,509	3,339,118
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,187,237	\$ 9,613,166

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 3,618,500	\$ 5,296,734	\$ 1,678,234	\$ 4,828,273
Utility	1,160,000	1,128,801	(31,199)	1,131,427
Intergovernmental	2,686,500	2,846,533	160,033	2,691,786
Charges for services	410,200	411,831	1,631	411,883
Fees by agreement	899,000	979,796	80,796	880,689
Fines, forfeitures and penalties	222,000	195,783	(26,217)	216,411
Investment income	65,000	153,008	88,008	8,431
Licenses, permits and inspections	361,500	366,866	5,366	728,801
Swimming pool	287,500	288,743	1,243	281,733
Other	<u>726,094</u>	<u>793,251</u>	<u>67,157</u>	<u>844,787</u>
Total revenues	<u>10,436,294</u>	<u>12,461,346</u>	<u>2,025,052</u>	<u>12,024,221</u>
Expenditures:				
Current:				
Personnel	6,140,820	5,925,967	214,853	5,725,045
Retirement contributions	-	1,791,557	(1,791,557)	1,533,870
Hospital and medical insurance	836,300	914,257	(77,957)	887,622
Contractual	2,157,075	1,976,116	180,959	1,926,844
Commodities	493,500	511,857	(18,357)	459,350
Other	266,300	157,003	109,297	163,228
Legal department	64,000	67,590	(3,590)	76,029
Debt service:				
Principal	45,000	35,223	9,777	33,841
Interest	-	5,159	(5,159)	6,541
Capital outlay	<u>203,500</u>	<u>104,432</u>	<u>99,068</u>	<u>86,576</u>
Total expenditures	<u>10,206,495</u>	<u>11,489,161</u>	<u>(1,282,666)</u>	<u>10,898,946</u>
Excess of revenues over expenditures	<u>229,799</u>	<u>972,185</u>	<u>742,386</u>	<u>1,125,275</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	5,000	-	(5,000)	-
Transfers out	<u>(234,799)</u>	<u>(715,794)</u>	<u>(480,995)</u>	<u>(1,274,147)</u>
Total other financing sources (uses)	<u>(229,799)</u>	<u>(715,794)</u>	<u>(485,995)</u>	<u>(1,274,147)</u>
Net change in fund balances	-	256,391	256,391	(148,872)
Fund balances at beginning of year	<u>3,339,118</u>	<u>3,339,118</u>	<u>-</u>	<u>3,487,990</u>
Fund balances at end of year	<u>\$ 3,339,118</u>	<u>\$ 3,595,509</u>	<u>\$ 256,391</u>	<u>\$ 3,339,118</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

Page 1 of 6

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
General government:				
Administration:				
Current:				
Personnel	\$ 271,128	\$ 239,894	\$ 31,234	\$ 213,115
Hospital and medical insurance	836,300	914,257	(77,957)	887,622
Contractual:				
Deductible insurance	15,000	20,032	(5,032)	26,890
Employee training and travel	3,000	284	2,716	738
Insurance - liability premium, IRMA	181,123	177,713	3,410	228,436
Maintenance and replacement of equipment	4,400	4,405	(5)	4,543
Memberships, dues and subscriptions	10,000	11,938	(1,938)	8,240
Postage	4,000	1,583	2,417	2,471
Printing, publishing and legal notices	5,000	3,951	1,049	5,449
Professional fees	164,000	119,054	44,946	107,508
Telephone	20,000	21,426	(1,426)	18,695
Commodities:				
Codifications	3,500	3,174	326	3,971
Office and departmental supplies	41,000	40,537	463	42,369
Other:				
Expense account - City officials	30,800	17,379	13,421	22,320
Other	<u>216,500</u>	<u>119,717</u>	<u>96,783</u>	<u>123,606</u>
Total administration	<u>1,805,751</u>	<u>1,695,344</u>	<u>110,407</u>	<u>1,695,973</u>
Legal department:				
Current:				
City attorney retainer	15,000	15,000	-	15,000
City prosecutor's retainer	23,000	23,000	-	23,000
Legal	<u>26,000</u>	<u>29,590</u>	<u>(3,590)</u>	<u>38,029</u>
Total legal department	<u>64,000</u>	<u>67,590</u>	<u>(3,590)</u>	<u>76,029</u>
Total general government	<u>\$ 1,869,751</u>	<u>\$ 1,762,934</u>	<u>\$ 106,817</u>	<u>\$ 1,772,002</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Public safety:				
Police department:				
Current:				
Personnel	\$ 3,329,785	\$ 3,221,168	\$ 108,617	\$ 3,142,667
Retirement contributions	-	1,791,557	(1,791,557)	1,533,870
Contractual:				
Dispatching	352,185	340,822	11,363	338,051
Employee training and travel	44,900	37,839	7,061	42,183
Maintenance and replacement of equipment	251,200	256,714	(5,514)	209,204
Memberships, dues and subscriptions	1,500	1,795	(295)	1,790
Postage	4,500	1,788	2,712	2,859
Telephone	25,000	29,773	(4,773)	30,288
Utilities	182,617	142,806	39,811	160,123
Commodities:				
Investigation and operation supplies	46,700	45,280	1,420	47,758
Office and departmental supplies	15,000	12,251	2,749	11,358
Total police department	<u>4,253,387</u>	<u>5,881,793</u>	<u>(1,628,406)</u>	<u>5,520,151</u>
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	6,000	7,224	(1,224)	10,148
Legal expense	1,500	1,778	(278)	-
Memberships, dues and subscriptions	700	375	325	690
Total commissions	<u>12,200</u>	<u>13,377</u>	<u>(1,177)</u>	<u>14,838</u>
Total public safety	<u>\$ 4,265,587</u>	<u>\$ 5,895,170</u>	<u>\$ (1,629,583)</u>	<u>\$ 5,534,989</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

Page 3 of 6

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Public works:				
Building department:				
Current:				
Personnel	\$ 177,500	\$ 174,071	\$ 3,429	\$ 156,612
Contractual:				
Employee training and travel	3,000	1,770	1,230	1,051
Maintenance and replacement of equipment	200	12	188	112
Membership, dues, and subscriptions	500	325	175	16
Professional fees	17,000	8,823	8,177	10,503
Telephone	2,000	797	1,203	1,307
Commodities:				
Office and departmental supplies	8,000	7,597	403	7,115
Capital outlay:				
Purchase of equipment	7,000	6,795	205	6,983
Total building department	<u>215,200</u>	<u>200,190</u>	<u>15,010</u>	<u>183,699</u>
Building and grounds:				
Current:				
Personnel	340,000	318,379	21,621	332,213
Contractual:				
Employee training and travel	23,300	19,604	3,696	19,985
Maintenance and replacement of equipment	219,000	226,935	(7,935)	45,791
Membership, dues, and subscriptions	200	255	(55)	190
Professional fees	20,200	5,050	15,150	18,881
Commodities:				
Maintenance supplies	11,000	8,211	2,789	9,138
Office and departmental supplies	12,000	19,989	(7,989)	10,870
Capital outlay:				
Purchase of equipment	28,000	5,000	23,000	828
Total building and grounds	<u>653,700</u>	<u>603,423</u>	<u>50,277</u>	<u>437,896</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

Page 4 of 6

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Motor vehicle maintenance:				
Current:				
Personnel	144,800	146,588	(1,788)	140,051
Contractual:				
Employee training and travel	12,700	10,936	1,764	9,444
Maintenance and replacement of equipment	111,000	105,758	5,242	87,956
Membership, dues, and subscriptions	600	48	552	-
Professional fees	6,000	3,620	2,380	3,724
Commodities:				
Maintenance supplies	75,000	82,723	(7,723)	61,627
Office and departmental supplies	8,000	9,234	(1,234)	8,741
Capital outlay:				
Purchase of equipment	12,000	11,341	659	8,909
Total motor vehicle maintenance	<u>370,100</u>	<u>370,248</u>	<u>(148)</u>	<u>320,452</u>
Total public works	<u>\$ 1,239,000</u>	<u>\$ 1,173,861</u>	<u>\$ 65,139</u>	<u>\$ 942,047</u>
 Lake Katherine:				
Current:				
Personnel	\$ 324,855	\$ 342,300	\$ (17,445)	\$ 308,060
Contractual:				
Insurance	5,000	4,475	525	4,400
Maintenance and replacement of equipment	32,500	26,680	5,820	32,467
Telephone	9,500	8,672	828	7,766
Utilities	26,000	24,068	1,932	22,752
Commodities:				
Office and departmental supplies	1,500	290	1,210	2,182
Capital outlay:				
Purchase of equipment	3,000	1,918	1,082	2,743
Total Lake Katherine	<u>\$ 402,355</u>	<u>\$ 408,403</u>	<u>\$ (6,048)</u>	<u>\$ 380,370</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		2017	
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Recreation department:				
Current:				
Personnel	\$ 1,022,052	\$ 968,299	\$ 53,753	\$ 993,421
Contractual:				
Employee training and travel	11,000	11,737	(737)	10,627
Maintenance and replacement of equipment	35,000	30,495	4,505	36,409
Membership, dues and subscriptions	25,500	23,398	2,102	23,568
Postage	9,000	7,606	1,394	7,039
Professional fees	105,500	104,078	1,422	87,675
Publicity and advertisement	35,000	35,177	(177)	29,805
Telephone	17,500	19,308	(1,808)	17,621
Utilities	40,000	6,337	33,663	9,389
Commodities:				
Maintenance supplies	12,000	12,937	(937)	13,818
Office and departmental supplies	10,000	8,492	1,508	8,092
Program supplies	188,500	204,427	(15,927)	180,323
Other:				
Other	19,000	19,907	(907)	17,302
Capital outlay:				
Purchase of equipment	33,500	34,151	(651)	59,543
Debt service:				
Principal	45,000	35,223	9,777	33,841
Interest	-	5,159	(5,159)	6,541
Total recreation department	<u>\$ 1,608,552</u>	<u>\$ 1,526,731</u>	<u>\$ 81,821</u>	<u>\$ 1,535,014</u>
Swimming pool:				
Current:				
Personnel	\$ 131,300	\$ 123,642	\$ 7,658	\$ 122,020
Contractual:				
Employee training and travel	5,000	4,561	439	5,063
Maintenance and replacement of equipment	53,000	44,395	8,605	36,543
Utilities	17,500	14,680	2,820	15,417
Commodities:				
Office and departmental supplies	49,000	47,899	1,101	45,270
Total swimming pool	<u>\$ 255,800</u>	<u>\$ 235,177</u>	<u>\$ 20,623</u>	<u>\$ 224,313</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Roads and construction:				
Current:				
Personnel	\$ 395,400	\$ 387,626	\$ 7,774	\$ 312,886
Contractual:				
Employee training and travel	1,600	412	1,188	223
Maintenance and replacement of equipment	(27,450)	(37,251)	9,801	119,730
Membership, dues, and subscriptions	300	281	19	60
Professional fees	38,300	47,597	(9,297)	34,811
Utilities	25,000	34,177	(9,177)	28,213
Commodities:				
Office and departmental supplies	12,300	8,816	3,484	6,718
Capital outlay:				
Purchase of equipment	120,000	45,227	74,773	7,570
Total roads and construction	\$ 565,450	\$ 486,885	\$ 78,565	\$ 510,211
Total corporate fund expenditures	\$ 10,206,495	\$ 11,489,161	\$ (1,282,666)	\$ 10,898,946

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>71,558</u>	\$ <u>83,051</u>
LIABILITIES		
Accounts payable	\$ 1,888	\$ 2,196
FUND BALANCES		
Unassigned	<u>69,670</u>	<u>80,855</u>
Total liabilities and fund balances	<u>\$ 71,558</u>	<u>\$ 83,051</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 59,755	\$ 58,851	\$ (904)	\$ 34,755
Expenditures:				
Current:				
Other	<u>78,260</u>	<u>70,036</u>	<u>8,224</u>	<u>32,549</u>
Excess (deficiency) of revenues over expenditures	(18,505)	(11,185)	7,320	2,206
Fund balances at beginning of year	<u>80,855</u>	<u>80,855</u>	<u>-</u>	<u>78,649</u>
Fund balances at end of year	<u>\$ 62,350</u>	<u>\$ 69,670</u>	<u>\$ 7,320</u>	<u>\$ 80,855</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>265,825</u>	\$ <u>372,762</u>
LIABILITIES		
Accounts payable	\$ 11,934	\$ 59,341
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	<u>70,664</u>	<u>118,071</u>
FUND BALANCES		
Unassigned	<u>195,161</u>	<u>254,691</u>
Total liabilities and fund balances	\$ <u>265,825</u>	\$ <u>372,762</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Vehicle tag income	\$ 180,800	\$ 180,313	\$ (487)	\$ 182,195
Expenditures:				
Current:				
Other:				
Vehicle tag expense	38,000	42,843	(4,843)	63,542
Capital outlay	<u>197,000</u>	<u>197,000</u>	<u>-</u>	<u>114,468</u>
Total expenditures	<u>235,000</u>	<u>239,843</u>	<u>(4,843)</u>	<u>178,010</u>
Excess (deficiency) of revenues over expenditures	(54,200)	(59,530)	(5,330)	4,185
Fund balances at beginning of year	<u>254,691</u>	<u>254,691</u>	<u>-</u>	<u>250,506</u>
Fund balances at end of year	<u>\$ 200,491</u>	<u>\$ 195,161</u>	<u>\$ (5,330)</u>	<u>\$ 254,691</u>

See independent auditor's report.

CAPITAL PROJECTS FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 CAPITAL PROJECTS FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 2,315,157	\$ 2,465,414
Due from other governments	<u>80,200</u>	<u>90,729</u>
Total assets	<u>\$ 2,395,357</u>	<u>\$ 2,556,143</u>
LIABILITIES		
Accounts payable	\$ 380,906	\$ 271,027
Due to other funds	<u>103,452</u>	<u>103,452</u>
Total liabilities	484,358	374,479
FUND BALANCES		
Assigned	<u>1,910,999</u>	<u>2,181,664</u>
Total liabilities and fund balances	<u>\$ 2,395,357</u>	<u>\$ 2,556,143</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Grants	\$ 320,000	\$ 86,662	\$ (233,338)	\$ 101,420
Other income	-	38,968	38,968	-
Total revenues	<u>320,000</u>	<u>125,630</u>	<u>(194,370)</u>	<u>101,420</u>
Expenditures:				
Debt service:				
Principal	-	-	-	22,027
Interest	-	-	-	1,406
Capital outlay	<u>1,345,800</u>	<u>1,067,089</u>	<u>278,711</u>	<u>1,566,029</u>
Total expenditures	<u>1,345,800</u>	<u>1,067,089</u>	<u>278,711</u>	<u>1,589,462</u>
Deficiency of revenues over expenditures	(1,025,800)	(941,459)	84,341	(1,488,042)
Other financing sources:				
Transfers in	<u>189,799</u>	<u>670,794</u>	<u>480,995</u>	<u>1,229,147</u>
Net change in fund balances	(836,001)	(270,665)	565,336	(258,895)
Fund balances at beginning of year	<u>2,181,664</u>	<u>2,181,664</u>	<u>-</u>	<u>2,440,559</u>
Fund balances at end of year	<u>\$ 1,345,663</u>	<u>\$ 1,910,999</u>	<u>\$ 565,336</u>	<u>\$ 2,181,664</u>

See independent auditor's report.

CAPITAL PROJECTS FUND - RECREATION CENTER

**CITY OF PALOS HEIGHTS, ILLINOIS
 CAPITAL PROJECTS FUND - RECREATION CENTER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Investment income	\$ -	\$ -	\$ -	\$ 320
Other income	-	-	-	20,942
Total revenues	-	-	-	21,262
Expenditures:				
Capital outlay	-	-	-	222,996
Deficiency of revenues over expenditures	-	-	-	(201,734)
Fund balances at beginning of year	-	-	-	201,734
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

MAJOR PROPRIETARY FUND

WATERWORKS AND SEWERAGE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 6,766,151	\$ 6,030,029
Accounts receivable - water customers:		
Billed	425,766	541,198
Unbilled	<u>896,254</u>	<u>872,483</u>
Total current assets	<u>8,088,171</u>	<u>7,443,710</u>
Noncurrent assets:		
Capital assets:		
Land	45,849	45,849
Construction in progress	-	155,911
Building and structures	3,578,933	3,578,933
Distribution system	9,056,043	8,274,891
Equipment	<u>1,628,867</u>	<u>1,573,157</u>
Total	14,309,692	13,628,741
Less accumulated depreciation	<u>(9,394,645)</u>	<u>(9,116,257)</u>
Net capital assets	<u>4,915,047</u>	<u>4,512,484</u>
Total assets	<u>13,003,218</u>	<u>11,956,194</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	568,644	153,874
Deferred outflows of resources related to other post-employment benefits	<u>99,972</u>	<u>57,470</u>
Total deferred outflows of resources	<u>668,616</u>	<u>211,344</u>

See independent auditor's report.

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 320,082	\$ 596,626
Accrued payroll	29,438	35,253
Current portion of long-term liabilities:		
Compensated absences	84,245	84,419
Installment contracts	<u>114,459</u>	<u>189,720</u>
Total current liabilities	<u>548,224</u>	<u>906,018</u>
Long-term liabilities:		
Compensated absences	28,082	28,139
Installment contracts	200,438	54,049
Net pension liability	649,953	152,520
Net other post-employment benefits liability	<u>280,551</u>	<u>237,026</u>
Total long-term liabilities	<u>1,159,024</u>	<u>471,734</u>
Total liabilities	<u>1,707,248</u>	<u>1,377,752</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	265,752	420,089
Deferred inflows of resources related to other post-employment benefits	<u>16,766</u>	<u>16,510</u>
Total deferred inflows of resources	<u>282,518</u>	<u>436,599</u>
NET POSITION		
Net investment in capital assets	4,579,991	3,924,132
Unrestricted	<u>7,102,077</u>	<u>6,429,055</u>
Total net position	<u>\$ 11,682,068</u>	<u>\$ 10,353,187</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Operating revenues:				
Charges for services:				
Water sales	\$ 5,940,000	\$ 5,911,644	\$ (28,356)	\$ 5,963,631
Sewer charges	1,085,000	1,101,522	16,522	1,166,242
User fees	-	738	738	-
Penalties	65,000	70,258	5,258	78,400
Sales of water meters	5,000	20,051	15,051	4,520
Other	14,500	23,119	8,619	5,180
Total operating revenues	<u>7,109,500</u>	<u>7,127,332</u>	<u>17,832</u>	<u>7,217,973</u>
Operating expenses:				
Personnel	1,316,600	1,100,160	216,440	1,212,576
Contractual	3,854,964	3,469,423	385,541	3,431,907
Commodities	1,179,000	702,391	476,609	908,785
Depreciation	-	278,388	(278,388)	277,457
Other	639,388	348,590	290,798	312,459
Total operating expenses	<u>6,989,952</u>	<u>5,898,952</u>	<u>1,091,000</u>	<u>6,143,184</u>
Operating income	119,548	1,228,380	1,108,832	1,074,789
Nonoperating revenues:				
Investment income	40,000	100,501	60,501	45,510
Net increase in net position	159,548	1,328,881	1,169,333	1,120,299
Net position at beginning of year	<u>10,353,187</u>	<u>10,353,187</u>	<u>-</u>	<u>9,232,888</u>
Net position at end of year	<u>\$ 10,512,735</u>	<u>\$ 11,682,068</u>	<u>\$ 1,169,333</u>	<u>\$ 10,353,187</u>
Other budgeted expenditures:				
Capital outlay paid	<u>\$ 1,750,000</u>	<u>\$ 680,951</u>	<u>\$ 1,069,049</u>	<u>\$ 214,895</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Personnel:				
Salaries	\$ 947,900	\$ 820,659	\$ 127,241	\$ 855,006
Hospital and medical insurance	218,700	219,979	(1,279)	180,198
IMRF, Social Security and Medicare	<u>150,000</u>	<u>59,522</u>	<u>90,478</u>	<u>177,372</u>
Total personnel	<u>1,316,600</u>	<u>1,100,160</u>	<u>216,440</u>	<u>1,212,576</u>
Contractual:				
General insurance	85,000	86,657	(1,657)	66,528
Maintenance service	28,000	18,000	10,000	14,435
Other	244,200	208,010	36,190	208,305
Postage	20,000	15,187	4,813	16,534
Professional fees	80,000	28,710	51,290	61,166
Purchase of water	3,279,764	2,976,039	303,725	2,930,646
Telephone	40,000	60,622	(20,622)	54,529
Utilities	<u>78,000</u>	<u>76,198</u>	<u>1,802</u>	<u>79,764</u>
Total contractual	<u>3,854,964</u>	<u>3,469,423</u>	<u>385,541</u>	<u>3,431,907</u>
Commodities:				
Gas and oil	60,000	60,000	-	56,000
Supplies:				
Departmental and office	27,500	21,613	5,887	25,877
Maintenance	<u>1,091,500</u>	<u>620,778</u>	<u>470,722</u>	<u>826,908</u>
Total commodities	<u>1,179,000</u>	<u>702,391</u>	<u>476,609</u>	<u>908,785</u>
Depreciation	<u>-</u>	<u>278,388</u>	<u>(278,388)</u>	<u>277,457</u>
Other:				
Administrative charges	269,388	269,388	-	274,524
Bad debt expense	150,000	3,960	146,040	5,243
Equipment purchases	<u>220,000</u>	<u>75,242</u>	<u>144,758</u>	<u>32,692</u>
Total other	<u>639,388</u>	<u>348,590</u>	<u>290,798</u>	<u>312,459</u>
Total operating expenses	<u>\$ 6,989,952</u>	<u>\$ 5,898,952</u>	<u>\$ 1,091,000</u>	<u>\$ 6,143,184</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,218,993	\$ 6,965,551
Payments to employees	(1,176,601)	(1,168,487)
Payments to suppliers	<u>(4,796,948)</u>	<u>(4,520,072)</u>
Net cash provided by operating activities	<u>1,245,444</u>	<u>1,276,992</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(250,104)	(214,895)
Principal paid on capital debt	<u>(359,719)</u>	<u>(189,719)</u>
Net cash used by capital and related financing activities	<u>(609,823)</u>	<u>(404,614)</u>
Cash flows from investing activities:		
Investment income received	<u>100,501</u>	<u>45,510</u>
Net increase in cash	736,122	917,888
Cash at beginning of year	<u>6,030,029</u>	<u>5,112,141</u>
Cash at end of year	<u>\$ 6,766,151</u>	<u>\$ 6,030,029</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,228,380	\$ 1,074,789
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	278,388	277,457
(Increase) decrease in:		
Accounts receivable	91,661	(252,422)
Deferred outflows of resources related to pensions	(422,333)	26,643
Deferred outflows of resources related to other post-employment benefits	(34,939)	(57,470)
Accounts payable	(276,544)	133,079
Accrued payroll	(5,815)	(2,017)
Compensated absences	(231)	5,966
Net pension liability	497,433	(335,902)
Net other post-employments benefits liability	43,525	44,478
Deferred inflows of resources related to pensions	(148,741)	345,881
Deferred inflows of resources related to other post-employment benefits	(5,340)	16,510
Net cash provided by operating activities	\$ 1,245,444	\$ 1,276,992
Noncash capital and related financing activities:		
Purchase of equipment financed by installment contract	\$ 430,847	\$ -

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue Funds				
	Seizure and Forfeiture	Motor Fuel Tax	Social Security and IMRF	Special Recreation	Police DUI Fine
ASSETS					
Cash	\$ 879,723	\$ 373,842	\$ 282,083	\$ 266,097	\$ 55,611
Property taxes receivable	-	-	654,923	169,113	-
Due from other funds	-	-	-	-	-
Due from other governments	-	27,182	-	2,206	-
Total assets	<u>\$ 879,723</u>	<u>\$ 401,024</u>	<u>\$ 937,006</u>	<u>\$ 437,416</u>	<u>\$ 55,611</u>
LIABILITIES					
Accounts payable	\$ 1,319	\$ 6,871	\$ -	\$ -	\$ 9,600
Due to other funds	-	10,312	-	-	-
Total liabilities	<u>1,319</u>	<u>17,183</u>	<u>-</u>	<u>-</u>	<u>9,600</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	656,592	169,556	-
FUND BALANCES					
Restricted	878,404	383,841	166,236	115,493	28,739
Assigned	-	-	114,178	152,367	17,272
Total fund balances	<u>878,404</u>	<u>383,841</u>	<u>280,414</u>	<u>267,860</u>	<u>46,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 879,723</u>	<u>\$ 401,024</u>	<u>\$ 937,006</u>	<u>\$ 437,416</u>	<u>\$ 55,611</u>

See independent auditor's report.

Cal Sag Trail	Business District	Capital Projects Funds		Debt Service	Total Nonmajor Governmental Funds
		127th and Harlem Tax Increment	Gateway Tax Increment	Fund Bond and Interest	
\$ 148,062	\$ 348,514	\$ 562,223	\$ 93,441	\$ 16,541	\$ 3,026,137
-	-	-	-	402,064	1,226,100
-	35,391	-	-	-	35,391
-	18,302	-	-	-	47,690
<u>\$ 148,062</u>	<u>\$ 402,207</u>	<u>\$ 562,223</u>	<u>\$ 93,441</u>	<u>\$ 418,605</u>	<u>\$ 4,335,318</u>
\$ 131,499	\$ 155,470	\$ 203,310	\$ -	\$ -	\$ 508,069
-	-	35,391	-	-	45,703
<u>131,499</u>	<u>155,470</u>	<u>238,701</u>	<u>-</u>	<u>-</u>	<u>553,772</u>
-	-	-	-	403,428	1,229,576
-	168,850	323,522	93,441	15,177	2,173,703
16,563	77,887	-	-	-	378,267
<u>16,563</u>	<u>246,737</u>	<u>323,522</u>	<u>93,441</u>	<u>15,177</u>	<u>2,551,970</u>
<u>\$ 148,062</u>	<u>\$ 402,207</u>	<u>\$ 562,223</u>	<u>\$ 93,441</u>	<u>\$ 418,605</u>	<u>\$ 4,335,318</u>

CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	<u>Special Revenue Funds</u>				
	<u>Seizure and Forfeiture</u>	<u>Motor Fuel Tax</u>	<u>Social Security and IMRF</u>	<u>Special Recreation</u>	<u>Police DUI Fine</u>
Revenues:					
Taxes:					
Property levies, net	\$ -	\$ -	\$ 574,352	\$ 152,402	\$ -
Business district sales	-	-	-	-	-
Intergovernmental	-	336,718	-	-	-
Fines, forfeitures and penalties	536,322	-	-	-	-
Investment income	13,698	7,142	-	-	-
Other income	5,280	-	-	-	19,559
Total revenues	<u>555,300</u>	<u>343,860</u>	<u>574,352</u>	<u>152,402</u>	<u>19,559</u>
Expenditures:					
Current:					
Personnel	-	-	-	-	-
Payroll taxes and retirement contributions	-	-	567,269	-	-
Contractual	-	-	-	-	-
Commodities	-	45,000	-	-	-
Other	221,965	-	-	77,831	10,948
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	278,000	-	-	-
Total expenditures	<u>221,965</u>	<u>323,000</u>	<u>567,269</u>	<u>77,831</u>	<u>10,948</u>
Excess (deficiency) of revenues over expenditures	<u>333,335</u>	<u>20,860</u>	<u>7,083</u>	<u>74,571</u>	<u>8,611</u>
Other financing sources:					
Proceeds from sale of capital assets	34,500	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	367,835	20,860	7,083	74,571	8,611
Fund balances at beginning of year	<u>510,569</u>	<u>362,981</u>	<u>273,331</u>	<u>193,289</u>	<u>37,400</u>
Fund balances at end of year	<u>\$ 878,404</u>	<u>\$ 383,841</u>	<u>\$ 280,414</u>	<u>\$ 267,860</u>	<u>\$ 46,011</u>

See independent auditor's report.

Cal Sag Trail	Business District	Capital Projects Funds		Debt Service Fund	Total Nonmajor Governmental Funds
		127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
\$ -	\$ -	\$ 276,270	\$ 26,970	\$ 468,928	\$ 1,498,922
-	108,926	-	-	-	108,926
-	-	-	-	-	336,718
-	-	-	-	-	536,322
-	2,836	5,541	1,398	-	30,615
-	-	-	-	-	24,839
-	111,762	281,811	28,368	468,928	2,536,342
-	-	10,598	4,697	-	15,295
-	-	-	-	-	567,269
-	18,340	30,888	7,246	-	56,474
-	-	179	116	-	45,295
51,533	-	-	-	-	362,277
-	111,688	-	-	270,000	381,688
-	43,782	202,637	-	195,162	441,581
-	-	-	-	-	278,000
51,533	173,810	244,302	12,059	465,162	2,147,879
(51,533)	(62,048)	37,509	16,309	3,766	388,463
-	-	-	-	-	34,500
-	45,000	-	-	-	45,000
-	45,000	-	-	-	79,500
(51,533)	(17,048)	37,509	16,309	3,766	467,963
68,096	263,785	286,013	77,132	11,411	2,084,007
\$ 16,563	\$ 246,737	\$ 323,522	\$ 93,441	\$ 15,177	\$ 2,551,970

SPECIAL REVENUE FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>879,723</u>	\$ <u>523,837</u>
LIABILITIES		
Accounts payable	\$ 1,319	\$ 5,714
Due to other funds	<u>-</u>	<u>7,554</u>
Total liabilities	1,319	13,268
FUND BALANCES		
Restricted	<u>878,404</u>	<u>510,569</u>
Total liabilities and fund balances	<u>\$ 879,723</u>	<u>\$ 523,837</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Fines, forfeitures and penalties	\$ 79,500	\$ 536,322	\$ 456,822	\$ 194,562
Investment income	-	13,698	13,698	3,178
Other income	-	5,280	5,280	34,142
Total revenues	79,500	555,300	475,800	231,882
Expenditures:				
Current:				
Other	144,238	221,965	(77,727)	268,043
Excess (deficiency) of revenues over expenditures	(64,738)	333,335	398,073	(36,161)
Other financing sources:				
Proceeds from sale of capital assets	-	34,500	34,500	31,000
Net change in fund balances	(64,738)	367,835	432,573	(5,161)
Fund balances at beginning of year	510,569	510,569	-	515,730
Fund balances at end of year	<u>\$ 445,831</u>	<u>\$ 878,404</u>	<u>\$ 432,573</u>	<u>\$ 510,569</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 373,842	\$ 359,381
Due from other governments	<u>27,182</u>	<u>27,654</u>
Total assets	<u>\$ 401,024</u>	<u>\$ 387,035</u>
LIABILITIES		
Accounts payable	\$ 6,871	\$ 13,742
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	17,183	24,054
FUND BALANCES		
Restricted	<u>383,841</u>	<u>362,981</u>
Total liabilities and fund balances	<u>\$ 401,024</u>	<u>\$ 387,035</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 320,000	\$ 336,718	\$ 16,718	\$ 324,712
Investment income	3,000	7,142	4,142	4,357
Total revenues	<u>323,000</u>	<u>343,860</u>	<u>20,860</u>	<u>329,069</u>
Expenditures:				
Current:				
Commodities:				
Maintenance supplies	45,000	45,000	-	29,102
Capital outlay	<u>278,000</u>	<u>278,000</u>	<u>-</u>	<u>300,000</u>
Total expenditures	<u>323,000</u>	<u>323,000</u>	<u>-</u>	<u>329,102</u>
Excess (deficiency) of revenues over expenditures	-	20,860	20,860	(33)
Fund balances at beginning of year	<u>362,981</u>	<u>362,981</u>	<u>-</u>	<u>363,014</u>
Fund balances at end of year	<u>\$ 362,981</u>	<u>\$ 383,841</u>	<u>\$ 20,860</u>	<u>\$ 362,981</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

ASSETS	2018	2017
Cash	\$ 282,083	\$ 274,941
Property taxes receivable	654,923	614,790
Total assets	\$ 937,006	\$ 889,731
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 656,592	\$ 616,400
FUND BALANCES		
Restricted	166,236	159,153
Assigned	114,178	114,178
Total fund balances	280,414	273,331
Total deferred inflows of resources and fund balances	\$ 937,006	\$ 889,731

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 622,000	\$ 574,352	\$ (47,648)	\$ 635,074
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>601,000</u>	<u>567,269</u>	<u>33,731</u>	<u>546,914</u>
Excess of revenues over expenditures	21,000	7,083	(13,917)	88,160
Fund balances at beginning of year	<u>273,331</u>	<u>273,331</u>	<u>-</u>	<u>185,171</u>
Fund balances at end of year	<u>\$ 294,331</u>	<u>\$ 280,414</u>	<u>\$ (13,917)</u>	<u>\$ 273,331</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 266,097	\$ 233,674
Property taxes receivable	169,113	138,199
Due from other governments	<u>2,206</u>	<u>2,206</u>
 Total assets	 <u>\$ 437,416</u>	 <u>\$ 374,079</u>
 LIABILITIES		
Accounts payable	\$ <u>-</u>	\$ <u>42,217</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>169,556</u>	<u>138,573</u>
 FUND BALANCES		
Restricted	115,493	40,922
Assigned	<u>152,367</u>	<u>152,367</u>
 Total fund balances	 <u>267,860</u>	 <u>193,289</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 437,416</u>	 <u>\$ 374,079</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 151,000	\$ 152,402	\$ 1,402	\$ 147,660
Expenditures:				
Current:				
Other:				
Special recreation association	<u>211,000</u>	<u>77,831</u>	<u>133,169</u>	<u>106,738</u>
Excess (deficiency) of revenues over expenditures	(60,000)	74,571	134,571	40,922
Fund balances at beginning of year	<u>193,289</u>	<u>193,289</u>	<u>-</u>	<u>152,367</u>
Fund balances at end of year	<u>\$ 133,289</u>	<u>\$ 267,860</u>	<u>\$ 134,571</u>	<u>\$ 193,289</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>55,611</u>	\$ <u>37,400</u>
LIABILITIES		
Accounts payable	\$ <u>9,600</u>	\$ <u>-</u>
FUND BALANCES		
Restricted	28,739	20,128
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>46,011</u>	<u>37,400</u>
Total liabilities and fund balances	<u>\$ 55,611</u>	<u>\$ 37,400</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 10,000	\$ 19,559	\$ 9,559	\$ 39,539
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>10,948</u>	<u>(948)</u>	<u>74,514</u>
Excess (deficiency) of revenues over expenditures	-	8,611	8,611	(34,975)
Fund balances at beginning of year	<u>37,400</u>	<u>37,400</u>	<u>-</u>	<u>72,375</u>
Fund balances at end of year	<u>\$ 37,400</u>	<u>\$ 46,011</u>	<u>\$ 8,611</u>	<u>\$ 37,400</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
BALANCE SHEET
DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>148,062</u>	\$ <u>199,595</u>
LIABILITIES		
Accounts payable	\$ 131,499	\$ 131,499
FUND BALANCES		
Assigned	<u>16,563</u>	<u>68,096</u>
Total liabilities and fund balances	<u>\$ 148,062</u>	<u>\$ 199,595</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Other:				
Bike trail maintenance	50,000	51,533	(1,533)	-
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>60,000</u>	<u>51,533</u>	<u>8,467</u>	<u>-</u>
Deficiency of revenues over expenditures	(60,000)	(51,533)	8,467	-
Fund balances at beginning of year	<u>68,096</u>	<u>68,096</u>	<u>-</u>	<u>68,096</u>
Fund balances at end of year	<u>\$ 8,096</u>	<u>\$ 16,563</u>	<u>\$ 8,467</u>	<u>\$ 68,096</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BUSINESS DISTRICT FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 348,514	\$ 165,552
Due from other funds	35,391	80,391
Due from other governments	<u>18,302</u>	<u>17,842</u>
Total assets	<u>\$ 402,207</u>	<u>\$ 263,785</u>
LIABILITIES		
Accounts payable	<u>\$ 155,470</u>	<u>\$ -</u>
FUND BALANCES		
Restricted	168,850	187,276
Assigned	<u>77,887</u>	<u>76,509</u>
Total fund balances	<u>246,737</u>	<u>263,785</u>
Total liabilities and fund balances	<u>\$ 402,207</u>	<u>\$ 263,785</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Business district sales tax	\$ 115,000	\$ 108,926	\$ (6,074)	\$ 110,569
Investment income	<u>1,000</u>	<u>2,836</u>	<u>1,836</u>	<u>1,013</u>
Total revenues	<u>116,000</u>	<u>111,762</u>	<u>(4,238)</u>	<u>111,582</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	12,500	18,340	(5,840)	1,111
Debt service:				
Principal	48,160	111,688	(63,528)	97,386
Interest	<u>107,060</u>	<u>43,782</u>	<u>63,278</u>	<u>42,239</u>
Total expenditures	<u>167,720</u>	<u>173,810</u>	<u>(6,090)</u>	<u>140,736</u>
Deficiency of revenues over expenditures	(51,720)	(62,048)	(10,328)	(29,154)
Other financing sources:				
Transfers in	<u>55,000</u>	<u>45,000</u>	<u>(10,000)</u>	<u>45,000</u>
Net change in fund balances	3,280	(17,048)	(20,328)	15,846
Fund balances at beginning of year	<u>263,785</u>	<u>263,785</u>	<u>-</u>	<u>247,939</u>
Fund balances at end of year	<u>\$ 267,065</u>	<u>\$ 246,737</u>	<u>\$ (20,328)</u>	<u>\$ 263,785</u>

See independent auditor's report.

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CAPITAL PROJECTS FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
 127TH AND HARLEM TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>562,223</u>	\$ <u>321,404</u>
LIABILITIES		
Accounts payable	\$ 203,310	\$ -
Due to other funds	<u>35,391</u>	<u>35,391</u>
Total liabilities	238,701	35,391
FUND BALANCES		
Restricted	<u>323,522</u>	<u>286,013</u>
Total liabilities and fund balances	\$ <u>562,223</u>	\$ <u>321,404</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
127TH AND HARLEM TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 270,000	\$ 276,270	\$ 6,270	\$ 245,585
Investment income	500	5,541	5,041	1,549
Total revenues	<u>270,500</u>	<u>281,811</u>	<u>11,311</u>	<u>247,134</u>
Expenditures:				
Current:				
Personnel	4,500	10,598	(6,098)	3,745
Contractual:				
Professional fees	6,500	30,888	(24,388)	3,500
Commodities:				
Supplies:				
Departmental and office	200	179	21	118
Debt service:				
Interest	<u>202,682</u>	<u>202,637</u>	<u>45</u>	<u>210,076</u>
Total expenditures	<u>213,882</u>	<u>244,302</u>	<u>(30,420)</u>	<u>217,439</u>
Excess of revenues over expenditures	56,618	37,509	(19,109)	29,695
Fund balances at beginning of year	<u>286,013</u>	<u>286,013</u>	<u>-</u>	<u>256,318</u>
Fund balances at end of year	<u>\$ 342,631</u>	<u>\$ 323,522</u>	<u>\$ (19,109)</u>	<u>\$ 286,013</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ <u>93,441</u>	\$ <u>77,132</u>
FUND BALANCES		
Restricted	\$ <u>93,441</u>	\$ <u>77,132</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 7,000	\$ 26,970	\$ 19,970	\$ 8,321
Investment income	200	1,398	1,198	454
Total revenues	<u>7,200</u>	<u>28,368</u>	<u>21,168</u>	<u>8,775</u>
Expenditures:				
Current:				
Personnel	20,000	4,697	15,303	14,307
Contractual:				
Professional fees	20,500	7,246	13,254	4,150
Commodities:				
Supplies:				
Departmental and office	500	116	384	117
Total expenditures	<u>41,000</u>	<u>12,059</u>	<u>28,941</u>	<u>18,574</u>
Excess (deficiency) of revenues over expenditures	(33,800)	16,309	50,109	(9,799)
Fund balances at beginning of year	<u>77,132</u>	<u>77,132</u>	<u>-</u>	<u>86,931</u>
Fund balances at end of year	<u>\$ 43,332</u>	<u>\$ 93,441</u>	<u>\$ 50,109</u>	<u>\$ 77,132</u>

See independent auditor's report.

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DEBT SERVICE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 BOND AND INTEREST FUND
 BALANCE SHEET
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 16,541	\$ 12,602
Property taxes receivable	<u>402,064</u>	<u>404,946</u>
Total assets	<u>\$ 418,605</u>	<u>\$ 417,548</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 403,428	\$ 406,137
FUND BALANCES		
Restricted	<u>15,177</u>	<u>11,411</u>
Total deferred inflows of resources and fund balances	<u>\$ 418,605</u>	<u>\$ 417,548</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property tax levies, net	\$ 464,688	\$ 468,928	\$ 4,240	\$ 471,876
Expenditures:				
Debt service:				
Principal	270,000	270,000	-	260,000
Interest	194,688	195,162	(474)	202,962
Total expenditures	464,688	465,162	(474)	462,962
Excess of revenues over expenditures	-	3,766	3,766	8,914
Fund balances at beginning of year	-	11,411	11,411	2,497
Fund balances at end of year	\$ -	\$ 15,177	\$ 15,177	\$ 11,411

See independent auditor's report.

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NONMAJOR PROPRIETARY FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 METRA STATION PARKING FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 99,583	\$ 89,513
LIABILITIES		
Current liabilities:		
Accounts payable	<u>225</u>	<u>10,989</u>
NET POSITION		
Unrestricted	<u>\$ 99,358</u>	<u>\$ 78,524</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Operating revenues:				
Charges for services:				
User fees	\$ 56,000	\$ 50,731	\$ (5,269)	\$ 51,038
Operating expenses:				
Personnel	20,000	20,000	-	30,000
Contractual:				
Maintenance	21,000	742	20,258	36,497
Commodities:				
Supplies:				
Departmental and office	15,000	9,155	5,845	5,464
Total operating expenses	56,000	29,897	26,103	71,961
Operating income (loss)	-	20,834	20,834	(20,923)
Net position at beginning of year	78,524	78,524	-	99,447
Net position at end of year	\$ 78,524	\$ 99,358	\$ 20,834	\$ 78,524

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Receipts from users	\$ 50,731	\$ 51,038
Payments to employees	(20,000)	(30,000)
Payments to suppliers	<u>(20,661)</u>	<u>(31,391)</u>
Net cash provided (used) by operating activities	10,070	(10,353)
Cash at beginning of year	<u>89,513</u>	<u>99,866</u>
Cash at end of year	<u>\$ 99,583</u>	<u>\$ 89,513</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 20,834	\$ (20,923)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase (decrease) in accounts payable	<u>(10,764)</u>	<u>10,570</u>
Net cash provided (used) by operating activities	<u>\$ 10,070</u>	<u>\$ (10,353)</u>

See independent auditor's report.

STATISTICAL SECTION

**CITY OF PALOS HEIGHTS, ILLINOIS
STATISTICAL SECTION
YEAR ENDED DECEMBER 31, 2018**

This part of the comprehensive annual financial report of the City of Palos Heights, Illinois presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health. The section is divided into five sections as follows:

Financial Trends - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

	<u>Page</u>
Net Position by Component	126 - 127
Changes in Net Position	128 - 131
Governmental Activities Tax Revenues by Source	132
Fund Balances of Governmental Funds	133 - 134
Changes in Fund Balances of Governmental Funds	135 - 136

Revenue Capacity - These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

	<u>Page</u>
Assessed Value and Estimated Actual Value of Taxable Property	137
Property Tax Rates - Direct and Overlapping Governments	138 - 139
Principal Property Taxpayers	140
Schedule of Assessed Valuation, Rate Extension and Collections	141 - 142

Debt Capacity - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

	<u>Page</u>
Ratios of Outstanding Debt by Type	143 - 144
Ratios of General Obligation Bonded Debt Outstanding	145
Direct and Overlapping General Obligation Bonded Debt	146
Legal Debt Margin Information	147 - 148
Pledged Revenue Coverage	149

Demographic and Economic Information - These schedules contain demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

	<u>Page</u>
Demographic and Economic Statistics	150 - 151
Principal Employers (Information not Currently Available)	

Operating Information - These schedules contain service data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

	<u>Page</u>
Full-time Equivalent City Government Employees by Function	152
Operating Indicators by Function	153 - 154

**CITY OF PALOS HEIGHTS, ILLINOIS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Governmental activities:				
Net investment in capital assets	\$ 23,712,812	\$ 24,257,020	\$ 23,621,767	\$ 23,831,289
Restricted	2,158,526	1,644,174	1,392,487	1,951,013
Unrestricted	<u>(19,053,188)</u>	<u>(18,463,759)</u>	<u>(15,946,493)</u>	<u>(15,762,127)</u>
Total governmental activities net position	<u>6,818,150</u>	<u>7,437,435</u>	<u>9,067,761</u>	<u>10,020,175</u>
Business-type activities:				
Net investment in capital assets	4,579,991	3,924,132	3,923,317	3,445,295
Unrestricted	<u>7,201,435</u>	<u>6,507,579</u>	<u>5,601,566</u>	<u>4,721,703</u>
Total business-type activities net position	<u>11,781,426</u>	<u>10,431,711</u>	<u>9,524,883</u>	<u>8,166,998</u>
Primary government:				
Net investment in capital assets	28,292,803	28,181,152	27,545,084	27,276,584
Restricted	2,158,526	1,644,174	1,392,487	1,951,013
Unrestricted	<u>(11,851,753)</u>	<u>(11,956,180)</u>	<u>(10,344,927)</u>	<u>(11,040,424)</u>
Total primary government net position	<u>\$ 18,599,576</u>	<u>\$ 17,869,146</u>	<u>\$ 18,592,644</u>	<u>\$ 18,187,173</u>

Notes:

The City adopted GASB 68 during 2015. Prior years are not restated to reflect retrospective adoption of the statement.

The City adopted GASB 75 during 2017. Prior years are not restated to reflect retrospective adoption of the statement.

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 21,216,906	\$ 21,172,893	\$ 21,374,139	\$ 20,646,441	\$ 20,841,644	\$ 20,391,328
2,151,341	1,608,345	1,267,451	1,315,525	1,480,317	314,860
<u>59,727</u>	<u>4,225,787</u>	<u>3,730,432</u>	<u>3,691,358</u>	<u>3,718,536</u>	<u>3,794,270</u>
<u>23,427,974</u>	<u>27,007,025</u>	<u>26,372,022</u>	<u>25,653,324</u>	<u>26,040,497</u>	<u>24,500,458</u>
3,456,874	3,523,793	3,463,940	3,483,197	3,298,191	3,436,225
<u>3,723,588</u>	<u>2,718,363</u>	<u>2,215,578</u>	<u>1,899,069</u>	<u>2,139,398</u>	<u>2,306,995</u>
<u>7,180,462</u>	<u>6,242,156</u>	<u>5,679,518</u>	<u>5,382,266</u>	<u>5,437,589</u>	<u>5,743,220</u>
24,673,780	24,696,686	24,838,079	24,129,638	24,139,835	23,827,553
2,151,341	1,608,345	1,267,451	1,315,525	1,480,317	314,860
<u>3,783,315</u>	<u>6,944,150</u>	<u>5,946,010</u>	<u>5,590,427</u>	<u>5,857,934</u>	<u>6,101,265</u>
<u>\$ 30,608,436</u>	<u>\$ 33,249,181</u>	<u>\$ 32,051,540</u>	<u>\$ 31,035,590</u>	<u>\$ 31,478,086</u>	<u>\$ 30,243,678</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Expenses:				
Governmental activities:				
General government	\$ 2,494,207	\$ 2,833,267	\$ 2,479,732	\$ 2,762,909
Police and emergency services	7,293,695	6,532,287	6,514,299	5,856,452
Public works	3,091,306	2,757,154	2,707,894	2,993,929
Recreation and culture	2,684,856	2,757,104	2,722,325	2,223,000
Interest	<u>417,703</u>	<u>433,167</u>	<u>416,120</u>	<u>384,395</u>
Total governmental activities expenses	<u>15,981,767</u>	<u>15,312,979</u>	<u>14,840,370</u>	<u>14,220,685</u>
Business-type activities:				
Waterworks and sewerage	5,898,952	6,143,184	5,242,435	5,229,808
Parking lot	<u>29,897</u>	<u>71,961</u>	<u>28,872</u>	<u>7,574</u>
Total business-type activities expenses	<u>5,928,849</u>	<u>6,215,145</u>	<u>5,271,307</u>	<u>5,237,382</u>
Total primary government expenses	<u>\$ 21,910,616</u>	<u>\$ 21,528,124</u>	<u>\$ 20,111,677</u>	<u>\$ 19,458,067</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 959,010	\$ 1,322,879	\$ 888,883	\$ 1,355,366
Police and emergency services	732,105	410,973	387,605	440,247
Recreation and culture	1,268,539	1,162,422	916,804	819,044
Operating grants and contributions	-	-	-	14,598
Capital grants and contributions	<u>86,662</u>	<u>101,420</u>	<u>83,511</u>	<u>3,498,169</u>
Total governmental activities program revenues	<u>3,046,316</u>	<u>2,997,694</u>	<u>2,276,803</u>	<u>6,127,424</u>
Business-type activities:				
Charges for services:				
Waterworks and sewerage	7,084,162	7,208,273	6,540,007	6,468,985
Parking lot	50,731	51,038	52,292	55,607
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>5,158</u>	<u>-</u>
Total business-type activities program revenues	<u>7,134,893</u>	<u>7,259,311</u>	<u>6,597,457</u>	<u>6,524,592</u>
Total primary government program revenues	<u>\$ 10,181,209</u>	<u>\$ 10,257,005</u>	<u>\$ 8,874,260</u>	<u>\$ 12,652,016</u>

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 6,787,035	\$ 2,545,228	\$ 2,534,196	\$ 2,961,363	\$ 2,780,324	\$ 2,625,543
5,385,075	5,212,461	4,712,668	4,721,077	4,864,153	4,349,407
1,575,551	3,047,280	2,436,278	2,515,834	2,434,360	3,396,370
2,656,983	1,961,503	1,987,341	1,885,637	1,816,090	1,426,246
<u>263,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,721</u>
<u>16,667,680</u>	<u>12,766,472</u>	<u>11,670,483</u>	<u>12,083,911</u>	<u>11,894,927</u>	<u>11,808,287</u>
4,692,038	4,702,865	4,488,776	3,905,705	4,174,483	4,112,714
<u>105,624</u>	<u>80,210</u>	<u>46,442</u>	<u>55,498</u>	<u>37,985</u>	<u>51,644</u>
<u>4,797,662</u>	<u>4,783,075</u>	<u>4,535,218</u>	<u>3,961,203</u>	<u>4,212,468</u>	<u>4,164,358</u>
<u>\$ 21,465,342</u>	<u>\$ 17,549,547</u>	<u>\$ 16,205,701</u>	<u>\$ 16,045,114</u>	<u>\$ 16,107,395</u>	<u>\$ 15,972,645</u>
\$ 1,058,746	\$ 1,202,625	\$ 1,004,837	\$ 1,022,992	\$ 1,518,111	\$ 1,105,877
881,261	590,298	258,190	116,767	166,161	136,328
706,382	704,767	685,238	859,327	866,531	720,256
93,533	-	274,325	172,558	974,719	184,916
<u>42,665</u>	<u>797,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,782,587</u>	<u>3,295,098</u>	<u>2,222,590</u>	<u>2,171,644</u>	<u>3,525,522</u>	<u>2,147,377</u>
5,666,296	5,253,317	4,761,295	3,815,506	3,817,620	3,472,026
56,376	57,362	51,295	53,573	52,410	55,979
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,722,672</u>	<u>5,310,679</u>	<u>4,812,590</u>	<u>3,869,079</u>	<u>3,870,030</u>	<u>3,528,005</u>
<u>\$ 8,505,259</u>	<u>\$ 8,605,777</u>	<u>\$ 7,035,180</u>	<u>\$ 6,040,723</u>	<u>\$ 7,395,552</u>	<u>\$ 5,675,382</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net (expense) revenue:				
Governmental activities	\$ (12,935,451)	\$ (12,315,285)	\$ (12,563,567)	\$ (8,093,261)
Business-type activities	<u>1,206,044</u>	<u>1,044,166</u>	<u>1,326,150</u>	<u>1,287,210</u>
Total primary government net expense	<u>\$ (11,729,407)</u>	<u>\$ (11,271,119)</u>	<u>\$ (11,237,417)</u>	<u>\$ (6,806,051)</u>
General revenues and other changes in net position:				
Governmental activities:				
General revenues:				
Taxes:				
Property	\$ 6,795,656	\$ 6,336,789	\$ 6,022,995	\$ 5,504,839
Utility	1,128,801	1,131,427	1,164,686	1,208,116
Business district sales	108,926	110,569	113,327	106,958
Intergovernmental - unrestricted	3,183,251	3,016,498	3,019,553	3,127,378
Gain on dispositions of capital assets	-	23,184	1,132	55,856
Investment income (loss)	183,623	19,302	117,066	(88,666)
Other income	<u>915,909</u>	<u>974,165</u>	<u>1,172,394</u>	<u>704,405</u>
Total governmental activities	<u>12,316,166</u>	<u>11,611,934</u>	<u>11,611,153</u>	<u>10,618,886</u>
Business-type activities:				
General revenues:				
Investment income	100,501	45,510	26,674	2,212
Other income	<u>43,170</u>	<u>9,700</u>	<u>5,061</u>	<u>4,984</u>
Total business-type activities	<u>143,671</u>	<u>55,210</u>	<u>31,735</u>	<u>7,196</u>
Total primary government	<u>\$ 12,459,837</u>	<u>\$ 11,667,144</u>	<u>\$ 11,642,888</u>	<u>\$ 10,626,082</u>
Changes in net position:				
Governmental activities	\$ (619,285)	\$ (703,351)	\$ (952,414)	\$ 2,525,625
Business-type activities	<u>1,349,715</u>	<u>1,099,376</u>	<u>1,357,885</u>	<u>1,294,406</u>
Total primary government	<u>\$ 730,430</u>	<u>\$ 396,025</u>	<u>\$ 405,471</u>	<u>\$ 3,820,031</u>

Notes:

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The City adopted GASB 75 during 2017. Prior years are not restated to reflect retrospective adoption of the statement.

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ (13,885,093)	\$ (9,471,374)	\$ (9,447,893)	\$ (9,912,267)	\$ (8,369,405)	\$ (9,660,910)
<u>925,010</u>	<u>527,604</u>	<u>277,372</u>	<u>(92,124)</u>	<u>(342,438)</u>	<u>(636,353)</u>
<u>\$ (12,960,083)</u>	<u>\$ (8,943,770)</u>	<u>\$ (9,170,521)</u>	<u>\$ (10,004,391)</u>	<u>\$ (8,711,843)</u>	<u>\$ (10,297,263)</u>
\$ 5,108,109	\$ 4,539,275	\$ 4,478,335	\$ 4,585,072	\$ 4,423,432	\$ 4,540,057
1,316,295	1,310,520	1,312,430	1,376,227	1,406,795	1,413,161
79,793	60,289	43,579	17,665	-	-
3,042,806	3,029,783	2,888,338	2,689,690	2,704,789	2,715,642
18,488	32,821	-	-	-	-
22,916	15,342	13,704	5,490	9,525	13,075
<u>717,635</u>	<u>1,118,347</u>	<u>1,430,205</u>	<u>850,950</u>	<u>1,364,903</u>	<u>907,602</u>
<u>10,306,042</u>	<u>10,106,377</u>	<u>10,166,591</u>	<u>9,525,094</u>	<u>9,909,444</u>	<u>9,589,537</u>
6,205	3,290	2,085	9,585	36,618	60,324
<u>7,091</u>	<u>31,744</u>	<u>17,795</u>	<u>27,216</u>	<u>189</u>	<u>233</u>
<u>13,296</u>	<u>35,034</u>	<u>19,880</u>	<u>36,801</u>	<u>36,807</u>	<u>60,557</u>
<u>\$ 10,319,338</u>	<u>\$ 10,141,411</u>	<u>\$ 10,186,471</u>	<u>\$ 9,561,895</u>	<u>\$ 9,946,251</u>	<u>\$ 9,650,094</u>
\$ (3,579,051)	\$ 635,003	\$ 718,698	\$ (387,173)	\$ 1,540,039	\$ (71,373)
<u>938,306</u>	<u>562,638</u>	<u>297,252</u>	<u>(55,323)</u>	<u>(305,631)</u>	<u>(575,796)</u>
<u>\$ (2,640,745)</u>	<u>\$ 1,197,641</u>	<u>\$ 1,015,950</u>	<u>\$ (442,496)</u>	<u>\$ 1,234,408</u>	<u>\$ (647,169)</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Property Taxes	Utility Taxes	Business District Sales Taxes	Total
2009	\$ 4,540,057	\$ 1,413,161	\$ -	\$ 5,953,218
2010	4,423,432	1,406,795	-	5,830,227
2011	4,585,072	1,376,227	17,665	5,978,964
2012	4,478,335	1,312,430	43,579	5,834,344
2013	4,539,275	1,310,520	60,289	5,910,084
2014	5,108,109	1,316,295	79,793	6,504,197
2015	5,504,839	1,208,116	106,958	6,819,913
2016	6,022,995	1,164,686	113,327	7,301,008
2017	6,336,789	1,131,427	110,569	7,578,785
2018	6,795,656	1,128,801	108,926	8,033,383

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund:				
Unreserved	\$ -	\$ -	\$ -	\$ -
Nonspendable	108,908	-	-	-
Assigned	-	-	-	-
Unassigned	<u>3,751,432</u>	<u>3,674,664</u>	<u>3,817,145</u>	<u>4,038,720</u>
Total General Fund	<u>\$ 3,860,340</u>	<u>\$ 3,674,664</u>	<u>\$ 3,817,145</u>	<u>\$ 4,038,720</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Restricted	2,173,703	1,655,585	1,559,973	6,113,031
Assigned	<u>2,289,266</u>	<u>2,610,086</u>	<u>3,032,758</u>	<u>2,307,944</u>
Total all other governmental funds	<u>\$ 4,462,969</u>	<u>\$ 4,265,671</u>	<u>\$ 4,592,731</u>	<u>\$ 8,420,975</u>

Note: The City began to classify fund balances in accordance with the requirements of GASB 54 with the year ended December 31, 2010.

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,961,375
-	-	-	-	-	-
-	-	-	270,275	201,363	-
<u>3,865,733</u>	<u>3,758,815</u>	<u>3,748,541</u>	<u>3,231,955</u>	<u>3,551,941</u>	<u>-</u>
<u>\$ 3,865,733</u>	<u>\$ 3,758,815</u>	<u>\$ 3,748,541</u>	<u>\$ 3,502,230</u>	<u>\$ 3,753,304</u>	<u>\$ 2,961,375</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,860
-	-	-	-	-	1,913,355
2,151,341	1,608,345	1,267,451	1,331,145	1,480,317	-
<u>1,871,738</u>	<u>1,789,931</u>	<u>1,058,161</u>	<u>1,306,027</u>	<u>1,127,542</u>	<u>-</u>
<u>\$ 4,023,079</u>	<u>\$ 3,398,276</u>	<u>\$ 2,325,612</u>	<u>\$ 2,637,172</u>	<u>\$ 2,607,859</u>	<u>\$ 2,228,215</u>

CITY OF PALOS HEIGHTS, ILLINOIS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:				
Taxes	\$ 8,033,383	\$ 7,578,785	\$ 7,301,008	\$ 6,819,913
Intergovernmental	3,183,251	3,016,498	3,019,553	3,127,378
Charges for services	411,831	411,883	408,175	475,846
Fees by agreement	979,796	880,689	634,863	555,699
Fines, forfeitures and penalties	732,105	410,973	381,864	440,247
Grants	86,662	101,420	83,511	197,542
Investment income (loss)	183,623	19,302	117,066	(88,666)
Licenses, permits and inspections	547,179	910,996	480,708	879,520
Swimming pool	288,743	281,733	281,941	263,345
Other	915,909	974,165	1,178,135	702,014
Total revenues	<u>15,362,482</u>	<u>14,586,444</u>	<u>13,886,824</u>	<u>13,372,838</u>
Expenditures:				
Current:				
General government	2,515,146	2,442,055	2,261,309	2,344,161
Public safety	6,128,083	5,877,546	6,043,242	5,681,116
Public works	1,195,725	954,429	1,035,369	1,237,195
Recreational department	2,171,691	2,143,767	2,141,026	1,797,910
Roads and construction	493,191	502,641	548,192	595,813
Debt service:				
Principal retirement	416,911	413,754	211,109	20,818
Interest charges and fees	446,740	462,724	579,268	452,854
Capital outlay	<u>1,646,521</u>	<u>2,290,069</u>	<u>5,388,447</u>	<u>3,354,261</u>
Total expenditures	<u>15,014,008</u>	<u>15,086,985</u>	<u>18,207,962</u>	<u>15,484,128</u>
Excess (deficiency) of revenues over expenditures	<u>348,474</u>	<u>(500,541)</u>	<u>(4,321,138)</u>	<u>(2,111,290)</u>
Other financing sources (uses):				
Installment contract	-	-	181,419	-
Proceeds from bond issuance	-	-	-	6,300,000
Premium on bond issuance	-	-	-	298,022
Proceeds from sale of capital assets	34,500	31,000	89,900	84,151
Transfers in	715,794	1,274,147	1,289,093	983,639
Transfers out	<u>(715,794)</u>	<u>(1,274,147)</u>	<u>(1,289,093)</u>	<u>(983,639)</u>
Total other financing sources (uses)	<u>34,500</u>	<u>31,000</u>	<u>271,319</u>	<u>6,682,173</u>
Net change in fund balances	<u>\$ 382,974</u>	<u>\$ (469,541)</u>	<u>\$ (4,049,819)</u>	<u>\$ 4,570,883</u>
Debt service as a percentage of non-capital expenditures	<u>6.089%</u>	<u>6.518%</u>	<u>6.150%</u>	<u>5.192%</u>

See independent auditor's report.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$	6,504,197	\$ 5,910,084	\$ 5,834,344	\$ 5,978,964	\$ 5,830,227	\$ 5,953,218
	3,042,806	3,029,783	2,888,338	2,689,690	2,704,789	2,715,642
	472,623	440,352	470,015	444,107	626,409	563,352
	459,016	415,314	370,778	384,570	382,454	358,418
	840,207	535,115	258,190	323,701	1,197,495	640,385
	136,801	800,241	274,325	145,473	791,064	184,916
	22,916	15,342	13,704	5,490	9,525	13,075
	534,551	714,897	534,822	388,950	890,417	542,579
	247,366	289,453	314,460	309,886	292,295	183,318
	739,870	1,109,157	1,430,205	1,041,909	712,861	582,011
	<u>13,000,353</u>	<u>13,259,738</u>	<u>12,389,181</u>	<u>11,712,740</u>	<u>13,437,536</u>	<u>11,736,914</u>
	2,297,550	2,297,358	2,245,369	2,931,256	2,718,005	2,589,326
	5,141,101	4,801,300	4,600,370	4,580,413	4,657,581	4,309,178
	1,113,560	1,219,498	1,479,566	1,133,309	1,428,618	1,382,368
	2,058,670	1,610,632	1,555,626	1,723,479	1,273,891	1,286,912
	437,385	393,819	413,649	423,476	367,808	306,313
	7,003	-	-	-	-	263,335
	61,335	-	-	-	-	10,721
	<u>1,250,528</u>	<u>1,909,376</u>	<u>2,159,850</u>	<u>1,142,568</u>	<u>1,820,060</u>	<u>1,746,291</u>
	<u>12,367,132</u>	<u>12,231,983</u>	<u>12,454,430</u>	<u>11,934,501</u>	<u>12,265,963</u>	<u>11,894,444</u>
	<u>633,221</u>	<u>1,027,755</u>	<u>(65,249)</u>	<u>(221,761)</u>	<u>1,171,573</u>	<u>(157,530)</u>
	64,500	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	34,000	55,183	-	-	-	-
	721,105	916,250	553,948	858,090	549,076	212,228
	<u>(721,105)</u>	<u>(916,250)</u>	<u>(553,948)</u>	<u>(858,090)</u>	<u>(549,076)</u>	<u>(212,228)</u>
	<u>98,500</u>	<u>55,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>731,721</u>	<u>1,082,938</u>	<u>(65,249)</u>	<u>(221,761)</u>	<u>1,171,573</u>	<u>(157,530)</u>
	<u>0.604%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>2.446%</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN LEVY YEARS**

Levy Year	Real Property	Less Tax-exempt Property	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Total Direct Tax Rate
2008	\$ 544,411,483	N/A	\$ 544,411,483	\$ 1,633,234,449	0.828 %
2009	564,512,114	N/A	564,512,114	1,693,536,342	0.781
2010	568,529,766	N/A	568,529,766	1,705,589,298	0.818
2011	464,228,742	N/A	464,228,742	1,392,686,226	0.952
2012	428,610,174	N/A	428,610,174	1,285,830,522	1.062
2013	399,740,670	N/A	399,740,670	1,199,222,010	1.236
2014	393,578,232	N/A	393,578,232	1,180,734,696	1.326
2015	379,844,244	N/A	379,844,244	1,139,532,732	1.562
2016	396,160,414	N/A	396,160,414	1,188,481,242	1.568
2017	458,253,064	N/A	458,253,064	1,374,759,192	1.459

(1) The Estimated Actual Taxable Value is three times the Total Taxable Assessed Value.

Data Source: Cook County, Illinois Tax Extension Division

N/A - Information is not available.

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN TAX LEVY YEARS

Levy Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Palos Heights:				
Corporate	0.379	0.421	0.438	0.438
Bond and interest	0.106	0.122	0.128	0.000
Police pension	0.403	0.358	0.339	0.288
IMRF	0.069	0.084	0.079	0.074
Recreation	0.142	0.168	0.178	0.185
Police protection	0.263	0.294	0.290	0.241
Social security	0.062	0.082	0.070	0.060
Special recreation	<u>0.035</u>	<u>0.039</u>	<u>0.040</u>	<u>0.040</u>
Total City of Palos Heights	1.459	1.568	1.562	1.326
Overlapping governments:				
City of Palos Heights Library Fund	0.279	0.350	0.375	0.403
Cook County	0.496	0.533	0.552	0.568
Cook County Forest Preserve District	0.062	0.063	0.069	0.069
Consolidated Elections	0.031	0.000	0.034	0.000
Suburban Cook TB Sanitarium District	0.000	0.000	0.000	0.000
So. Cook Co. Mosquito Abatement District	0.016	0.017	0.017	0.017
Metropolitan Water Reclamation Dist. of Chicago	0.402	0.406	0.426	0.430
Palos Township	0.060	0.068	0.070	0.066
Palos Twp General Assistance	0.008	0.008	0.088	0.007
Palos Twp Road and Bridge	0.047	0.054	0.055	0.052
Worth Township	0.067	0.078	0.078	0.076
Worth Township General Assistance	0.017	0.019	0.020	0.020
Worth Township Road and Bridge	0.033	0.037	0.039	0.037
North Palos Fire Protection District	1.032	1.161	1.198	1.134
Palos Fire Protection District	1.058	1.215	1.255	1.201
Palos Heights Fire Protection District	0.829	0.934	0.934	0.927
Worth Park District	0.455	0.506	0.520	0.503
South Palos Sanitary District	0.345	0.409	0.421	0.406
Palos Heights Special Service Area	0.000	0.000	0.000	0.000
Palos Heights SSA Lake Katherine	0.000	0.000	0.000	0.000
School District 118	2.714	3.106	3.212	3.133
School District 127	5.915	6.781	6.994	6.702
School District 128	2.803	3.146	3.284	3.136
Community High School District 218	3.719	4.164	4.247	4.049
Consolidated High School District 230	2.287	2.778	2.879	2.770
Community College District 524	<u>0.365</u>	<u>0.406</u>	<u>0.419</u>	<u>0.403</u>
Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation	<u>24.499</u>	<u>27.807</u>	<u>28.748</u>	<u>27.435</u>

See independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
0.438	0.438	0.438	0.436	0.423	0.391
0.000	0.000	0.000	0.000	0.000	0.044
0.232	0.129	0.105	0.075	0.070	0.077
0.064	0.063	0.049	0.036	0.033	0.033
0.184	0.165	0.135	0.099	0.093	0.107
0.214	0.165	0.135	0.099	0.093	0.104
0.064	0.062	0.050	0.036	0.034	0.036
<u>0.040</u>	<u>0.040</u>	<u>0.040</u>	<u>0.037</u>	<u>0.035</u>	<u>0.036</u>
1.236	1.062	0.952	0.818	0.781	0.828
0.364	0.498	0.377	0.342	0.335	0.354
0.560	0.531	0.462	0.423	0.394	0.415
0.069	0.063	0.058	0.051	0.049	0.051
0.031	0.000	0.025	0.000	0.021	0.000
0.004	0.000	0.000	0.000	0.000	0.000
0.016	0.014	0.012	0.010	0.009	0.009
0.417	0.370	0.320	0.274	0.261	0.252
0.063	0.057	0.050	0.040	0.039	0.039
0.006	0.005	0.005	0.004	0.004	0.004
0.049	0.046	0.042	0.033	0.032	0.032
0.073	0.068	0.060	0.050	0.048	0.048
0.018	0.017	0.015	0.013	0.012	0.012
0.035	0.033	0.030	0.025	0.024	0.024
1.076	0.974	0.869	0.701	0.691	0.694
1.153	1.047	0.709	0.557	0.544	0.511
0.891	0.814	0.727	0.583	0.572	0.597
0.461	0.420	0.375	0.308	0.299	0.301
0.392	0.361	0.331	0.253	0.258	0.276
0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000
2.989	2.743	2.457	2.011	1.983	2.052
6.096	5.533	4.952	4.062	3.893	3.662
3.001	2.755	2.460	1.967	1.914	2.011
3.775	3.442	3.037	2.482	2.364	2.343
2.641	2.438	2.180	1.812	1.764	1.801
<u>0.375</u>	<u>0.346</u>	<u>0.311</u>	<u>0.256</u>	<u>0.247</u>	<u>0.247</u>
<u>25.791</u>	<u>23.637</u>	<u>20.816</u>	<u>17.075</u>	<u>16.538</u>	<u>16.563</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2018**

<u>Taxpayer</u>	<u>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Value *</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value **</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Manor Care Health Service	\$ 14,133,812	1	3.08 %	\$ 13,446,577	1	2.47 %
Palos Heights Properties	5,726,603	2	1.25	9,573,283	2	1.76
Jetco Properties	5,323,904	3	1.16	-	-	-
7600 College Landco	4,602,202	4	1.00	-	-	-
Costa Construction	3,231,645	5	0.71	-	-	-
St. George Corp	3,223,222	6	0.70	5,838,419	3	1.07
Ridgeland Nursing	3,188,671	7	0.70	2,997,243	8	0.55
Advocate Healthcare	2,386,349	8	0.52	3,563,820	6	0.65
Reagan Corp	2,312,097	9	0.50	3,424,193	7	0.63
Louis Apostolou	1,900,848	10	0.41	-	-	-
Palos Bank & Trust	-	-	-	4,502,148	5	0.83
James Lambert	-	-	-	5,141,004	4	0.94
Albertsons	-	-	-	2,972,083	9	0.55
Dan Development	-	-	-	2,728,323	10	0.50
Total	<u>\$ 46,029,353</u>		<u>10.03 %</u>	<u>\$ 54,187,093</u>		<u>9.95 %</u>

* Includes only those parcels with 2017 equalized assessed valuation of approximately \$100,000 and over.

** Includes only those parcels with 2008 equalized assessed valuation of approximately \$140,000 and over.

Source: Office of the Cook County Clerk

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
SCHEDULE OF ASSESSED VALUATION, RATE EXTENSION AND COLLECTIONS
LAST TEN YEARS

Tax levy year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Equalized assessed valuation	<u>\$ 458,253,064</u>	<u>\$ 396,160,414</u>	<u>\$ 379,844,244</u>	<u>\$ 393,578,232</u>
Tax rates (per \$100 of equalized assessed valuation):				
Park and recreation	0.1423	0.1678	0.1782	0.1845
Police pension	0.4028	0.3575	0.3390	0.2879
Social security and I.M.R.F.	0.1304	0.1657	0.1486	0.1348
Corporate	0.3785	0.4212	0.4375	0.4375
Police protection	0.2634	0.2946	0.2900	0.2414
Handicapped fund	0.0346	0.0385	0.0400	0.0400
Bond and interest	<u>0.1065</u>	<u>0.1226</u>	<u>0.1279</u>	<u>0.0000</u>
Total tax rates	<u>1.4585</u>	<u>1.5679</u>	<u>1.5612</u>	<u>1.3261</u>
Rate difference	<u>(0.1094)</u>	<u>0.0067</u>	<u>0.2351</u>	<u>0.0901</u>
Tax extensions:				
Park and recreation	\$ 652,043	\$ 664,757	\$ 677,054	\$ 726,186
Police pension	1,845,988	1,416,273	1,287,500	1,133,000
Social security and I.M.R.F.	597,400	656,438	564,549	526,802
Corporate	1,734,394	1,668,628	1,661,819	1,721,905
Police protection	1,207,058	1,167,089	1,101,556	950,220
Handicapped fund	158,573	152,522	151,938	157,431
Bond and interest	<u>487,922</u>	<u>485,693</u>	<u>485,920</u>	<u>0</u>
Total tax extensions	<u>\$ 6,683,378</u>	<u>\$ 6,211,400</u>	<u>\$ 5,930,336</u>	<u>\$ 5,215,544</u>
Collections:				
Current	\$ 6,430,310	\$ 6,086,018	\$ 5,793,491	\$ 5,165,275
Subsequent	<u>-</u>	<u>4,662</u>	<u>35,523</u>	<u>20,204</u>
Total collections	<u>\$ 6,430,310</u>	<u>\$ 6,090,680</u>	<u>\$ 5,829,014</u>	<u>\$ 5,185,479</u>
Percent collected:				
Current	96.21 %	97.97 %	97.69 %	99.04 %
Subsequent	<u>0.00</u>	<u>0.08</u>	<u>0.60</u>	<u>0.39</u>
Total percent collected	<u>96.21 %</u>	<u>98.05 %</u>	<u>98.29 %</u>	<u>99.43 %</u>

See independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>\$ 399,740,670</u>	<u>\$ 428,610,174</u>	<u>\$ 464,228,742</u>	<u>\$ 568,529,766</u>	<u>\$ 564,512,114</u>	<u>\$ 544,411,483</u>
0.1845	0.1646	0.1353	0.0987	0.0927	0.1067
0.2319	0.1286	0.1054	0.0752	0.0702	0.0772
0.1282	0.1243	0.0987	0.0720	0.0668	0.0687
0.4375	0.4375	0.4375	0.4363	0.4230	0.3911
0.2139	0.1646	0.1353	0.0987	0.0927	0.1067
0.0400	0.0400	0.0400	0.0371	0.0000	0.0358
0.0000	0.0000	0.0000	0.0000	0.0353	0.0437
<u>1.2360</u>	<u>1.0596</u>	<u>0.9522</u>	<u>0.8180</u>	<u>0.7807</u>	<u>0.8299</u>
<u>0.1764</u>	<u>0.1074</u>	<u>0.1342</u>	<u>0.0373</u>	<u>(0.0492)</u>	<u>(0.0381)</u>
\$ 737,375	\$ 705,550	\$ 628,101	\$ 561,139	\$ 523,303	\$ 580,887
927,000	551,050	489,297	427,534	396,288	420,286
512,710	532,768	458,194	409,341	377,094	374,011
1,748,865	1,875,170	2,031,001	2,480,495	2,387,886	2,129,193
854,988	705,550	628,101	561,139	523,303	580,887
159,896	171,444	185,691	210,925	0	194,899
0	0	0	0	199,273	237,908
<u>\$ 4,940,834</u>	<u>\$ 4,541,532</u>	<u>\$ 4,420,385</u>	<u>\$ 4,650,573</u>	<u>\$ 4,407,147</u>	<u>\$ 4,518,071</u>
\$ 4,760,018	\$ 4,372,599	\$ 4,354,259	\$ 4,453,280	\$ 4,206,417	\$ 4,368,597
59,088	84,660	87,961	65,838	76,288	111,281
<u>\$ 4,819,106</u>	<u>\$ 4,457,259</u>	<u>\$ 4,442,220</u>	<u>\$ 4,519,118</u>	<u>\$ 4,282,705</u>	<u>\$ 4,479,878</u>
96.34 %	96.28 %	98.50 %	95.76 %	95.45 %	96.69 %
<u>1.20</u>	<u>1.86</u>	<u>1.99</u>	<u>1.42</u>	<u>1.73</u>	<u>2.46</u>
<u>97.54 %</u>	<u>98.14 %</u>	<u>100.49 %</u>	<u>97.18 %</u>	<u>97.18 %</u>	<u>99.15 %</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>General Obligation Bonds (1)</u>	<u>Alternate Revenue Bonds</u>	<u>Installment Contracts</u>	<u>Notes Payable</u>	<u>Installment Contract</u>
2018	\$ 5,827,417	\$ -	\$ 98,677	\$ 3,758,147	\$ 314,897
2017	6,120,097	-	133,900	3,869,835	243,769
2016	6,403,686	-	189,768	3,967,221	433,488
2015	6,590,179	-	43,682	3,992,997	575,778
2014	-	-	64,500	3,992,997	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	66,667	-	-	-	-

(1) This is the City's general bonded debt, including issuance premium.

Note: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

See independent auditor's report.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 9,999,138	1.83 %	\$ 799
10,367,601	1.89	828
10,994,163	2.01	878
11,202,636	2.05	895
4,057,497	0.74	324
-	-	-
-	-	-
-	-	-
-	-	-
66,667	0.02	5

**CITY OF PALOS HEIGHTS, ILLINOIS
RATIOS OF GENERAL OBLIGATION BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Obligation Debt (1)</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (2)</u>	<u>Per Capita (3)</u>
2018	\$ 5,827,417	\$ 15,177	\$ 5,812,240	0.42 %	\$ 464
2017	6,120,097	11,411	6,108,686	0.51	488
2016	6,403,686	2,497	6,401,189	0.56	511
2015	6,590,179	-	6,590,179	0.56	527
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	66,667	66,667	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to basic financial statements.

- (1) This is the City's general obligation debt, including premium.
- (2) See the Schedule of Assessed Valuation, Rate Extension and Collections for property value data.
- (3) Population data can be found in the Schedule of Demographic and Economics Statistics.

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
DECEMBER 31, 2018**

<u>Overlapping Agencies</u>	<u>2017 Equalized Assessed Valuation</u>	<u>Outstanding Debt</u>	<u>Applicable to City</u>	
			<u>Percent (5)</u>	<u>Amount</u>
City of Palos Heights, direct debt	\$ 458,253,064	\$ 9,999,138 (1)	100.000 %	<u>\$ 9,999,138</u>
Overlapping agencies:				
Cook County	150,436,118,321	2,950,121,750 (4)	0.305	8,997,871
Cook County Forest Preserve District	150,436,118,321	145,190,000	0.305	442,830
Metropolitan Water Reclamation District	147,583,389,722	2,377,123,381 (2)	0.310	7,369,082
South Palos Twp. Sanitary District	62,783,733	378,000	12.562	47,484
Park District:				
Worth Park District	44,726,045	101,635	0.287	292
Schools:				
School District #118	854,591,207	3,825,000	26.495	1,013,434
School District #127	176,220,970	1,585,636 (3)	0.277	4,392
School District #128	317,663,524	2,575,000	72.796	1,874,497
High School District #218	2,361,929,977	41,786,138 (3)(4)	9.811	4,099,638
High School District #230	5,021,399,366	8,255,000	4.509	372,218
Community College #524	10,422,765,658	52,635,000 (4)	4.396	<u>2,313,835</u>
Total overlapping agencies				<u>26,535,573</u>
Total overlapping general obligation bonded debt				<u>\$ 36,534,711</u>

Note: Overlapping governments are those that coincide at least in part, with the geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

- (1) This is the City's general obligation debt, including premium, installment contracts and notes payable.
- (2) Includes IEPA Revolving Loan Fund Bonds.
- (3) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.
- (4) Excludes outstanding principal amounts of General Obligation (Alternate Revenue Source) Bonds which are expected to be paid from sources other than general taxation.
- (5) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Sources: Office of the Cook County Clerk, Cook County Department of Revenue, and Treasurer of the Metropolitan Water Reclamation District of Greater Chicago.

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt limit	\$ 39,524,327	\$ 34,168,836	\$ 32,761,566	\$ 33,946,123
Total net debt applicable to limit	<u>6,240,991</u>	<u>6,497,766</u>	<u>7,026,942</u>	<u>7,209,639</u>
Legal debt margin	<u>\$ 33,283,336</u>	<u>\$ 27,671,070</u>	<u>\$ 25,734,624</u>	<u>\$ 26,736,484</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>15.79%</u>	<u>19.02%</u>	<u>21.45%</u>	<u>21.24%</u>

Legal Debt Margin Calculation for Fiscal Year 2018:

Equalized assessed valuation of taxable property	\$ 458,253,064
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	39,524,327
Less debt applicable to limit	<u>6,240,991</u>
Legal debt margin	<u>\$ 33,283,336</u>

Source: Equalized Assessed Valuation of Taxable Property from Cook County, Illinois Tax Extension Division.

Debt limit ceiling is established by the Illinois General Assembly and promulgated in the current edition of the Illinois Compiled Statutes.

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 34,477,633	\$ 36,967,628	\$ 40,039,729	\$ 49,035,692	\$ 48,689,170	\$ 46,955,490
<u>64,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,667</u>
<u>\$ 34,413,133</u>	<u>\$ 36,967,628</u>	<u>\$ 40,039,729</u>	<u>\$ 49,035,692</u>	<u>\$ 48,689,170</u>	<u>\$ 46,888,823</u>
<u>0.19%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.14%</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 PLEDGED-REVENUE COVERAGE
 DECEMBER 31, 2018**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2018	\$ 358,108	\$ 111,688	\$ 246,419	1.00
2017	349,701	97,386	252,315	1.00
2016	316,265	25,775	261,086	1.10
2015	271,092	-	253,954	1.07
2014	93,791	7,003	61,335	1.37

Notes: Pledged revenue collections include incremental property tax, business district sales tax, and incremental sales tax. Pledged-revenue coverage is based on prior year collections.

There was no debt outstanding in the previous five years that was secured by pledged revenue.

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>Personal</u> <u>Income</u> <u>(in</u> <u>thousands)</u>	<u>Per Capita</u> <u>Income</u>	<u>Metro</u> <u>Area</u> <u>Unemployment</u> <u>Rate</u>	<u>Median</u> <u>Age</u>
2018	12,515	\$ 546,092	\$ 43,635	3.90 %	50.9
2017	12,515	547,781	43,770	5.00	50.9
2016	12,515	547,781	43,770	5.70	50.9
2015	12,515	547,781	43,770	6.00	50.9
2014	12,515	547,781	43,770	6.20	50.9
2013	12,515	547,781	43,770	8.60	50.9
2012	12,515	547,781	43,770	8.80	50.9
2011	12,515	547,781	43,770	9.30	50.9
2010	12,960	426,319	32,895	9.10	46.8
2009	12,960	426,319	32,895	10.00	46.8

Data Sources:

- (1) Above data prepared by the City, Northern Illinois Planning Commission, or the Illinois Department of Employment Security.

See independent auditor's report.

Education Level		
Age 25 and Older		
Four Years High School	One Year or More of College	Elementary Enrollment
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
7,328	5,348	2,852
7,328	5,348	2,852

**CITY OF PALOS HEIGHTS, ILLINOIS
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Function:										
Public safety - Police:										
Officers	27	28	27	29	28	26	27	27	27	27
Civilians	3	3	3	3	3	3	3	3	3	2
Public works	16	16	16	16	16	15	15	15	16	16
Recreation	7	6	7	6	6	6	6	6	6	6
Lake Katherine	4	4	3	3	3	3	3	3	3	4
General government	9	9	8	9	8	7	8	10	9	9
Motor vehicle maintenance	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	<u>68</u>	<u>68</u>	<u>66</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>65</u>	<u>67</u>	<u>67</u>	<u>67</u>

Source: City records

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Function:			
Public safety:			
Police department:			
Arrests	534	439	564
Traffic violations	1,310	1,415	1,536
Compliance violations	1,661	1,687	1,036
Public works:			
Streets resurfaced (in miles)	2.81	1.89	1.10
Building and community development:			
Building permits issued:			
Commercial	135	202	149
Residential	700	652	642
Building value	\$ 13,041,291	\$ 47,693,103	\$ 14,456,771
Number of dwelling units	5,057	5,057	5,057
Number of registered voters	9,174	9,174	9,174
Waterworks and sewerage:			
Number of properties served by the combined waterworks and sewerage system	5,176	5,176	5,176
Number of metered customers served by the combined waterworks and sewerage system	5,607	5,607	5,607
Number of metered customers served by the waterworks system only	2	2	2
Water main breaks	48	51	37
Average daily consumption (in 000's)	1,460	1,502	1,514
Gallons per customer	95	98	99
Gallons per capita	43	44	44
Total gallons purchased and pumped by the City (in 000's)	532,985	548,360	552,593
Total gallons billed (in 000's)	469,438	490,571	497,801

Source: City records

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
625	763	1,268	679	534	1,274	1,285
1,562	918	2,449	4,150	2,072	4,322	4,230
1,465	1,811	1,803	79	1,531	342	68
1.90	1.92	1.26	1.12	0.78	0.79	2.10
196	182	181	230	245	230	618
694	643	574	551	628	618	232
\$ 41,518,041	\$ 13,019,521	\$ 76,879,203	\$ 14,491,902	\$ 20,495,154	\$441,545,312	\$ 14,028,092
5,057	5,057	5,057	5,057	5,057	5,113	5,111
9,174	9,174	11,611	11,611	11,611	11,611	11,880
5,176	5,176	5,176	5,176	5,176	5,176	5,174
5,607	5,607	5,607	5,659	5,650	5,577	5,665
2	2	2	2	2	2	2
47	46	67	51	28	44	43
1,573	1,531	1,660	1,780	1,598	1,807	1,621
102	100	108	115	103	118	104
46	45	47	50	45	51	46
574,074	558,843	606,030	649,518	583,315	659,489	591,740
492,153	493,491	549,313	582,333	543,983	585,081	568,481