

CITY OF PALOS HEIGHTS
STATE OF ILLINOIS

Comprehensive Annual Financial Report

Fiscal Year:
January 1, 2019 ~ December 31, 2019



CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019

Report issued by:
City of Palos Heights
Finance Department

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019**

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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

August 5, 2020

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, 2019, 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 sixteen 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 a new boiler, additional signage, installation of fire suppression equipment in the IT room, and landscaping, the purchase of capital equipment for Public Works including a new street sweeper, mower and two new dump trucks, tennis court improvements, new sidewalks along Route 83, sewer lining and repairs, 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 Recreations services to its residents. The City of Palos Heights recently made improvements to the tennis courts and pickleball courts at Meyers Park, purchased new deck chairs at the pool, replaced the pool deck, acquired land in Misty Meadows for future improvements, preliminary design of the Palmer Park renovation, and a new department vehicle.

FOR THE FUTURE

The City of Palos Heights enters fiscal year 2020 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2020 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2020 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 front office improvements at City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks on Ridgeland Avenue, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot expansion, Palmer Park renovation project and improvements at the Recreation Center.

The Recreation Center expansion and renovation includes an indoor walk/jog track, wellness center, multipurpose gymnasium, banquet room and other amenities. Construction began in 2015 and was completed in 2017.

The Palmer Park renovation will include such improvements as paved loop trail, pollinator garden, picnic shade shelter, bocce court, 2 half basketball courts, practice soccer field, practice baseball field, and a universally accessible playground. An OSRAD Grant has been awarded to the City to assist in funding the project.

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.

The City Administrator shall be responsible to the Mayor and City Council for the proper administration of the City. In discharging this responsibility, the City Administrator, as administrative head of all departments, shall serve as the City Budget Officer. The City Budget Officer shall prepare and submit to the City Council a recommended annual budget and capital improvement program by a date set by the City Council. Upon approval, the City Administrator shall be responsible for the administration of the budget and capital improvement program.

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 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 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 black ink that reads "Janice E. Colvin". The signature is written in a cursive, flowing style.

Janice E. Colvin

Director of Accounting, City of Palos Heights



Government Finance Officers Association

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for Excellence
in Financial
Reporting**

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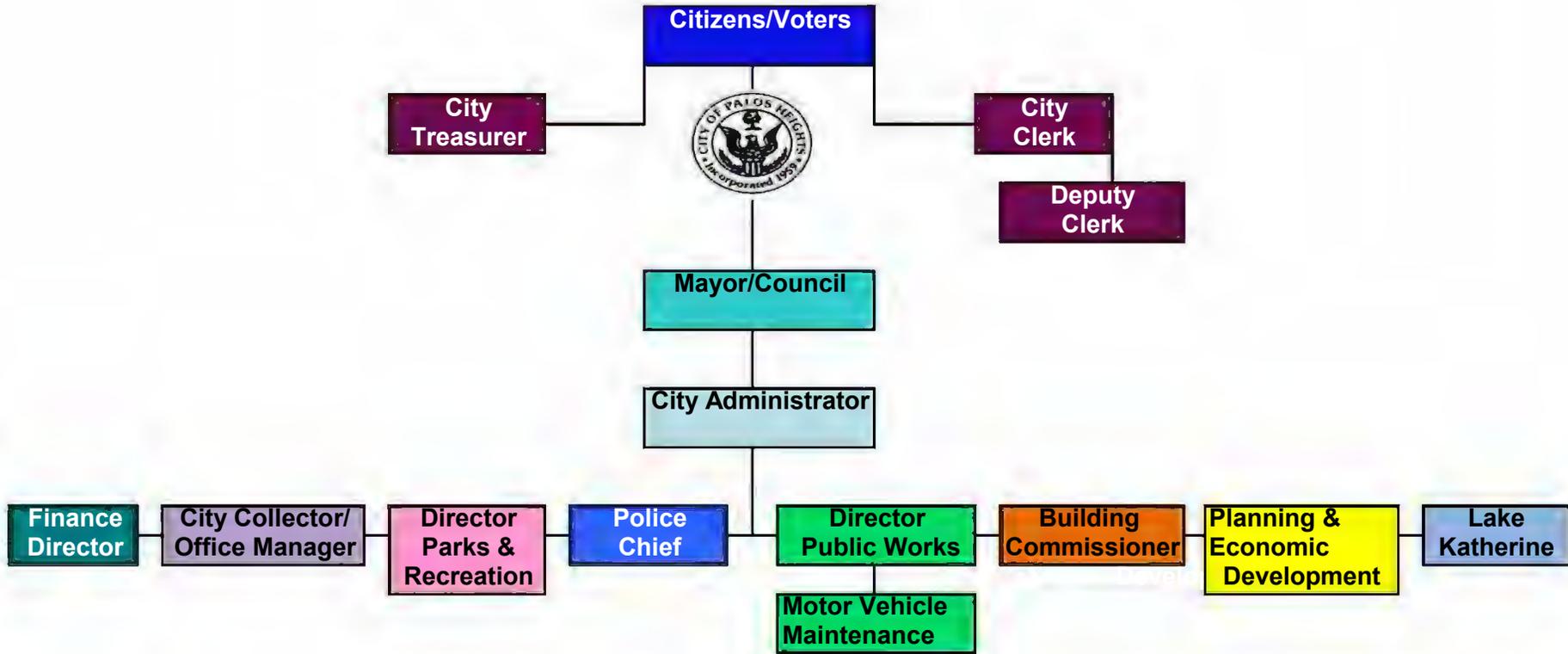
**City of Palos Heights
Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Executive Director/CEO

City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS
OFFICERS AND OFFICIALS
DECEMBER 31, 2019**

MAYOR

ROBERT S. STRAZ

ALDERMEN

DONALD BYLUT - WARD ONE
JEFFERY M. KEY - WARD ONE
ROBERT BASSO - WARD TWO
JACK CLIFFORD - WARD TWO
BRENT LEWANDOWSKI - 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



MUELLER & CO., LLP

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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, and the aggregate remaining fund information, of the City of Palos Heights, Illinois, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, and the aggregate remaining fund information of the City of Palos Heights, Illinois, as of December 31, 2019, 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 63 through 72 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, Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report, 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 and the Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report 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 and the Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report 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, 2018, 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, and the aggregate remaining fund information. 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, 2018, 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 2018 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 2018 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.

Orland Park, Illinois
July 24, 2020

Muller & Co., LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

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, 2019. 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, 2019 by \$18,911,849 (*net position*). Of this amount, \$28,378,757 is invested in capital assets and \$2,627,287 is restricted; (\$12,094,195) is a deficit.
- The total net position of the City increased by \$312,273 during the year ended December 31, 2019.
- As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$9,367,145. Approximately 47% of this amount (\$4,383,772) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2019, total governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$1,043,836.
- 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 \$4,383,772, or approximately 37% of total General Fund expenditures.
- The City's long-term liabilities at December 31, 2019 totaled \$34,485,145. The City's long-term liabilities include a liability of \$20,108,037 related to the police pension, a liability of \$1,061,843 related to the Illinois Municipal Retirement Fund, and a liability of \$1,767,922 related to other post-employment benefits as of December 31, 2019.

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, 2019

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 seventeen 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 and the Capital Projects Fund are considered major funds. There are ten nonmajor governmental funds.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

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 5-15 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 16-20 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 21-22 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 23-62 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 63-72 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 73-121 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 \$18,911,849 at the close of the most recent fiscal year.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 17,920,714	\$ 17,047,410	\$ 9,751,567	\$ 8,187,754	\$ 27,672,281	\$ 25,235,164
Capital assets	29,506,735	29,904,202	5,020,397	4,915,047	34,527,132	34,819,249
Total assets	<u>47,427,449</u>	<u>46,951,612</u>	<u>14,771,964</u>	<u>13,102,801</u>	<u>62,199,413</u>	<u>60,054,413</u>
Deferred outflows of resources	<u>3,607,723</u>	<u>7,294,145</u>	<u>311,229</u>	<u>668,616</u>	<u>3,918,952</u>	<u>7,962,761</u>
Current and other liabilities	1,707,629	1,959,402	724,762	349,745	2,432,391	2,309,147
Long-term liabilities outstanding	33,385,981	36,575,958	1,099,164	1,357,728	34,485,145	37,933,686
Total liabilities	<u>35,093,610</u>	<u>38,535,360</u>	<u>1,823,926</u>	<u>1,707,473</u>	<u>36,917,536</u>	<u>40,242,833</u>
Deferred inflows of resources	<u>10,045,352</u>	<u>8,892,247</u>	<u>243,628</u>	<u>282,518</u>	<u>10,288,980</u>	<u>9,174,765</u>
Net position:						
Net investment in capital assets	23,914,248	23,712,812	4,464,509	4,579,991	28,378,757	28,292,803
Restricted	2,627,287	2,158,526	-	-	2,627,287	2,158,526
Unrestricted	<u>(20,645,325)</u>	<u>(19,053,188)</u>	<u>8,551,130</u>	<u>7,201,435</u>	<u>(12,094,195)</u>	<u>(11,851,753)</u>
Total net position	<u>\$ 5,896,210</u>	<u>\$ 6,818,150</u>	<u>\$13,015,639</u>	<u>\$ 11,781,426</u>	<u>\$ 18,911,849</u>	<u>\$ 18,599,576</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 (13.9%) 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 \$20,645,325 related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$312,273 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 2019 and its effects on net position.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,899,778	\$ 2,959,654	\$ 7,106,800	\$ 7,134,893	\$ 10,006,578	\$ 10,094,547
Capital grants and contributions	79,297	86,662	-	-	79,297	86,662
General revenues:						
Property taxes	7,313,223	6,795,656	-	-	7,313,223	6,795,656
Utility taxes	1,073,019	1,128,801	-	-	1,073,019	1,128,801
Business district taxes	106,094	108,926	-	-	106,094	108,926
Intergovernmental - unrestricted	3,470,975	3,183,251	-	-	3,470,975	3,183,251
Investment income (loss)	262,187	183,623	165,410	100,501	427,597	284,124
Gain on sale of assets	-	-	-	-	-	-
Other income	1,061,857	915,909	35,410	43,170	1,097,267	959,079
Total revenues	<u>16,266,430</u>	<u>15,362,482</u>	<u>7,307,620</u>	<u>7,278,564</u>	<u>23,574,050</u>	<u>22,641,046</u>
Expenses:						
General government	2,466,705	2,494,207	-	-	2,466,705	2,494,207
Police and emergency services	8,485,331	7,293,695	-	-	8,485,331	7,293,695
Public works	3,023,254	3,091,306	-	-	3,023,254	3,091,306
Recreation and culture	2,811,596	2,684,856	-	-	2,811,596	2,684,856
Interest	401,484	417,703	-	-	401,484	417,703
Waterworks and sewerage	-	-	6,027,803	5,898,952	6,027,803	5,898,952
Parking lot	-	-	45,604	29,897	45,604	29,897
Total expenses	<u>17,188,370</u>	<u>15,981,767</u>	<u>6,073,407</u>	<u>5,928,849</u>	<u>23,261,777</u>	<u>21,910,616</u>
Change in net position	(921,940)	(619,285)	1,234,213	1,349,715	312,273	730,430
Net position at beginning 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>
Net position at end of year	<u>\$ 5,896,210</u>	<u>\$ 6,818,150</u>	<u>\$ 13,015,639</u>	<u>\$ 11,781,426</u>	<u>\$ 18,911,849</u>	<u>\$ 18,599,576</u>

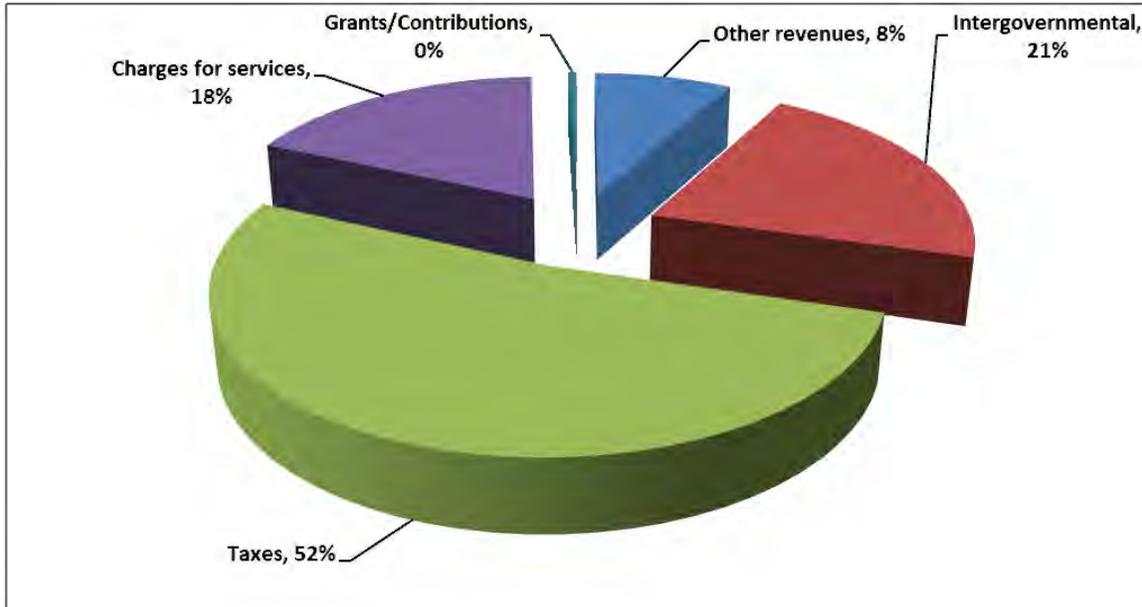
Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$921,940 from the prior fiscal year for an ending net position balance of \$5,896,210. This was mainly related to pension benefits and other personnel costs, as well as maintenance projects throughout the City.

Business-type Activities. During the current fiscal year, net position for the business-type activities increased by \$1,234,213 from the prior fiscal year for an ending net position balance of \$13,015,639. Revenue and expenses remained comparable to prior year.

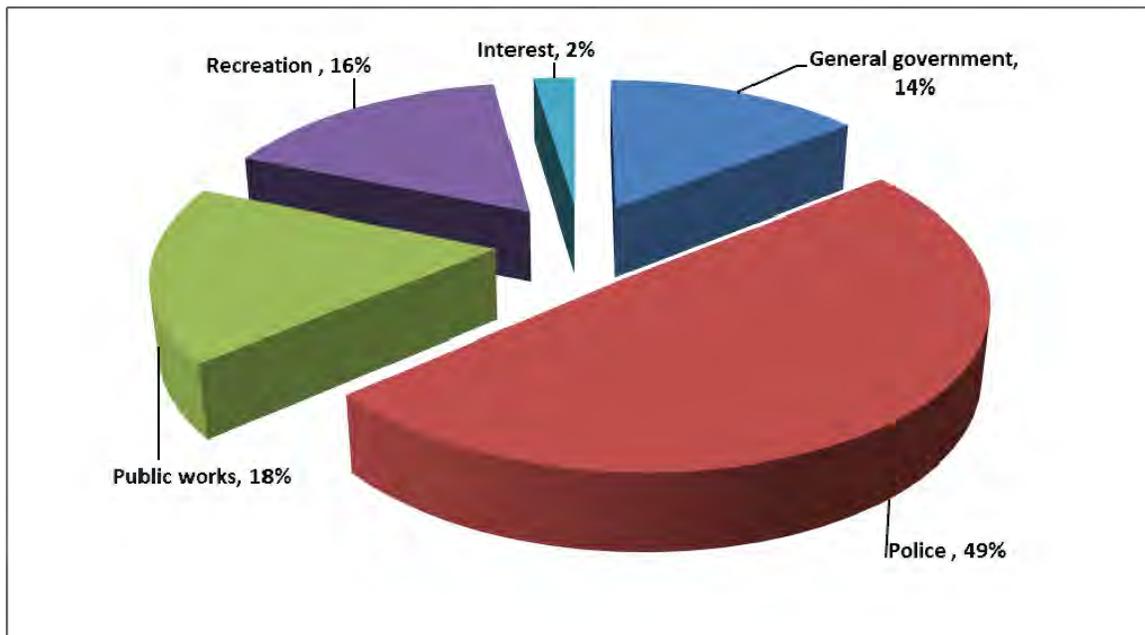
**City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019**

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, 2019

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, 2019 the City's governmental funds reported combined fund balances of \$9,367,145, an increase of \$1,043,836 over the prior fiscal year. As noted earlier, approximately 47% of this amount (\$4,383,772) 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 (\$2,652,094), 2) assigned for particular purposes (\$2,135,486) or 3) considered to be nonspendable (\$195,793).

As of December 31, 2019, the City's General Fund, its chief operating fund, reported an ending balance of \$4,579,565. This is an increase of \$719,225 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. \$4,383,772 of this fund balance was unassigned at December 31, 2019. The remaining amount relates to prepaid items and is considered nonspendable.

As of December 31, 2019, the City's Capital Projects Fund reported an ending balance of \$1,744,601. This is a decrease of \$166,398 in comparison to the prior year. The change in fund balance was due to capital improvements relating to pool deck renovations, demo of land, Rt. 83 sidewalk, City Hall boiler, 4 Chevy Tahoes, a Chevy Silverado, and a street sweeper.

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 \$1,233,710 increase in its net position in 2019. Commodities and other 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, 2019, \$24,516,794 was held in trust for police pension benefits.

Budgetary Highlights

The 2019 annual expenditure budget for the City's General Fund identified the budgeted level of spending at \$10,900,177. Actual expenditures were higher than budgeted expenditures by approximately 9.77 percent or \$1,064,917.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

Actual revenues were greater than budgeted revenues in the General Fund by \$2,502,285 or approximately 22.91 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	\$3,685,000	\$5,731,502	\$2,046,502

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	\$2,041,266	\$1,706,360	\$334,906
Public safety – Corporate subfund	4,372,424	6,243,974	(1,871,550)

General government expenditures for hospital and medical insurance and other expenditures came in lower 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, 2019, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 9,515,760	\$ 9,421,350	\$ 45,849	\$ 45,849	\$ 9,561,609	\$ 9,467,199
Buildings and building improvements	12,967,615	13,300,170	1,378,807	1,447,962	14,346,422	14,748,132
Equipment	1,012,130	772,976	507,968	162,590	1,520,098	935,566
Water distribution, storm system and sanitary systems			3,087,773	3,258,646	3,087,773	3,258,646
Infrastructure	5,967,411	6,388,206			5,967,411	6,388,206
Construction in progress	43,819	21,500	-	-	43,819	21,500
Total	<u>\$ 29,506,735</u>	<u>\$ 29,904,202</u>	<u>\$ 5,020,397</u>	<u>\$ 4,915,047</u>	<u>\$ 34,527,132</u>	<u>\$ 34,819,249</u>

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

Pool deck renovations, demo of land, Rt. 83 sidewalk, City Hall boiler, 4 Chevy Tahoes, a Chevy Silverado, a street sweeper and 2 International Trucks.

Additional information on the City's capital assets can be found in note II C on pages 37 – 40 of this report.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

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>	
	2019	2018	2019	2018	2019	2018
Compensated absences	\$ 1,813,021	\$ 418,221	\$ 295,530	\$ 112,327	\$ 2,108,551	\$ 530,548
Net pension liability	20,108,037	22,778,430	-	-	20,108,037	22,778,430
Post-employment benefits liability	1,410,271	1,394,382	357,651	280,551	1,767,922	1,674,933
IMRF liability	816,297	2,300,684	245,546	649,953	1,061,843	2,950,637
General obligation bond, including premium	5,530,680	5,827,417	-	-	5,530,680	5,827,417
Notes payable	3,645,868	3,758,147	-	-	3,645,868	3,758,147
Installment contract	61,807	98,677	200,437	314,897	262,244	413,574
Total	<u>\$ 33,385,981</u>	<u>\$ 36,575,958</u>	<u>\$ 1,099,164</u>	<u>\$ 1,357,728</u>	<u>\$ 34,485,145</u>	<u>\$ 37,933,686</u>

Additional information on the City's long-term liabilities can be found in note II E on pages 41 – 45 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 2020 as the City oversees the completion of a new senior living complex and oversees the development of the property west of the 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 2020 and it is the City's intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2020 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 2020, the City will continue with capital projects such as office improvements at City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks along Ridgeland Avenue, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot, preliminary engineering on the Lake Katherine parking lot expansion, Palmer Park renovation project and improvements at the Recreation Center. The City will continue its Road Program in 2020 at various locations throughout the City.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2019

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, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 9,455,336	\$ 8,488,966	\$ 17,944,302	\$ 1,073,132
Receivables	7,834,756	1,262,601	9,097,357	1,363,820
Due from other governments	-	-	-	7,588
Other	630,622	-	630,622	12,625
Capital assets not being depreciated:				
Land	4,721,987	45,849	4,767,836	314,652
Construction in progress	43,819	-	43,819	-
Capital assets net of accumulated depreciation:				
Land improvements	4,793,773	-	4,793,773	55,920
Buildings and improvements	12,967,615	1,378,807	14,346,422	3,192,937
Equipment	1,012,130	507,968	1,520,098	330,385
Water distribution, storm and sanitary system	-	3,087,773	3,087,773	-
Infrastructure	5,967,411	-	5,967,411	-
Total assets	<u>47,427,449</u>	<u>14,771,964</u>	<u>62,199,413</u>	<u>6,351,059</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,161,078	115,037	3,276,115	95,226
Deferred outflows of resources related to other post-employment benefits	446,645	196,192	642,837	-
Total deferred outflows of resources	<u>3,607,723</u>	<u>311,229</u>	<u>3,918,952</u>	<u>95,226</u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and other current liabilities	1,068,210	724,762	1,792,972	38,720
Deposits held	318,660	-	318,660	-
Unearned revenue - other	320,759	-	320,759	-
Noncurrent liabilities:				
Due within one year	2,170,880	331,717	2,502,597	-
Due in more than one year	31,215,101	767,447	31,982,548	227,115
Total liabilities	<u>35,093,610</u>	<u>1,823,926</u>	<u>36,917,536</u>	<u>265,835</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,769,151	201,017	2,970,168	182,086
Deferred inflows of resources related to other post-employment benefits	232,325	42,611	274,936	-
Property taxes levied for future period	7,043,876	-	7,043,876	1,333,432
Total deferred inflows of resources	<u>10,045,352</u>	<u>243,628</u>	<u>10,288,980</u>	<u>1,515,518</u>
NET POSITION				
Net investment in capital assets	23,914,248	4,464,509	28,378,757	3,893,894
Restricted for:				
Law enforcement	1,016,437	-	1,016,437	-
Community redevelopment	764,439	-	764,439	-
Road construction and maintenance	481,697	-	481,697	-
Other purposes	364,714	-	364,714	18,322
Unrestricted	(20,645,325)	8,551,130	(12,094,195)	752,716
Total net position	<u>\$ 5,896,210</u>	<u>\$ 13,015,639</u>	<u>\$ 18,911,849</u>	<u>\$ 4,664,932</u>

FUND FINANCIAL STATEMENTS

CITY OF PALOS HEIGHTS, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds	
	2019	2018	2019	2018	2018
ASSETS					
Cash and cash equivalents	\$ 4,162,486	\$ 2,091,224	\$ 3,201,626	\$ 9,455,336	\$ 8,932,902
Receivables:					
Property taxes	5,790,661	-	1,242,146	7,032,807	6,951,572
Accounts, net of allowance for uncollectible accounts	143,136	-	-	143,136	147,835
Due from other funds	171,496	-	35,391	206,887	149,155
Due from other governments	482,177	103,197	73,439	658,813	600,370
Prepaid items	195,793	-	-	195,793	108,908
Other	434,829	-	-	434,829	305,823
	\$ 11,380,578	\$ 2,194,421	\$ 4,552,602	\$ 18,127,601	\$ 17,196,565
LIABILITIES					
Accounts payable	\$ 288,814	\$ 146,368	\$ 161,098	\$ 596,280	\$ 1,082,879
Accrued expenditures	273,994	-	-	273,994	248,843
Unearned revenue	-	200,000	-	200,000	-
Deposits held	318,660	-	-	318,660	301,642
Due to other funds	-	103,452	103,435	206,887	149,155
Unearned revenue - other	120,759	-	-	120,759	121,712
	1,002,227	449,820	264,533	1,716,580	1,904,231
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for future period	5,798,786	-	1,245,090	7,043,876	6,969,025
FUND BALANCES					
Nonspendable	195,793	-	-	195,793	108,908
Restricted	-	-	2,652,094	2,652,094	2,173,703
Assigned	-	1,744,601	390,885	2,135,486	2,289,266
Unassigned	4,383,772	-	-	4,383,772	3,751,432
	4,579,565	1,744,601	3,042,979	9,367,145	8,323,309
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,380,578	\$ 2,194,421	\$ 4,552,602	\$ 18,127,601	\$ 17,196,565

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

**CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balances - total governmental funds \$ 9,367,145

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. 29,506,735

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	\$ (5,345,000)
Unamortized issuance premium	(185,680)
Notes payable	(3,645,868)
Installment contract payable	(61,807)
Compensated absences payable	(1,813,021)
Net pension liabilities	(20,924,334)
Net other post-employment benefits liability	<u>(1,410,271)</u>

Total (33,385,981)

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	\$ 3,607,723
Deferred inflows related to pensions and other post-employment benefits	<u>(3,001,476)</u>

Total 606,247

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. (197,936)

Net position of governmental activities \$ 5,896,210

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds	
				2019	2018
Revenues:					
Taxes:					
Property levies, net	\$ 5,731,502	\$ -	\$ 1,581,721	\$ 7,313,223	\$ 6,795,656
Utility	1,073,019	-	-	1,073,019	1,128,801
Business district sales	-	-	106,094	106,094	108,926
Intergovernmental	3,057,696	-	413,279	3,470,975	3,183,251
Charges for services	416,024	-	-	416,024	411,831
Fees by agreement	959,110	-	-	959,110	979,796
Fines, forfeitures and penalties	189,522	-	489,301	678,823	732,105
Grants	-	8,987	-	8,987	86,662
Investment income	216,362	1,115	44,710	262,187	183,623
Licenses, permits and inspections	388,226	-	-	388,226	366,866
Swimming pool	273,539	-	-	273,539	288,743
Vehicle tag income	184,056	-	-	184,056	180,313
Other income	936,491	89,276	36,090	1,061,857	915,909
Total revenues	13,425,547	99,378	2,671,195	16,196,120	15,362,482
Expenditures:					
Current:					
General government	1,785,776	-	563,941	2,349,717	2,515,146
Public safety	6,243,974	-	493,659	6,737,633	6,128,083
Public works	1,113,352	-	62,000	1,175,352	1,195,725
Recreational department	2,065,344	-	96,726	2,162,070	2,171,691
Roads and construction	446,459	-	-	446,459	493,191
Debt service:					
Principal	36,870	-	387,279	424,149	416,911
Interest	3,530	-	426,081	429,611	446,740
Capital outlay:					
General government	-	256,754	-	256,754	414,183
Public works	77,067	192,441	-	269,508	25,054
Recreational department	38,458	201,007	-	239,465	370,080
Roads and construction	154,264	301,802	263,000	719,066	837,204
Total expenditures	11,965,094	952,004	2,292,686	15,209,784	15,014,008

(continued)

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, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
				<u>2019</u>	<u>2018</u>
Excess (deficiency) of revenues over expenditures	1,460,453	(852,626)	378,509	986,336	348,474
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	57,500	57,500	34,500
Transfers in	-	686,228	55,000	741,228	715,794
Transfers out	(741,228)	-	-	(741,228)	(715,794)
Total other financing sources (uses)	(741,228)	686,228	112,500	57,500	34,500
Net change in fund balances	719,225	(166,398)	491,009	1,043,836	382,974
Fund balances at beginning of year	3,860,340	1,910,999	2,551,970	8,323,309	7,940,335
Fund balances at end of year	<u>\$ 4,579,565</u>	<u>\$ 1,744,601</u>	<u>\$ 3,042,979</u>	<u>\$ 9,367,145</u>	<u>\$ 8,323,309</u> (concluded)

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

**CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF THE NET CHANGE IN FUND BALANCE -
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET
POSITION OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance - total governmental funds \$ 1,043,836

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 (\$1,369,468) exceeded capitalized capital outlays (\$928,914) in the current period. (440,554)

The effect of donations of capital assets to the City was to increase net position. 70,310

The net effect of transactions involving dispositions of capital assets was to decrease net position. (27,223)

The issuance of long-term debt (e.g., bonds, notes payable, 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	\$	275,000	
Amortization of issuance premium		21,737	
Principal repayments of notes payable		112,279	
Principal repayments of installment contract		<u>36,870</u>	
Total			445,886

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. (586,362)
(continued)

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

**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, 2019**

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. (39,423)

Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds. (1,394,800)

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. 6,390

Change in net position of governmental activities \$ (921,940)
(completed)

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 3,685,000	\$ 5,731,502	\$ 2,046,502
Utility	1,137,000	1,073,019	(63,981)
Intergovernmental	2,874,500	3,057,696	183,196
Charges for services	415,600	416,024	424
Fees by agreement	927,000	959,110	32,110
Fines, forfeitures and penalties	190,000	189,522	(478)
Investment income	140,000	216,362	76,362
Licenses, permits and inspections	346,900	388,226	41,326
Swimming pool	287,500	273,539	(13,961)
Vehicle tag income	180,400	184,056	3,656
Other income	739,362	936,491	197,129
	<u>10,923,262</u>	<u>13,425,547</u>	<u>2,502,285</u>
Total revenues			
Expenditures:			
Current:			
Personnel	6,301,572	6,121,968	179,604
Retirement contributions	-	2,081,050	(2,081,050)
Hospital and medical insurance	1,020,390	838,864	181,526
Contractual	2,178,300	1,822,195	356,105
Commodities	549,700	473,364	76,336
Other	380,815	190,080	190,735
Legal department	64,000	70,321	(6,321)
Vehicle tag expense	58,000	57,063	937
Debt service:			
Principal	42,000	36,870	5,130
Interest	-	3,530	(3,530)
Capital outlay	305,400	269,789	35,611
	<u>10,900,177</u>	<u>11,965,094</u>	<u>(1,064,917)</u>
Total expenditures			
Excess of revenues over expenditures	<u>23,085</u>	<u>1,460,453</u>	<u>1,437,368</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	10,000	-	(10,000)
Transfers out	<u>(55,000)</u>	<u>(741,228)</u>	<u>(686,228)</u>
Total other financing sources (uses)	<u>(45,000)</u>	<u>(741,228)</u>	<u>(696,228)</u>
Net change in fund balances	(21,915)	719,225	741,140
Fund balances at beginning of year	<u>3,860,340</u>	<u>3,860,340</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,838,425</u>	<u>\$ 4,579,565</u>	<u>\$ 741,140</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

ASSETS	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2019	2018
Current assets:				
Cash and cash equivalents	\$ 8,387,970	\$ 100,996	\$ 8,488,966	\$ 6,865,734
Accounts receivable - water customers:				
Billed	347,236	-	347,236	425,766
Unbilled	915,365	-	915,365	896,254
Total current assets	9,650,571	100,996	9,751,567	8,187,754
Noncurrent assets:				
Capital assets:				
Land	45,849	-	45,849	45,849
Building and improvements	3,578,933	-	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,514,958	-	9,514,958	9,103,467
Equipment	1,509,836	-	1,509,836	1,581,443
Total	14,649,576	-	14,649,576	14,309,692
Less accumulated depreciation	(9,629,179)	-	(9,629,179)	(9,394,645)
Net capital assets	5,020,397	-	5,020,397	4,915,047
Total assets	14,670,968	100,996	14,771,964	13,102,801
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows or resources related to pensions	115,037	-	115,037	568,644
Deferred outflows of resources related to other post-employment benefits	196,192	-	196,192	99,972
Total deferred outflows of resources	311,229	-	311,229	668,616

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

	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2019	2018
LIABILITIES				
Current liabilities:				
Accounts payable	681,131	1,135	682,266	320,307
Accrued payroll	42,496	-	42,496	29,438
Current portion of long-term liabilities:				
Compensated absences	221,648	-	221,648	84,245
Installment contracts	110,069	-	110,069	114,459
Total current liabilities	<u>1,055,344</u>	<u>1,135</u>	<u>1,056,479</u>	<u>548,449</u>
Long-term liabilities:				
Compensated absences	73,882	-	73,882	28,082
Installment contracts	90,368	-	90,368	200,438
Net pension liability	245,546	-	245,546	649,953
Net other post-employment benefits liability	357,651	-	357,651	280,551
Total long-term liabilities	<u>767,447</u>	<u>-</u>	<u>767,447</u>	<u>1,159,024</u>
Total liabilities	<u>1,822,791</u>	<u>1,135</u>	<u>1,823,926</u>	<u>1,707,473</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	201,017	-	201,017	265,752
Deferred inflows of resources related to other post-employment benefits	42,611	-	42,611	16,766
Total deferred inflows of resources	<u>243,628</u>	<u>-</u>	<u>243,628</u>	<u>282,518</u>
NET POSITION				
Net investment in capital assets	4,464,509	-	4,464,509	4,579,991
Unrestricted	8,451,269	99,861	8,551,130	7,201,435
Total net position	<u>\$ 12,915,778</u>	<u>\$ 99,861</u>	<u>\$ 13,015,639</u>	<u>\$ 11,781,426</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2019	2018
Operating revenues:				
Charges for services	\$ 7,060,693	\$ 46,107	\$ 7,106,800	\$ 7,134,893
Sales of water meters	4,205	-	4,205	20,051
Other	31,205	-	31,205	23,119
	<u>7,096,103</u>	<u>46,107</u>	<u>7,142,210</u>	<u>7,178,063</u>
Total operating revenues				
Operating expenses:				
Personnel	1,468,378	20,000	1,488,378	1,120,160
Contractual	3,441,035	22,690	3,463,725	3,470,165
Commodities	490,715	2,914	493,629	711,546
Depreciation	325,023	-	325,023	278,388
Other	292,255	-	292,255	348,590
	<u>6,017,406</u>	<u>45,604</u>	<u>6,063,010</u>	<u>5,928,849</u>
Total operating expenses				
Operating income	<u>1,078,697</u>	<u>503</u>	<u>1,079,200</u>	<u>1,249,214</u>
Nonoperating revenue (expense):				
Investment income	165,410	-	165,410	100,501
Interest expense	(10,397)	-	(10,397)	-
	<u>155,013</u>	<u>-</u>	<u>155,013</u>	<u>100,501</u>
Total nonoperating revenue (expense)				
Change in net position	1,233,710	503	1,234,213	1,349,715
Net position at beginning of year	<u>11,682,068</u>	<u>99,358</u>	<u>11,781,426</u>	<u>10,431,711</u>
Net position at end of year	<u>\$ 12,915,778</u>	<u>\$ 99,861</u>	<u>\$ 13,015,639</u>	<u>\$ 11,781,426</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, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>	
			<u>2019</u>	<u>2018</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,155,522	\$ 46,107	\$ 7,201,629	\$ 7,269,724
Payments to employees	(1,280,927)	(20,000)	(1,300,927)	(1,196,601)
Payments to suppliers	<u>(4,218,407)</u>	<u>(24,694)</u>	<u>(4,243,101)</u>	<u>(4,817,609)</u>
Net cash provided by operating activities	<u>1,656,188</u>	<u>1,413</u>	<u>1,657,601</u>	<u>1,255,514</u>
Cash flows from capital and related financing activities:				
Payments for purchases of capital assets	(74,922)	-	(74,922)	(250,104)
Principal paid on capital debt	(114,460)	-	(114,460)	(359,719)
Interest paid on capital debt	<u>(10,397)</u>	<u>-</u>	<u>(10,397)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(199,779)</u>	<u>-</u>	<u>(199,779)</u>	<u>(609,823)</u>
Cash flows from investing activities:				
Investment income received	<u>165,410</u>	<u>-</u>	<u>165,410</u>	<u>100,501</u>
Net change in cash	1,621,819	1,413	1,623,232	746,192
Cash at beginning of year	<u>6,766,151</u>	<u>99,583</u>	<u>6,865,734</u>	<u>6,119,542</u>
Cash at end of year	<u>\$ 8,387,970</u>	<u>\$ 100,996</u>	<u>8,488,966</u>	<u>\$ 6,865,734</u>

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

Business-type Activities - Enterprise Funds				
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2019	2018
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,078,697	\$ 503	\$ 1,079,200	\$ 1,249,214
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	325,023	-	325,023	278,388
(Increase) decrease in:				
Accounts receivable	59,419	-	59,419	91,661
Deferred outflows of resources related to pensions	453,607	-	453,607	(422,333)
Deferred outflows of resources related to other post-employment benefits	(96,220)	-	(96,220)	(34,939)
Increase (decrease) in:				
Accounts payable	5,598	910	6,508	(287,308)
Accrued payroll	13,058	-	13,058	(5,815)
Compensated absences	183,203	-	183,203	(231)
Net pension liability	(404,407)	-	(404,407)	497,433
Net other post-employment benefits liability	77,100	-	77,100	43,525
Deferred inflows of resources related to pensions	(64,735)	-	(64,735)	(148,741)
Deferred inflows of resources related to other post-employment benefits	25,845	-	25,845	(5,340)
	<u>25,845</u>	<u>-</u>	<u>25,845</u>	<u>(5,340)</u>
Net cash provided by operating activities	<u>\$ 1,656,188</u>	<u>\$ 1,413</u>	<u>\$ 1,657,601</u>	<u>\$ 1,255,514</u>
Noncash capital and related financing activities:				
Purchases of capital assets financed with accounts payable	<u>\$ 355,451</u>	<u>\$ -</u>	<u>\$ 355,451</u>	<u>\$ -</u>
Purchases of capital assets financed with installment contract	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,847</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 11,310	\$ 5,982
Accrued interest receivable	44,220	42,413
Prepaid expenses	4,363	5,024
Investments:		
Certificates of deposit	134,730	117,665
Debt issues:		
Corporate	1,355,423	1,328,016
Municipal	998,118	824,991
GNMA	59,150	69,086
Mutual funds:		
Equities	15,036,958	11,289,332
Mutual money market funds	245,847	160,533
U.S. government agency obligations	5,776,551	5,346,341
U.S. Treasury notes	<u>865,984</u>	<u>898,867</u>
Total assets	24,532,654	20,088,250
LIABILITIES		
Accounts payable	<u>15,860</u>	<u>12,093</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 24,516,794</u>	<u>\$ 20,076,157</u>

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

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019	2018
Additions:		
Contributions:		
Employees	\$ 281,434	\$ 268,587
Employer	2,081,050	1,791,557
Total contributions	2,362,484	2,060,144
Investment income (loss)	3,953,484	(894,524)
Less investment expense	(53,844)	(61,814)
Net investment income (loss)	3,899,640	(956,338)
Total additions	6,262,124	1,103,806
Deductions:		
Benefit payments	1,769,176	1,730,623
Refunds of contributions	320	-
Administrative expenses	51,991	29,102
Total deductions	1,821,487	1,759,725
Change in net position	4,440,637	(655,919)
Net position at beginning of year	20,076,157	20,732,076
Net position at end of year	\$ 24,516,794	\$ 20,076,157

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, 2019

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 (City) 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, 2019**

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 administrated by the City and accounted for in the General Fund include general services, public safety, public works, recreation and roads and construction.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
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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, 2019 was adopted through the passage of ordinance number O-03-19 on March 5, 2019.
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.
7. The budget was not amended during the year ended December 31, 2019.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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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	\$ 12,628,756
Beautification Committee	60,497
Vehicle License	189,420
Special revenue funds:	
Seizure and Forfeiture	151,450
Motor Fuel Tax	341,250
Social Security and IMRF	761,250
Special Recreation	261,975
Police DUI Fine	10,500
Cal Sag Trail	10,500
Business District	176,107
Capital projects funds:	
Capital Projects	1,853,460
127th and Harlem Tax Increment	298,625
Gateway Tax Increment	74,550
Debt service fund:	
Bond and Interest	485,166
Enterprise funds:	
Waterworks and Sewerage	10,779,724
Metra Station Parking	78,750

2. Excess of Expenditures/Expenses over Working Budget Amounts

For the year ended December 31, 2019, expenditures/expenses exceeded working budget amounts in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General subfund:			
Corporate	\$ 10,662,162	\$ 11,763,278	\$ (1,101,116)
Nonmajor governmental funds:			
Special revenue funds:			
Seizure and Forfeiture	144,238	466,425	(322,187)
Police DUI Fine	10,000	27,234	(17,234)

The overexpenditures in the Corporate Fund, Seizure and Forfeiture Fund and Police DUI Fine Fund were funded by greater than anticipated revenues.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The City invests in The Illinois Funds, 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. The Illinois Funds is not registered with the Securities and Exchange Commission as an investment company. The Illinois Funds operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost.

The City also invests in the Illinois Metropolitan Investment Fund (IMET). 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. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

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.

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 and the proprietary fund financial statements in the fund 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:

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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:

Assets	Years
Buildings and improvements	25 - 50
Equipment	2 - 20
Land improvements	10 - 20
Public domain infrastructure	50
Water distribution, storm and sanitary system	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
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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, 2019**

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.

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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 the current hourly wage. 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, 2019**

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

The City maintains a cash 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.

Cash as of December 31, 2019 was comprised of the following:

	<u>Government- wide</u>	<u>Fiduciary</u>
Cash on hand	\$ 1,500	\$ -
Deposits with financial institutions	10,384,843	11,310
The Illinois Funds	7,494,246	-
IMET	<u>63,713</u>	<u>-</u>
Total	<u>\$ 17,944,302</u>	<u>\$ 11,310</u>

Deposits

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, 2019, \$9,373,940 of the City's bank balances of \$10,374,940 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.

**CITY OF PALOS HEIGHTS, ILLINOIS
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Pension Trust Fund

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

Investments

Pension Trust Fund

As of December 31, 2019, 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	\$ 134,730	N/A	5.67
Debt issues:			
Corporate	1,355,423	Aaa - Baa1	4.99
Municipal (3)	998,118	Aa1 - A1	4.93
GNMA	59,150	N/R	15.00
Mutual funds:			
Equities	15,036,958	N/A	N/A
Mutual money market funds	245,847	N/A	N/A
U.S. government agency obligations (3)	5,776,551	Aaa	6.66
U.S. Treasury notes	<u>865,984</u>	Aaa	2.76
 Total investments	 <u>\$ 24,472,761</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.

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.

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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, The Illinois Funds pool and IMET.

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 Pension Trust Fund categorizes its 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. There were no changes in valuation techniques in the current year. The Pension Trust Fund had the following recurring fair value measurements as of December 31, 2019:

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.

Mutual funds - valued at the daily closing price as reported by the fund. Mutual funds held by the Pension Trust 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 Pension Trust Fund are deemed to be actively traded.

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The following table summarizes the investments of the Pension Trust Fund for which fair values are determined on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 134,730	\$ -	\$ 134,730
Debt issues:				
Corporate	-	1,355,423	-	1,355,423
Municipal	-	998,118	-	998,118
GNMA	-	59,150	-	59,150
Mutual funds:				
Equities	15,036,958	-	-	15,036,958
Mutual money market funds	-	245,847	-	245,847
U.S. government agency obligations	-	5,776,551	-	5,776,551
U.S. Treasury notes	-	865,984	-	865,984
	<u>15,036,958</u>	<u>9,435,803</u>	<u>-</u>	<u>24,472,761</u>
Total investments at fair value	<u>\$ 15,036,958</u>	<u>\$ 9,435,803</u>	<u>\$ -</u>	<u>\$ 24,472,761</u>

C. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Primary government:				
City of Palos Heights, Illinois:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,596,979	\$ 125,008	\$ -	\$ 4,721,987
Construction in progress	21,500	43,819	(21,500)	43,819
Total capital assets, not being depreciated	<u>4,618,479</u>	<u>168,827</u>	<u>(21,500)</u>	<u>4,765,806</u>
Capital assets, being depreciated:				
Land improvements	7,163,144	151,622	-	7,314,766
Buildings and improvements	19,772,247	108,547	16,500	19,897,294
Equipment	3,833,831	570,228	(196,576)	4,207,483
Infrastructure	20,013,105	-	-	20,013,105
Total capital assets, being depreciated	<u>50,782,327</u>	<u>830,397</u>	<u>(180,076)</u>	<u>51,432,648</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
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	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Less accumulated depreciation for:				
Land improvements	(2,338,773)	(182,220)	-	(2,520,993)
Buildings and improvements	(6,472,077)	(457,602)	-	(6,929,679)
Equipment	(3,060,855)	(308,851)	174,353	(3,195,353)
Infrastructure	(13,624,899)	(420,795)	-	(14,045,694)
Total accumulated depreciation	<u>(25,496,604)</u>	<u>(1,369,468)</u>	<u>174,353</u>	<u>(26,691,719)</u>
Total capital assets, being depreciated, net	<u>25,285,723</u>	<u>(539,071)</u>	<u>(5,723)</u>	<u>24,740,929</u>
Governmental activities capital assets, net	<u>\$ 29,904,202</u>	<u>\$ (370,244)</u>	<u>\$ (27,223)</u>	<u>\$ 29,506,735</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 45,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,849</u>
Capital assets, being depreciated:				
Buildings and improvements	3,578,933	-	-	3,578,933
Equipment	1,628,867	411,721	(90,489)	1,950,099
Water distribution, storm and sanitary system	<u>9,056,043</u>	<u>18,652</u>	<u>-</u>	<u>9,074,695</u>
Total capital assets, being depreciated	<u>14,263,843</u>	<u>430,373</u>	<u>(90,489)</u>	<u>14,603,727</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,130,971)	(69,155)	-	(2,200,126)
Equipment	(1,466,277)	(66,343)	90,489	(1,442,131)
Water distribution, storm and sanitary system	<u>(5,797,397)</u>	<u>(189,525)</u>	<u>-</u>	<u>(5,986,922)</u>
Total accumulated depreciation	<u>(9,394,645)</u>	<u>(325,023)</u>	<u>90,489</u>	<u>(9,629,179)</u>
Total capital assets, being depreciated, net	<u>4,869,198</u>	<u>105,350</u>	<u>-</u>	<u>4,974,548</u>
Business-type activities capital assets, net	<u>\$ 4,915,047</u>	<u>\$ 105,350</u>	<u>\$ -</u>	<u>\$ 5,020,397</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Component unit:				
Palos Heights Public Library:				
Capital assets, not being depreciated:				
Land	\$ 314,652	\$ -	\$ -	\$ 314,652
Capital assets, being depreciated:				
Land improvements	203,247	-	-	203,247
Buildings and improvements	5,466,445	20,539	-	5,486,984
Furniture and equipment	742,687	6,000	-	748,687
Library collection	<u>508,945</u>	<u>72,093</u>	<u>(116,208)</u>	<u>464,830</u>
Total capital assets, being depreciated	<u>6,921,324</u>	<u>98,632</u>	<u>(116,208)</u>	<u>6,903,748</u>
Less accumulated depreciation for:				
Land improvements	(137,165)	(10,162)	-	(147,327)
Buildings and improvements	(2,156,872)	(137,175)	-	(2,294,047)
Furniture and equipment	(621,876)	(74,869)	-	(696,745)
Library collection	<u>(209,629)</u>	<u>(92,966)</u>	<u>116,208</u>	<u>(186,387)</u>
Total accumulated depreciation	<u>(3,125,542)</u>	<u>(315,172)</u>	<u>116,208</u>	<u>(3,324,506)</u>
Total capital assets, being depreciated, net	<u>3,795,782</u>	<u>(216,540)</u>	<u>-</u>	<u>3,579,242</u>
Palos Heights Public Library capital assets, net	<u>\$ 4,110,434</u>	<u>\$ (216,540)</u>	<u>\$ -</u>	<u>\$ 3,893,894</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	275,271
Public works	564,441
Recreation and culture	<u>507,277</u>
Total depreciation expense - governmental activities	<u>\$ 1,369,468</u>
Business-type activities:	
Waterworks and sewerage	<u>\$ 325,023</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Component unit:

Palos Heights Public Library:

Recreation and culture

\$ 315,172

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2019 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 171,496	\$ -
Capital Projects Fund	-	103,452
Nonmajor governmental funds:		
Seizure and Forfeiture Fund	-	57,732
Motor Fuel Tax Fund	-	10,312
Business District Fund	35,391	-
127th and Harlem Tax Increment Fund	<u>-</u>	<u>35,391</u>
 Total	 <u>\$ 206,887</u>	 <u>\$ 206,887</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, 2019 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 686,228
General Fund	Nonmajor governmental fund: Business District Fund	<u>55,000</u>
 Total		 <u>\$ 741,228</u>

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, 2019**

E. Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government:					
City of Palos Heights, Illinois:					
Governmental activities:					
General obligation bonds	\$ 5,620,000	\$ -	\$ (275,000)	\$ 5,345,000	\$ 285,000
Unamortized issuance premium	207,417	-	(21,737)	185,680	-
Notes payable	3,758,147	-	(112,279)	3,645,868	215,677
Installment contract payable	98,677	-	(36,870)	61,807	38,484
Compensated absences payable	418,221	1,762,199	(367,399)	1,813,021	1,631,719
Net pension liabilities:					
Police Pension	22,778,430	2,742,134	(5,412,527)	20,108,037	-
Illinois Municipal Retirement	2,300,684	164,640	(1,649,027)	816,297	-
Other post-employment benefits liability	<u>1,394,382</u>	<u>120,702</u>	<u>(104,813)</u>	<u>1,410,271</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 36,575,958</u>	<u>\$ 4,789,675</u>	<u>\$ (7,979,652)</u>	<u>\$ 33,385,981</u>	<u>\$ 2,170,880</u>
Business-type activities:					
Installment contracts payable	\$ 314,897	\$ -	\$ (114,460)	\$ 200,437	\$ 110,069
Compensated absences payable	112,327	267,448	(84,245)	295,530	221,648
Net pension liability:					
Illinois Municipal Retirement	649,953	51,868	(456,275)	245,546	-
Other post-employment benefits liability	<u>280,551</u>	<u>30,611</u>	<u>46,489</u>	<u>357,651</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,357,728</u>	<u>\$ 349,927</u>	<u>\$ (608,491)</u>	<u>\$ 1,099,164</u>	<u>\$ 331,717</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	<u>\$ 614,657</u>	<u>\$ -</u>	<u>\$ (387,542)</u>	<u>\$ 227,115</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, 2019**

Primary Government - Governmental Activities

General Obligation Bonds

General obligation bonds, which were 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>
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>\$ 5,345,000</u>	<u>\$ 1,593,895</u>	<u>\$ 6,938,895</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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, 2019, the City paid \$1,661,823 in principal and interest on the notes payable. \$987,966 was paid from incremental property tax revenue, \$508,724 from business district sales tax revenue and \$165,133 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
2020	\$ 120,779	\$ 73,330	\$ 21,568	\$ 215,677	\$ 164,919	\$ 43,770	\$ 23,188	\$ 231,877
2021	133,414	81,002	23,824	238,240	157,346	38,998	21,816	218,160
2022	158,952	96,506	28,384	283,842	156,213	26,494	20,301	203,008
2023	172,203	104,552	30,751	307,506	144,912	21,548	18,496	184,956
2024	186,389	113,165	33,284	332,838	132,823	16,035	16,540	165,398
2025	219,569	132,500	39,119	391,188	129,807	-	14,684	144,491
2026	244,139	135,799	42,215	422,153	107,416	-	12,213	119,629
2027	270,341	139,201	45,505	455,047	83,252	-	9,545	92,797
2028	327,823	142,700	52,280	522,803	57,205	-	6,670	63,875
2029	282,720	146,199	47,655	476,574	27,279	-	6,374	33,653
Total	<u>\$ 2,116,329</u>	<u>\$ 1,164,954</u>	<u>\$ 364,585</u>	<u>\$ 3,645,868</u>	<u>\$ 1,161,172</u>	<u>\$ 146,845</u>	<u>\$ 149,827</u>	<u>\$ 1,457,844</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
2020	\$ 38,484	\$ 1,898	\$ 40,382
2021	23,323	233	23,556
Total	<u>\$ 61,807</u>	<u>\$ 2,131</u>	<u>\$ 63,938</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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>
2020	<u>\$ 23,165</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>
2020	\$ 86,904	\$ 7,066	\$ 93,970
2021	<u>90,368</u>	<u>3,602</u>	<u>93,970</u>
Total	<u>\$ 177,272</u>	<u>\$ 10,668</u>	<u>\$ 187,940</u>

The annual requirements to amortize the outstanding installment contracts as of December 31, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 110,069	\$ 7,066	\$ 117,135
2021	<u>90,368</u>	<u>3,602</u>	<u>93,970</u>
Total	<u>\$ 200,437</u>	<u>\$ 10,668</u>	<u>\$ 211,105</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Legal Debt Margin

The legal debt margin of the City as of December 31, 2019 is calculated as follows:

Assessed valuation - 2018 tax year (most recent information available)	<u>\$ 442,987,918</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 38,207,708</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	5,530,680
Installment contract	61,807
Business-type activities:	
Installment contracts	<u>200,437</u>
Total debt applicable to limit	<u>5,792,924</u>
Legal debt margin	<u>\$ 32,414,784</u>

F. Fund Balances

As of December 31, 2019, 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>\$ 195,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,793</u>
Restricted:				
Capital projects	-	-	580,405	580,405
Community redevelopment	-	-	184,034	184,034
Debt service	-	-	24,807	24,807
Law enforcement	-	-	1,016,437	1,016,437
Road construction and maintenance	-	-	481,697	481,697
Social Security and IMRF	-	-	173,753	173,753
Special recreation programs	<u>-</u>	<u>-</u>	<u>190,961</u>	<u>190,961</u>
Total restricted	<u>-</u>	<u>-</u>	<u>2,652,094</u>	<u>2,652,094</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assigned:				
Capital projects	-	1,744,601	-	1,744,601
Community redevelopment	-	-	90,505	90,505
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>-</u>	<u>390,885</u>	<u>1,135,486</u>
Total assigned	<u>-</u>	<u>1,744,601</u>	<u>390,885</u>	<u>2,135,486</u>
Unassigned	<u>4,383,772</u>	<u>-</u>	<u>-</u>	<u>4,383,772</u>
Total fund balances	<u>\$ 4,579,565</u>	<u>\$ 1,744,601</u>	<u>\$ 3,042,979</u>	<u>\$ 9,367,145</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, 2019.

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, 2019**

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 eight 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. A police officer's 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, 2019, the Police Pension Plan's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not receiving benefits	-
Active employees	<u>27</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, 2019, the City's contribution was 74.1% of covered payroll.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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

Inflation - 2.25%

Salary increases - 3.50% -12.31%

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 Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data. The L&A 2020 Illinois Police Disability Rates were used for disabled police officers.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 - December 31, 2019.

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, 2019 (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	42.0 %	6.10 %
Small cap domestic equity	12.0	7.90
Fixed income	40.0	1.30
International equity	<u>6.0</u>	6.80
	<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, 2019

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	\$ 42,854,587	\$ 20,076,157	\$ 22,778,430
Changes for the year:			
Service cost	627,309	-	627,309
Interest on the total pension liability	2,832,964	-	2,832,964
Changes in benefit terms	277,862	-	277,862
Differences between expected and actual experience	(998,257)	-	(998,257)
Changes of assumptions	799,862	-	799,862
Net investment income	-	3,899,640	(3,899,640)
Contributions - employees	-	281,434	(281,434)
Contributions - employer	-	2,081,050	(2,081,050)
Benefit payments, including refunds of employee contributions	(1,769,496)	(1,769,496)	-
Administrative expense	-	(51,991)	51,991
Net changes	<u>1,770,244</u>	<u>4,440,637</u>	<u>(2,670,393)</u>
Balances at December 31, 2019	<u>\$ 44,624,831</u>	<u>\$ 24,516,794</u>	<u>\$ 20,108,037</u>

The change in assumptions amount of \$799,862 was primarily the result of a change in the rate of individual pay increases based on a new collective bargaining agreement, as well as changes in inflation rates, mortality rates, retirement rates, termination rates and disability rates based on a comprehensive study of Police Pension Funds in the State of Illinois.

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:

	1% Lower (5.75%)	Current Discount Rate (6.75%)	1% Higher (7.75%)
City's net pension liability	<u>\$ 26,981,559</u>	<u>\$ 20,108,037</u>	<u>\$ 14,580,570</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2019, the City recognized pension expense of \$2,742,134. At December 31, 2019, 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	\$ 451,256	\$ 1,022,030
Changes of assumptions	2,413,431	-
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>1,062,436</u>
Total	<u>\$ 2,864,687</u>	<u>\$ 2,084,466</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:

2020	\$ 395,639
2021	387,707
2022	451,061
2023	(457,088)
2024	32,868
Thereafter	<u>(29,966)</u>
Total	<u>\$ 780,221</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 an agent 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

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2019**

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.

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, 2019, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	77
Inactive plan members entitled to but not yet receiving benefits	54
Active plan members	60
Total	191

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 2019 was 9.63%. For the year ended December 31, 2019, the City contributed \$377,863 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, 2019 are reported in the financial statements as follows:

Governmental activities	\$ 239,362
Business-type activities	71,962
Component unit	<u>66,539</u>
Total contributions	<u>\$ 377,863</u>

Net Pension Liability. The City's net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The following are the methods and assumptions used to determine the total pension liability at December 31, 2019:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Five-Year Smoothed Market with a 20% Corridor.
- The Wage Inflation Rate was assumed to be 3.25%.
- The Payroll Growth Rate was assumed to be 2.50%.
- Projected Salary Increases were expected to be 3.39% to 14.25%.
- The Investment Rate of Return was assumed to be 7.25%.
- For non-disabled retirees, an IMRF specific mortality table was used with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. The IMRF specific rates were developed using the RP-2014 Disabled Mortality Table with adjustments to match current IMRF experience. For active members, the mortality rates are based on the RP-2014 Employee Mortality Table for both males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. Among 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, 2019

- 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:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equities	37 %	5.75 %
International equities	18	6.50
Fixed income	28	3.25
Real estate	9	5.20
Alternative investments	7	3.60 - 7.60
Cash equivalents	1	1.85
Total	100 %	

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 City'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, 2019

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2019 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, 2018	\$ 21,605,881	\$ 18,040,587	\$ 3,565,294
Changes for the year:			
Service cost	383,302	-	383,302
Interest on the total pension liability	1,544,326	-	1,544,326
Differences between expected and actual experience	(145,529)	-	(145,529)
Net investment income	-	3,329,133	(3,329,133)
Contributions - employees	-	176,558	(176,558)
Contributions - employer	-	377,863	(377,863)
Benefit payments, including refunds of employee contributions	(992,960)	(992,960)	-
Other changes	-	174,881	(174,881)
Net changes	<u>789,139</u>	<u>3,065,475</u>	<u>(2,276,336)</u>
Balances at December 31, 2019	<u>\$ 22,395,020</u>	<u>\$ 21,106,062</u>	<u>\$ 1,288,958</u>

The net pension liability as of December 31, 2019 is reported on the financial statements as follows:

Governmental activities	\$ 816,297
Business-type activities	245,546
Component unit	<u>227,115</u>
Total net pension liability	<u>\$ 1,288,958</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 (asset) 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, 2019**

	<u>1% Lower (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Higher (8.25%)</u>
Primary government:			
Governmental activities net pension liability	\$ 2,685,858	\$ 816,297	\$ (722,898)
Business-type activities net pension liability	807,919	245,546	(217,451)
Component unit:			
Palos Heights Public Library net pension liability	747,273	227,115	(201,128)

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, 2019, the City recognized pension expense of \$272,270. Pension expense for the year ended December 31, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 164,640
Business-type activities	56,427
Component unit	<u>51,203</u>
Total pension expense	<u>\$ 272,270</u>

At December 31, 2019, 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>
Primary government:		
Differences between expected and actual experience	\$ 177,974	\$ 90,673
Changes of assumptions	199,730	55,629
Net difference between projected and actual earnings on Plan investments	-	704,952
Changes in proportionate share	<u>33,724</u>	<u>34,448</u>
Total	<u>\$ 411,428</u>	<u>\$ 885,702</u>
Governmental activities	\$ 296,391	\$ 684,685
Business-type activities	<u>115,037</u>	<u>201,017</u>
Total	<u>\$ 411,428</u>	<u>\$ 885,702</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component unit:		
Differences between expected and actual experience	\$ 38,617	\$ 19,261
Changes of assumptions	56,609	13,076
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>149,749</u>
Total	<u>\$ 95,226</u>	<u>\$ 182,086</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:

	<u>Primary Government</u>	<u>Component Unit</u>
2020	\$ 1,779	\$ 9,955
2021	(177,300)	(33,275)
2022	44,525	8,023
2023	<u>(343,278)</u>	<u>(71,563)</u>
Total	<u>\$ (474,274)</u>	<u>\$ (86,860)</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.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

	<u>Primary Government - City of Palos Heights, Illinois</u>		
	<u>PPP</u>	<u>IMRF</u>	<u>Total</u>
Deferred outflows of resources	\$ 2,864,687	\$ 411,428	\$ 3,276,115
Net pension liability	20,108,037	1,061,843	21,169,880
Deferred inflows of resources	2,084,466	885,702	2,970,168
Pension expense	2,742,134	221,067	2,963,201
Pension expenditures	2,081,050	311,324	2,392,374

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.

Employees Covered by Benefit Terms. As of December 31, 2019, 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>70</u>
Total	<u>75</u>

Total OPEB Liability. The City's total OPEB liability of \$1,767,922 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Actuarial Assumption and Other Inputs. The total OPEB liability in the December 31, 2019 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 3.26% 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 4.50%.
- Age-based turnover rates were developed based on probability of remaining employed until assumed retirement age.
- Mortality rates were based on the PubS.H-2010 General Mortality Table.
- The retirees' share of benefit-related costs was 100% of the projected health insurance premiums.

Changes in the Total OPEB Liability. Changes in the City's total OPEB liability for the year ended December 31, 2019 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2018	\$ <u>1,674,933</u>
Changes for the year:	
Service cost	51,899
Interest expense	59,054
Differences between expected and actual experience	(33,714)
Changes in assumptions or other inputs	57,041
Benefit payments	(105,165)
Other changes	<u>63,874</u>
Net changes	<u>92,989</u>
Balance at December 31, 2019	<u>\$ 1,767,922</u>

The total OPEB liability as of December 31, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 1,410,271
Business-type activities	<u>357,651</u>
Total OPEB liability	<u>\$ 1,767,922</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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:

	1% Lower (2.26%)	Current Discount Rate (3.26%)	1% Higher (4.26%)
Total OPEB liability	<u>\$ 1,954,443</u>	<u>\$ 1,767,922</u>	<u>\$ 1,603,213</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>\$ 1,575,439</u>	<u>\$ 1,767,922</u>	<u>\$ 1,992,937</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2019, the City recognized OPEB expense of \$151,313. OPEB expense for the year ended December 31, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 120,702
Business-type activities	<u>30,611</u>
Total OPEB expense	<u>\$ 151,313</u>

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

<u>Deferred Amounts Related to OPEB</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 76,371
Changes in assumptions and other inputs	553,594	109,322
Change in proportionate share	<u>89,243</u>	<u>89,243</u>
Total	<u>\$ 642,837</u>	<u>\$ 274,936</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities	\$ 446,645	\$ 232,325
Business-type activities	<u>196,192</u>	<u>42,611</u>
Total	<u>\$ 642,837</u>	<u>\$ 274,936</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:

2020	\$ 40,361
2021	40,361
2022	40,361
2023	40,361
2024	40,361
Thereafter	<u>166,096</u>
Total	<u>\$ 367,901</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.

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 IRMA beyond its representation on the Board of Directors.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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. Subsequent Events

Management has evaluated subsequent events through July 24, 2020, which is the date the financial statements were available to be issued.

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the City's residents/customers, employees and vendors all of which are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain.

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:						
Service cost	\$ 627,309	\$ 579,804	\$ 602,360	\$ 564,272	\$ 401,819	\$ 386,047
Interest on the total pension liability	2,832,964	2,701,050	2,594,010	2,289,193	2,392,955	2,311,917
Changes in benefit terms	277,862	-	-	-	-	-
Differences between expected and actual experience	(998,257)	423,492	127,223	174,661	(477,761)	-
Changes of assumptions	799,862	-	-	3,159,527	1,306,292	-
Benefit payments, including refunds of employee contributions	<u>(1,769,496)</u>	<u>(1,730,623)</u>	<u>(1,745,025)</u>	<u>(1,611,364)</u>	<u>(1,623,718)</u>	<u>(1,594,195)</u>
Net change in total pension liability	1,770,244	1,973,723	1,578,568	4,576,289	1,999,587	1,103,769
Total pension liability at beginning of year	<u>42,854,587</u>	<u>40,880,864</u>	<u>39,302,296</u>	<u>34,726,007</u>	<u>32,726,420</u>	<u>31,622,651</u>
Total pension liability at end of year	<u>\$ 44,624,831</u>	<u>\$ 42,854,587</u>	<u>\$ 40,880,864</u>	<u>\$ 39,302,296</u>	<u>\$ 34,726,007</u>	<u>\$ 32,726,420</u>
Plan fiduciary net position:						
Contributions - employees	\$ 281,434	\$ 268,587	\$ 331,562	\$ 257,628	\$ 249,211	\$ 232,255
Contributions - employer	2,081,050	1,791,557	153,387	1,431,455	1,325,572	1,332,537
Net investment income	3,899,640	(956,338)	1,112,510	1,112,510	212,152	1,091,919
Benefit payments, including refunds of employee contributions	(1,769,496)	(1,730,623)	(1,745,025)	(1,611,364)	(1,623,718)	(1,594,195)
Administrative expenses	<u>(51,991)</u>	<u>(29,102)</u>	<u>(35,837)</u>	<u>(29,905)</u>	<u>(32,040)</u>	<u>(31,200)</u>
Net change in plan fiduciary net position	4,440,637	(655,919)	2,490,985	1,160,324	131,177	1,031,316
Plan fiduciary net position at beginning of year	<u>20,076,157</u>	<u>20,732,076</u>	<u>18,241,091</u>	<u>17,080,767</u>	<u>16,949,590</u>	<u>15,918,274</u>
Plan fiduciary net position at end of year	<u>\$ 24,516,794</u>	<u>\$ 20,076,157</u>	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>	<u>\$ 17,080,767</u>	<u>\$ 16,949,590</u>
City's net pension liability at end of year	<u>\$ 20,108,037</u>	<u>\$ 22,778,430</u>	<u>\$ 20,148,788</u>	<u>\$ 21,061,205</u>	<u>\$ 17,645,240</u>	<u>\$ 15,776,830</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>54.94 %</u>	<u>46.85 %</u>	<u>50.71 %</u>	<u>46.41 %</u>	<u>49.19 %</u>	<u>51.79 %</u>
Covered payroll	<u>\$ 2,808,438</u>	<u>\$ 2,622,430</u>	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>	<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
City's net pension liability as a percentage of covered payroll	<u>715.99 %</u>	<u>868.60 %</u>	<u>763.39 %</u>	<u>823.89 %</u>	<u>697.85 %</u>	<u>676.78 %</u>

Notes to Schedule of Changes in the City's Net Pension Liability:

Changes of Assumptions. The change of assumptions amount of \$799,862 in 2019 was primarily the result of a change in the rate of individual pay increases based on a new bargaining agreement, as well as changes in inflation rates, mortality rates, retirement rates, termination rates and disability rates based on a comprehensive study of police pension funds in the state of Illinois. The change of assumptions amounts in 2016 and 2015 were primarily the result of changes in demographic assumptions based on studies of police pension funds in Illinois.

The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68. See independent auditor's report.

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,070,000	\$ 1,792,221	\$ 1,585,000	\$ 1,361,133	\$ 1,307,931	\$ 1,224,345
Contributions in relation to the actuarially determined contribution	<u>2,081,050</u>	<u>1,791,557</u>	<u>1,533,870</u>	<u>1,431,455</u>	<u>1,325,572</u>	<u>1,332,537</u>
Contribution deficiency (excess)	<u>\$ (11,050)</u>	<u>\$ 664</u>	<u>\$ 51,130</u>	<u>\$ (70,322)</u>	<u>\$ (17,641)</u>	<u>\$ (108,192)</u>
Covered payroll	<u>\$ 2,808,438</u>	<u>\$ 2,622,430</u>	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>	<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
Contributions as a percentage of covered payroll	<u>74.10 %</u>	<u>68.32 %</u>	<u>58.11 %</u>	<u>56.00 %</u>	<u>52.42 %</u>	<u>52.70 %</u>

Notes to Schedule of City Contributions:

The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

Valuation Date. Actuarially determined contribution rates are calculated as of January 1, 2018.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Entry age
Amortization method	Level Percentage of Pay (Closed)
Remaining amortization period	17 years
Asset valuation method	5-years smoothed market value
Inflation	2.50%
Salary increases	3.75% - 16.84%
Investment rate of return	6.75%, net of administrative expenses.

SCHEDULE OF INVESTMENT RETURNS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>19.03 %</u>	<u>(4.48)%</u>	<u>13.05 %</u>	<u>6.46 %</u>	<u>1.27 %</u>	<u>6.84 %</u>

Note to Schedule:

The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

See independent auditor's report.

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 383,302	\$ 347,009	\$ 351,233	\$ 359,540	\$ 357,665
Interest on the total pension liability	1,544,326	1,442,934	1,430,031	1,387,809	1,311,862
Differences between expected and actual experience of the total pension liability	(145,529)	563,850	(63,109)	(345,918)	135,651
Changes of assumptions	-	632,774	(664,788)	(48,316)	23,426
Benefit payments, including refunds of employee contributions	<u>(992,960)</u>	<u>(892,596)</u>	<u>(865,831)</u>	<u>(805,145)</u>	<u>(776,400)</u>
Net change in total pension liability	789,139	2,093,971	187,536	547,970	1,052,204
Total pension liability at beginning of year	<u>21,605,881</u>	<u>19,511,910</u>	<u>19,324,374</u>	<u>18,776,404</u>	<u>17,724,200</u>
Total pension liability at end of year	<u>\$ 22,395,020</u>	<u>\$ 21,605,881</u>	<u>\$ 19,511,910</u>	<u>\$ 19,324,374</u>	<u>\$ 18,776,404</u>
Plan fiduciary net position:					
Contributions - employees	\$ 176,558	\$ 168,553	\$ 194,876	\$ 152,361	\$ 148,433
Contributions - employer	377,863	442,134	431,181	430,424	432,689
Net investment income	3,329,133	(967,034)	2,902,427	1,076,475	77,695
Benefit payments, including refunds of employee contributions	(992,960)	(892,596)	(865,831)	(805,145)	(776,400)
Other changes	<u>174,881</u>	<u>536,427</u>	<u>(520,468)</u>	<u>61,253</u>	<u>176,599</u>
Net change in plan fiduciary net position	3,065,475	(712,516)	2,142,185	915,368	59,016
Plan fiduciary net position at beginning of year	<u>18,040,587</u>	<u>18,753,103</u>	<u>16,610,918</u>	<u>15,695,550</u>	<u>15,636,534</u>
Plan fiduciary net position at end of year	<u>\$ 21,106,062</u>	<u>\$ 18,040,587</u>	<u>\$ 18,753,103</u>	<u>\$ 16,610,918</u>	<u>\$ 15,695,550</u>
Net pension liability at end of year	<u>\$ 1,288,958</u>	<u>\$ 3,565,294</u>	<u>\$ 758,807</u>	<u>\$ 2,713,456</u>	<u>\$ 3,080,854</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.24 %</u>	<u>83.50 %</u>	<u>96.11 %</u>	<u>85.96 %</u>	<u>83.59 %</u>
Covered payroll	<u>\$ 3,922,138</u>	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Net pension liability as a percentage of covered payroll	<u>32.86 %</u>	<u>96.24 %</u>	<u>21.57 %</u>	<u>80.98 %</u>	<u>93.46 %</u>

Note to schedule:
The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

See independent auditor's report.

**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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 377,702	\$ 441,970	\$ 431,005	\$ 430,245	\$ 426,884
Contributions in relation to the actuarially determined contribution	<u>377,863</u>	<u>442,134</u>	<u>431,181</u>	<u>430,424</u>	<u>432,689</u>
Contribution deficiency (excess)	<u>\$ (161)</u>	<u>\$ (164)</u>	<u>\$ (176)</u>	<u>\$ (179)</u>	<u>\$ (5,805)</u>
Covered payroll	<u>\$ 3,922,138</u>	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Actual contribution as a percentage of covered payroll	<u>9.63 %</u>	<u>11.93 %</u>	<u>12.26 %</u>	<u>12.85 %</u>	<u>13.13 %</u>

Note to schedule:

The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 68.

**SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED
IN THE CALCULATION OF THE CONTRIBUTION RATE**

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 2019 Contribution Rate:*

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	23-years closed period.
Asset valuation method	Five-year smoothed market-related with a 20% corridor
Investment rate of return	7.25%
Projected salary increases	3.39% to 14.25%
Assumed wage inflation rate	3.25%
Assumed payroll growth rate	2.50%.

See independent auditor's report.

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

Post-retirement increase	Tier 1 - 3.0% - simple; Tier 2 - 3.0% - simple or 1/2 increase in CPI, whichever is less
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. The IMRF specific rates were developed using the RP-2014 Disabled Mortality Table with adjustments to match current IMRF experience. For active members, the mortality rates are based on the RP-2014 Employee Mortality Table for both males and females with 2-dimensional, fully generational improvements using the MP-2017 Mortality Improvement Scale. Among active members, 75% of males and 70% of females were assumed to be married.

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>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:			
Service cost	\$ 51,899	\$ 63,880	\$ 61,434
Interest expense	59,054	57,558	44,834
Differences between expected and actual experience	(33,714)	-	(61,193)
Changes in assumptions or other inputs	57,041	(1,421)	38,747
Benefit payments	(105,165)	(116,224)	(107,443)
Other changes	<u>63,874</u>	<u>27,407</u>	<u>378,544</u>
Net change in total OPEB liability	92,989	31,200	354,923
Total OPEB liability at beginning of year	<u>1,674,933</u>	<u>1,643,733</u>	<u>1,288,810</u>
Total OPEB liability at end of year	<u>\$ 1,767,922</u>	<u>\$ 1,674,933</u>	<u>\$ 1,643,733</u>
Covered payroll	<u>\$ 6,173,380</u>	<u>\$ 5,470,316</u>	<u>\$ 5,470,316</u>
Total OPEB liability as a percentage of covered payroll	<u>28.64 %</u>	<u>30.62 %</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, 2019**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 3,824,783	\$ 75,575	\$ 262,128	-	\$ 4,162,486
Receivables:					
Property taxes	5,790,661	-	-	-	5,790,661
Accounts, net of allowance for uncollectible accounts	143,136	-	-	-	143,136
Due from other funds	230,226	-	-	(58,730)	171,496
Due from other governments	482,177	-	-	-	482,177
Prepaid items	195,793	-	-	-	195,793
Other	434,829	-	-	-	434,829
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,101,605</u>	<u>\$ 75,575</u>	<u>\$ 262,128</u>	<u>\$ (58,730)</u>	<u>\$ 11,380,578</u>
LIABILITIES					
Accounts payable	\$ 285,170	\$ -	\$ 3,644	\$ -	\$ 288,814
Accrued expenditures	273,994	-	-	-	273,994
Deposits held	318,660	-	-	-	318,660
Due to other funds	-	-	58,730	(58,730)	-
Unearned revenue - other	120,759	-	-	-	120,759
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>998,583</u>	<u>-</u>	<u>62,374</u>	<u>(58,730)</u>	<u>1,002,227</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for future period	5,798,786	-	-	-	5,798,786
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES					
Nonspendable	195,793	-	-	-	195,793
Unassigned	4,108,443	75,575	199,754	-	4,383,772
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,304,236</u>	<u>75,575</u>	<u>199,754</u>	<u>-</u>	<u>4,579,565</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,101,605</u>	<u>\$ 75,575</u>	<u>\$ 262,128</u>	<u>\$ (58,730)</u>	<u>\$ 11,380,578</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,731,502	\$ -	\$ -	\$ 5,731,502
Utility	1,073,019	-	-	1,073,019
Intergovernmental	3,057,696	-	-	3,057,696
Charges for services	416,024	-	-	416,024
Fees by agreement	959,110	-	-	959,110
Fines, forfeitures and penalties	189,522	-	-	189,522
Investment income	216,362	-	-	216,362
Licenses, permits and inspections	388,226	-	-	388,226
Swimming pool	273,539	-	-	273,539
Vehicle tag income	-	-	184,056	184,056
Other income	908,233	28,258	-	936,491
	<u>13,213,233</u>	<u>28,258</u>	<u>184,056</u>	<u>13,425,547</u>
Total revenues				
Expenditures:				
Current:				
Personnel	6,121,968	-	-	6,121,968
Retirement contributions	2,081,050	-	-	2,081,050
Hospital and medical insurance	838,864	-	-	838,864
Contractual	1,822,195	-	-	1,822,195
Commodities	473,364	-	-	473,364
Other	167,727	22,353	-	190,080
Legal department	70,321	-	-	70,321
Vehicle tag expense	-	-	57,063	57,063
Debt service:				
Principal	36,870	-	-	36,870
Interest	3,530	-	-	3,530
Capital outlay	147,389	-	122,400	269,789
	<u>11,763,278</u>	<u>22,353</u>	<u>179,463</u>	<u>11,965,094</u>
Total expenditures				
Excess of revenues over expenditures	1,449,955	5,905	4,593	1,460,453
Other financing uses:				
Transfers out	<u>(741,228)</u>	<u>-</u>	<u>-</u>	<u>(741,228)</u>
Net change in fund balances	708,727	5,905	4,593	719,225
Fund balances at beginning of year	<u>3,595,509</u>	<u>69,670</u>	<u>195,161</u>	<u>3,860,340</u>
Fund balances at end of year	<u>\$ 4,304,236</u>	<u>\$ 75,575</u>	<u>\$ 199,754</u>	<u>\$ 4,579,565</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,824,783	\$ 3,254,225
Receivables:		
Property taxes	5,790,661	5,725,472
Accounts, net of allowance for uncollectible accounts	143,136	147,835
Due from other funds	230,226	172,494
Due from other governments	482,177	472,480
Prepaid items	195,793	108,908
Other	<u>434,829</u>	<u>305,823</u>
 Total assets	 <u>\$ 11,101,605</u>	 <u>\$ 10,187,237</u>
LIABILITIES		
Accounts payable	\$ 285,170	\$ 180,082
Accrued expenditures	273,994	248,843
Deposits held	318,660	301,642
Unearned revenue - other	<u>120,759</u>	<u>121,712</u>
 Total liabilities	 <u>998,583</u>	 <u>852,279</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	<u>5,798,786</u>	<u>5,739,449</u>
FUND BALANCES		
Nonspendable	195,793	108,908
Unassigned	<u>4,108,443</u>	<u>3,486,601</u>
 Total fund balances	 <u>4,304,236</u>	 <u>3,595,509</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 11,101,605</u>	 <u>\$ 10,187,237</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 3,685,000	\$ 5,731,502	\$ 2,046,502	\$ 5,296,734
Utility	1,137,000	1,073,019	(63,981)	1,128,801
Intergovernmental	2,874,500	3,057,696	183,196	2,846,533
Charges for services	415,600	416,024	424	411,831
Fees by agreement	927,000	959,110	32,110	979,796
Fines, forfeitures and penalties	190,000	189,522	(478)	195,783
Investment income	140,000	216,362	76,362	153,008
Licenses, permits and inspections	346,900	388,226	41,326	366,866
Swimming pool	287,500	273,539	(13,961)	288,743
Other	703,662	908,233	204,571	793,251
Total revenues	<u>10,707,162</u>	<u>13,213,233</u>	<u>2,506,071</u>	<u>12,461,346</u>
Expenditures:				
Current:				
Personnel	6,301,572	6,121,968	179,604	5,925,967
Retirement contributions	-	2,081,050	(2,081,050)	1,791,557
Hospital and medical insurance	1,020,390	838,864	181,526	914,257
Contractual	2,178,300	1,822,195	356,105	1,976,116
Commodities	549,700	473,364	76,336	511,857
Other	323,200	167,727	155,473	157,003
Legal department	64,000	70,321	(6,321)	67,590
Debt service:				
Principal	42,000	36,870	5,130	35,223
Interest	-	3,530	(3,530)	5,159
Capital outlay	183,000	147,389	35,611	104,432
Total expenditures	<u>10,662,162</u>	<u>11,763,278</u>	<u>(1,101,116)</u>	<u>11,489,161</u>
Excess of revenues over expenditures	<u>45,000</u>	<u>1,449,955</u>	<u>1,404,955</u>	<u>972,185</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	10,000	-	(10,000)	-
Transfers out	(55,000)	(741,228)	(686,228)	(715,794)
Total other financing sources (uses)	<u>(45,000)</u>	<u>(741,228)</u>	<u>(696,228)</u>	<u>(715,794)</u>
Net change in fund balances	-	708,727	708,727	256,391
Fund balances at beginning of year	<u>3,595,509</u>	<u>3,595,509</u>	<u>-</u>	<u>3,339,118</u>
Fund balances at end of year	<u>\$ 3,595,509</u>	<u>\$ 4,304,236</u>	<u>\$ 708,727</u>	<u>\$ 3,595,509</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, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
General government:				
Administration:				
Current:				
Personnel	\$ 272,988	\$ 274,970	\$ (1,982)	\$ 239,894
Hospital and medical insurance	1,020,390	838,864	181,526	914,257
Contractual:				
Deductible insurance	15,000	32,007	(17,007)	20,032
Employee training and travel	3,000	452	2,548	284
Insurance - liability premium, IRMA	181,288	182,879	(1,591)	177,713
Maintenance and replacement of equipment	4,400	4,405	(5)	4,405
Memberships, dues and subscriptions	12,000	8,139	3,861	11,938
Postage	2,500	1,732	768	1,583
Printing, publishing and legal notices	4,000	3,222	778	3,951
Professional fees	120,000	101,852	18,148	119,054
Telephone	20,000	15,573	4,427	21,426
Commodities:				
Codifications	3,500	3,635	(135)	3,174
Office and departmental supplies	41,500	41,368	132	40,537
Other:				
Expense account - City officials	29,200	20,025	9,175	17,379
Other	247,500	106,916	140,584	119,717
Total administration	<u>1,977,266</u>	<u>1,636,039</u>	<u>341,227</u>	<u>1,695,344</u>
Legal department:				
Current:				
City attorney retainer	15,000	15,000	-	15,000
City prosecutor's retainer	23,000	23,000	-	23,000
Legal	26,000	32,321	(6,321)	29,590
Total legal department	<u>64,000</u>	<u>70,321</u>	<u>(6,321)</u>	<u>67,590</u>
Total general government	<u>\$ 2,041,266</u>	<u>\$ 1,706,360</u>	<u>\$ 334,906</u>	<u>\$ 1,762,934</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</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	\$ 3,435,285	\$ 3,291,932	\$ 143,353	\$ 3,221,168
Retirement contributions	-	2,081,050	(2,081,050)	1,791,557
Contractual:				
Dispatching	352,185	340,822	11,363	340,822
Employee training and travel	39,700	40,399	(699)	37,839
Maintenance and replacement of equipment	256,200	240,852	15,348	256,714
Memberships, dues and subscriptions	2,000	1,935	65	1,795
Postage	2,000	1,710	290	1,788
Telephone	25,000	25,634	(634)	29,773
Utilities	177,654	161,258	16,396	142,806
Commodities:				
Investigation and operation supplies	51,200	42,721	8,479	45,280
Office and departmental supplies	20,000	8,022	11,978	12,251
Total police department	<u>4,361,224</u>	<u>6,236,335</u>	<u>(1,875,111)</u>	<u>5,881,793</u>
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	5,000	3,264	1,736	7,224
Legal expense	1,500	-	1,500	1,778
Memberships, dues and subscriptions	700	375	325	375
Total commissions	<u>11,200</u>	<u>7,639</u>	<u>3,561</u>	<u>13,377</u>
Total public safety	<u>\$ 4,372,424</u>	<u>\$ 6,243,974</u>	<u>\$ (1,871,550)</u>	<u>\$ 5,895,170</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Public works:				
Building department:				
Current:				
Personnel	\$ 189,100	\$ 176,629	\$ 12,471	\$ 174,071
Contractual:				
Employee training and travel	3,000	848	2,152	1,770
Maintenance and replacement of equipment	100	-	100	12
Membership, dues, and subscriptions	500	709	(209)	325
Professional fees	15,000	10,264	4,736	8,823
Telephone	1,000	1,934	(934)	797
Commodities:				
Office and departmental supplies	8,100	7,304	796	7,597
Capital outlay:				
Purchase of equipment	<u>5,000</u>	<u>5,985</u>	<u>(985)</u>	<u>6,795</u>
Total building department	<u>221,800</u>	<u>203,673</u>	<u>18,127</u>	<u>200,190</u>
Building and grounds:				
Current:				
Personnel	346,400	350,858	(4,458)	318,379
Contractual:				
Employee training and travel	16,800	16,899	(99)	19,604
Maintenance and replacement of equipment	302,523	218,994	83,529	226,935
Membership, dues, and subscriptions	250	15	235	255
Professional fees	40,200	1,922	38,278	5,050
Commodities:				
Maintenance supplies	11,000	5,159	5,841	8,211
Office and departmental supplies	12,000	6,113	5,887	19,989
Capital outlay:				
Purchase of equipment	<u>28,000</u>	<u>23,926</u>	<u>4,074</u>	<u>5,000</u>
Total building and grounds	<u>757,173</u>	<u>623,886</u>	<u>133,287</u>	<u>603,423</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Motor vehicle maintenance:				
Current:				
Personnel	157,400	150,762	6,638	146,588
Contractual:				
Employee training and travel	13,300	8,267	5,033	10,936
Maintenance and replacement of equipment	107,600	71,531	36,069	105,758
Membership, dues, and subscriptions	200	261	(61)	48
Professional fees	6,000	2,400	3,600	3,620
Commodities:				
Maintenance supplies	93,000	76,927	16,073	82,723
Office and departmental supplies	10,000	5,556	4,444	9,234
Capital outlay:				
Purchase of equipment	47,000	47,156	(156)	11,341
Total motor vehicle maintenance	<u>434,500</u>	<u>362,860</u>	<u>71,640</u>	<u>370,248</u>
Total public works	<u>\$ 1,413,473</u>	<u>\$ 1,190,419</u>	<u>\$ 223,054</u>	<u>\$ 1,173,861</u>
 Lake Katherine:				
Current:				
Personnel	\$ 341,205	\$ 338,828	\$ 2,377	\$ 342,300
Contractual:				
Insurance	5,000	4,475	525	4,475
Maintenance and replacement of equipment	35,500	30,013	5,487	26,680
Telephone	10,000	10,388	(388)	8,672
Utilities	26,000	23,027	2,973	24,068
Commodities:				
Office and departmental supplies	1,500	1,600	(100)	290
Capital outlay:				
Purchase of equipment	3,000	2,426	574	1,918
Total Lake Katherine	<u>\$ 422,205</u>	<u>\$ 410,757</u>	<u>\$ 11,448</u>	<u>\$ 408,403</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Recreation department:				
Current:				
Personnel	\$ 1,004,394	\$ 996,741	\$ 7,653	\$ 968,299
Contractual:				
Employee training and travel	12,000	10,990	1,010	11,737
Maintenance and replacement of equipment	35,000	26,941	8,059	30,495
Membership, dues and subscriptions	23,500	14,972	8,528	23,398
Postage	8,500	9,502	(1,002)	7,606
Professional fees	105,200	72,389	32,811	104,078
Publicity and advertisement	30,000	27,915	2,085	35,177
Telephone	19,000	13,508	5,492	19,308
Utilities	25,000	8,007	16,993	6,337
Commodities:				
Maintenance supplies	15,000	13,173	1,827	12,937
Office and departmental supplies	7,000	8,289	(1,289)	8,492
Program supplies	213,900	195,842	18,058	204,427
Other:				
Other	46,500	40,786	5,714	19,907
Capital outlay:				
Purchase of equipment	40,000	36,032	3,968	34,151
Debt service:				
Principal	42,000	36,870	5,130	35,223
Interest	-	3,530	(3,530)	5,159
	<u>\$ 1,626,994</u>	<u>\$ 1,515,487</u>	<u>\$ 111,507</u>	<u>\$ 1,526,731</u>
Total recreation department				
Swimming pool:				
Current:				
Personnel	\$ 145,300	\$ 122,840	\$ 22,460	\$ 123,642
Contractual:				
Employee training and travel	6,000	6,208	(208)	4,561
Maintenance and replacement of equipment	39,500	24,684	14,816	44,395
Utilities	21,500	12,974	8,526	14,680
Commodities:				
Office and departmental supplies	49,500	51,252	(1,752)	47,899
	<u>\$ 261,800</u>	<u>\$ 217,958</u>	<u>\$ 43,842</u>	<u>\$ 235,177</u>
Total swimming pool				

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			2018
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Roads and construction:				
Current:				
Personnel	\$ 405,500	\$ 414,408	\$ (8,908)	\$ 387,626
Contractual:				
Employee training and travel	1,600	720	880	412
Maintenance and replacement of equipment	(22,500)	(60,568)	38,068	(37,251)
Membership, dues, and subscriptions	300	221	79	281
Professional fees	39,600	41,290	(1,690)	47,597
Utilities	27,000	43,985	(16,985)	34,177
Commodities:				
Office and departmental supplies	12,500	6,403	6,097	8,816
Capital outlay:				
Purchase of equipment	60,000	31,864	28,136	45,227
Total roads and construction	\$ 524,000	\$ 478,323	\$ 45,677	\$ 486,885
Total corporate fund expenditures	\$ 10,662,162	\$ 11,763,278	\$ (1,101,116)	\$ 11,489,161

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 BALANCE SHEET
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 75,575</u>	<u>\$ 71,558</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,888
FUND BALANCES		
Unassigned	<u>75,575</u>	<u>69,670</u>
Total liabilities and fund balances	<u>\$ 75,575</u>	<u>\$ 71,558</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 35,700	\$ 28,258	\$ (7,442)	\$ 58,851
Expenditures:				
Current:				
Other	<u>57,615</u>	<u>22,353</u>	<u>35,262</u>	<u>70,036</u>
Excess (deficiency) of revenues over expenditures	(21,915)	5,905	27,820	(11,185)
Fund balances at beginning of year	<u>69,670</u>	<u>69,670</u>	<u>-</u>	<u>80,855</u>
Fund balances at end of year	<u>\$ 47,755</u>	<u>\$ 75,575</u>	<u>\$ 27,820</u>	<u>\$ 69,670</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 262,128</u>	<u>\$ 265,825</u>
LIABILITIES		
Accounts payable	\$ 3,644	\$ 11,934
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	62,374	70,664
FUND BALANCES		
Unassigned	<u>199,754</u>	<u>195,161</u>
Total liabilities and fund balances	<u>\$ 262,128</u>	<u>\$ 265,825</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Vehicle tag income	\$ 180,400	\$ 184,056	\$ 3,656	\$ 180,313
Expenditures:				
Current:				
Other:				
Vehicle tag expense	58,000	57,063	937	42,843
Capital outlay	122,400	122,400	-	197,000
Total expenditures	180,400	179,463	937	239,843
Excess (deficiency) of revenues over expenditures	-	4,593	4,593	(59,530)
Fund balances at beginning of year	195,161	195,161	-	254,691
Fund balances at end of year	<u>\$ 195,161</u>	<u>\$ 199,754</u>	<u>\$ 4,593</u>	<u>\$ 195,161</u>

See independent auditor's report.

CAPITAL PROJECTS FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
CAPITAL PROJECTS FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,091,224	\$ 2,315,157
Due from other governments	<u>103,197</u>	<u>80,200</u>
Total assets	<u>\$ 2,194,421</u>	<u>\$ 2,395,357</u>
LIABILITIES		
Accounts payable	\$ 146,368	\$ 380,906
Unearned revenue	200,000	-
Due to other funds	<u>103,452</u>	<u>103,452</u>
Total liabilities	449,820	484,358
FUND BALANCES		
Assigned	<u>1,744,601</u>	<u>1,910,999</u>
Total liabilities and fund balances	<u>\$ 2,194,421</u>	<u>\$ 2,395,357</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			2018
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Grants	\$ 246,800	\$ 8,987	\$ (237,813)	\$ 86,662
Investment income	-	1,115	1,115	-
Other income	69,000	89,276	20,276	38,968
Total revenues	315,800	99,378	(216,422)	125,630
Expenditures:				
Capital outlay	1,765,200	952,004	813,196	1,067,089
Deficiency of revenues over expenditures	(1,449,400)	(852,626)	596,774	(941,459)
Other financing sources:				
Transfers in	-	686,228	686,228	670,794
Net change in fund balances	(1,449,400)	(166,398)	1,283,002	(270,665)
Fund balances at beginning of year	1,910,999	1,910,999	-	2,181,664
Fund balances at end of year	<u>\$ 461,599</u>	<u>\$ 1,744,601</u>	<u>\$ 1,283,002</u>	<u>\$ 1,910,999</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, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 8,387,970	\$ 6,766,151
Accounts receivable - water customers:		
Billed	347,236	425,766
Unbilled	<u>915,365</u>	<u>896,254</u>
Total current assets	<u>9,650,571</u>	<u>8,088,171</u>
Noncurrent assets:		
Capital assets:		
Land	45,849	45,849
Building and structures	3,578,933	3,578,933
Distribution system	9,514,958	9,103,467
Equipment	<u>1,509,836</u>	<u>1,581,443</u>
Total	14,649,576	14,309,692
Less accumulated depreciation	<u>(9,629,179)</u>	<u>(9,394,645)</u>
Net capital assets	<u>5,020,397</u>	<u>4,915,047</u>
Total assets	<u>14,670,968</u>	<u>13,003,218</u>
 DEFERRED OUTFLOWS OF RESOURCES 		
Deferred outflows of resources related to pensions	115,037	568,644
Deferred outflows of resources related to other post-employment benefits	<u>196,192</u>	<u>99,972</u>
Total deferred outflows of resources	<u>311,229</u>	<u>668,616</u>

See independent auditor's report.

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities:		
Accounts payable	681,131	320,082
Accrued payroll	42,496	29,438
Current portion of long-term liabilities:		
Compensated absences	221,648	84,245
Installment contracts	<u>110,069</u>	<u>114,459</u>
Total current liabilities	<u>1,055,344</u>	<u>548,224</u>
Long-term liabilities:		
Compensated absences	73,882	28,082
Installment contracts	90,368	200,438
Net pension liability	245,546	649,953
Net other post-employment benefits liability	<u>357,651</u>	<u>280,551</u>
Total long-term liabilities	<u>767,447</u>	<u>1,159,024</u>
Total liabilities	<u>1,822,791</u>	<u>1,707,248</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	201,017	265,752
Deferred inflows of resources related to other post-employment benefits	<u>42,611</u>	<u>16,766</u>
Total deferred inflows of resources	<u>243,628</u>	<u>282,518</u>
NET POSITION		
Net investment in capital assets	4,464,509	4,579,991
Unrestricted	<u>8,451,269</u>	<u>7,102,077</u>
Total net position	<u>\$ 12,915,778</u>	<u>\$ 11,682,068</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</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	\$ 5,758,800	\$ 5,878,165	\$ 119,365	\$ 5,911,644
Sewer charges	1,085,000	1,118,385	33,385	1,101,522
User fees	-	300	300	738
Penalties	65,000	63,843	(1,157)	70,258
Sales of water meters	12,000	4,205	(7,795)	20,051
Other	26,540	31,205	4,665	23,119
Total operating revenues	<u>6,947,340</u>	<u>7,096,103</u>	<u>148,763</u>	<u>7,127,332</u>
Operating expenses:				
Personnel	1,457,910	1,468,378	(10,468)	1,100,160
Contractual	3,962,250	3,441,035	521,215	3,469,423
Commodities	2,089,000	490,715	1,598,285	702,391
Depreciation	-	325,023	(325,023)	278,388
Other	589,300	292,255	297,045	348,590
Total operating expenses	<u>8,098,460</u>	<u>6,017,406</u>	<u>2,081,054</u>	<u>5,898,952</u>
Operating income	<u>(1,151,120)</u>	<u>1,078,697</u>	<u>2,229,817</u>	<u>1,228,380</u>
Nonoperating revenue (expense):				
Investment income	80,000	165,410	85,410	100,501
Interest expense	-	(10,397)	(10,397)	-
Total nonoperating revenue (expense)	<u>80,000</u>	<u>155,013</u>	<u>75,013</u>	<u>100,501</u>
Change in net position	(1,071,120)	1,233,710	2,304,830	1,328,881
Net position at beginning of year	<u>11,682,068</u>	<u>11,682,068</u>	<u>-</u>	<u>10,353,187</u>
Net position at end of year	<u>\$ 10,610,948</u>	<u>\$ 12,915,778</u>	<u>\$ 2,304,830</u>	<u>\$ 11,682,068</u>
Other budgeted expenditure:				
Capital outlay	<u>\$ 1,750,000</u>	<u>\$ 430,373</u>	<u>\$ 1,319,627</u>	<u>\$ 680,951</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, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Personnel:				
Salaries	\$ 1,064,600	\$ 1,098,677	\$ (34,077)	\$ 820,659
Hospital and medical insurance	250,610	257,335	(6,725)	219,979
IMRF, Social Security and Medicare	142,700	112,366	30,334	59,522
Total personnel	<u>1,457,910</u>	<u>1,468,378</u>	<u>(10,468)</u>	<u>1,100,160</u>
Contractual:				
General insurance	87,000	86,568	432	86,657
Maintenance service	30,000	25,128	4,872	18,000
Other	242,250	231,379	10,871	208,010
Postage	20,000	12,254	7,746	15,187
Professional fees	65,000	62,508	2,492	28,710
Purchase of water	3,400,000	2,903,624	496,376	2,976,039
Telephone	40,000	49,429	(9,429)	60,622
Utilities	78,000	70,145	7,855	76,198
Total contractual	<u>3,962,250</u>	<u>3,441,035</u>	<u>521,215</u>	<u>3,469,423</u>
Commodities:				
Gas and oil	62,000	62,000	-	60,000
Supplies:				
Departmental and office	27,000	8,612	18,388	21,613
Maintenance	2,000,000	420,103	1,579,897	620,778
Total commodities	<u>2,089,000</u>	<u>490,715</u>	<u>1,598,285</u>	<u>702,391</u>
Depreciation	<u>-</u>	<u>325,023</u>	<u>(325,023)</u>	<u>278,388</u>
Other:				
Administrative charges	269,300	269,300	-	269,388
Bad debt expense	150,000	5,993	144,007	3,960
Equipment purchases	170,000	16,962	153,038	75,242
Total other	<u>589,300</u>	<u>292,255</u>	<u>297,045</u>	<u>348,590</u>
Total operating expenses	<u>\$ 8,098,460</u>	<u>\$ 6,017,406</u>	<u>\$ 2,081,054</u>	<u>\$ 5,898,952</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,155,522	\$ 7,218,993
Payments to employees	(1,280,927)	(1,176,601)
Payments to suppliers	(4,218,407)	(4,796,948)
Net cash provided by operating activities	1,656,188	1,245,444
Cash flows from capital and related financing activities:		
Payments for purchases of capital assets	(74,922)	(250,104)
Principal paid on capital debt	(114,460)	(359,719)
Interest paid on capital debt	(10,397)	-
Net cash used by capital and related financing activities	(199,779)	(609,823)
Cash flows from investing activities:		
Investment income received	165,410	100,501
Net change in cash	1,621,819	736,122
Cash at beginning of year	6,766,151	6,030,029
Cash at end of year	\$ 8,387,970	\$ 6,766,151

See independent auditor's report.

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue Funds					Capital Projects Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Seizure and Forfeiture	Motor Fuel Tax	Social Security and IMRF	Special Recreation	Police DUI Fine	Cal Sag Trail	Business District	127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
ASSETS											
Cash and cash equivalents	\$ 1,063,074	\$ 443,943	\$ 289,275	\$ 345,375	\$ 49,202	\$ 148,062	\$ 220,646	\$ 504,263	\$ 111,807	\$ 25,979	\$ 3,201,626
Property taxes receivable	-	-	663,988	174,372	-	-	-	-	-	403,786	1,242,146
Due from other funds	-	-	-	-	-	-	35,391	-	-	-	35,391
Due from other governments	-	54,937	-	-	-	-	18,502	-	-	-	73,439
Total assets	\$ 1,063,074	\$ 498,880	\$ 953,263	\$ 519,747	\$ 49,202	\$ 148,062	\$ 274,539	\$ 504,263	\$ 111,807	\$ 429,765	\$ 4,552,602
LIABILITIES											
Accounts payable	\$ 20,835	\$ 6,871	\$ -	\$ 1,619	\$ -	\$ 131,499	\$ -	\$ 137	\$ 137	\$ -	\$ 161,098
Due to other funds	57,732	10,312	-	-	-	-	-	35,391	-	-	103,435
Total liabilities	78,567	17,183	-	1,619	-	131,499	-	35,528	137	-	264,533
DEFERRED INFLOWS OF RESOURCES											
Property taxes levied for future period	-	-	665,332	174,800	-	-	-	-	-	404,958	1,245,090
FUND BALANCES											
Restricted	984,507	481,697	173,753	190,961	31,930	-	184,034	468,735	111,670	24,807	2,652,094
Assigned	-	-	114,178	152,367	17,272	16,563	90,505	-	-	-	390,885
Total fund balances	984,507	481,697	287,931	343,328	49,202	16,563	274,539	468,735	111,670	24,807	3,042,979
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,063,074	\$ 498,880	\$ 953,263	\$ 519,747	\$ 49,202	\$ 148,062	\$ 274,539	\$ 504,263	\$ 111,807	\$ 429,765	\$ 4,552,602

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds					Capital Projects Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Seizure and Forfeiture	Motor Fuel Tax	Social Security and IMRF	Special Recreation	Police DUI Fine	Cal Sag Trail	Business District	127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
Revenues:											
Taxes:											
Property levies, net	\$ -	\$ -	\$ 542,163	\$ 172,194	\$ -	\$ -	\$ -	\$ 368,009	\$ 27,662	\$ 471,693	\$ 1,581,721
Business district sales	-	-	-	-	-	-	106,094	-	-	-	106,094
Intergovernmental	-	413,279	-	-	-	-	-	-	-	-	413,279
Fines, forfeitures and penalties	489,301	-	-	-	-	-	-	-	-	-	489,301
Investment income	20,062	9,577	-	-	-	-	4,095	8,748	2,228	-	44,710
Other income	5,665	-	-	-	30,425	-	-	-	-	-	36,090
Total revenues	<u>515,028</u>	<u>422,856</u>	<u>542,163</u>	<u>172,194</u>	<u>30,425</u>	<u>-</u>	<u>110,189</u>	<u>376,757</u>	<u>29,890</u>	<u>471,693</u>	<u>2,671,195</u>
Expenditures:											
Current:											
Personnel	67,710	-	-	-	-	-	-	5,376	5,498	-	78,584
Payroll taxes and retirement contributions	-	-	534,646	-	-	-	-	-	-	-	534,646
Contractual	-	-	-	-	-	-	1,800	10,274	6,026	-	18,100
Commodities	-	62,000	-	-	-	-	-	184	137	-	62,321
Other	398,715	-	-	96,726	27,234	-	-	-	-	-	522,675
Debt service:											
Principal	-	-	-	-	-	-	112,279	-	-	275,000	387,279
Interest	-	-	-	-	-	-	23,308	215,710	-	187,063	426,081
Capital outlay	-	263,000	-	-	-	-	-	-	-	-	263,000
Total expenditures	<u>466,425</u>	<u>325,000</u>	<u>534,646</u>	<u>96,726</u>	<u>27,234</u>	<u>-</u>	<u>137,387</u>	<u>231,544</u>	<u>11,661</u>	<u>462,063</u>	<u>2,292,686</u>
Excess (deficiency) of revenues over expenditures	<u>48,603</u>	<u>97,856</u>	<u>7,517</u>	<u>75,468</u>	<u>3,191</u>	<u>-</u>	<u>(27,198)</u>	<u>145,213</u>	<u>18,229</u>	<u>9,630</u>	<u>378,509</u>
Other financing sources:											
Proceeds from sale of capital assets	57,500	-	-	-	-	-	-	-	-	-	57,500
Transfers in	-	-	-	-	-	-	55,000	-	-	-	55,000
Total other financing sources	<u>57,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,500</u>
Net change in fund balances	106,103	97,856	7,517	75,468	3,191	-	27,802	145,213	18,229	9,630	491,009
Fund balances at beginning of year	<u>878,404</u>	<u>383,841</u>	<u>280,414</u>	<u>267,860</u>	<u>46,011</u>	<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>
Fund balances at end of year	<u>\$ 984,507</u>	<u>\$ 481,697</u>	<u>\$ 287,931</u>	<u>\$ 343,328</u>	<u>\$ 49,202</u>	<u>\$ 16,563</u>	<u>\$ 274,539</u>	<u>\$ 468,735</u>	<u>\$ 111,670</u>	<u>\$ 24,807</u>	<u>\$ 3,042,979</u>

See independent auditor's report.

SPECIAL REVENUE FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 1,063,074</u>	<u>\$ 879,723</u>
LIABILITIES		
Accounts payable	\$ 20,835	\$ 1,319
Due to other funds	<u>57,732</u>	<u>-</u>
Total liabilities	78,567	1,319
FUND BALANCES		
Restricted	<u>984,507</u>	<u>878,404</u>
Total liabilities and fund balances	<u>\$ 1,063,074</u>	<u>\$ 879,723</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</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	\$ 489,301	\$ 409,801	\$ 536,322
Investment income	-	20,062	20,062	13,698
Other income	-	5,665	5,665	5,280
Total revenues	<u>79,500</u>	<u>515,028</u>	<u>435,528</u>	<u>555,300</u>
Expenditures:				
Current:				
Personnel	65,738	67,710	(1,972)	-
Other	78,500	398,715	(320,215)	221,965
Total expenditures	<u>144,238</u>	<u>466,425</u>	<u>(322,187)</u>	<u>221,965</u>
Excess of revenues over expenditures	(64,738)	48,603	113,341	333,335
Other financing sources:				
Proceeds from sale of capital assets	-	57,500	57,500	34,500
Net change in fund balances	(64,738)	106,103	170,841	367,835
Fund balances at beginning of year	<u>878,404</u>	<u>878,404</u>	-	<u>510,569</u>
Fund balances at end of year	<u>\$ 813,666</u>	<u>\$ 984,507</u>	<u>\$ 170,841</u>	<u>\$ 878,404</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 443,943	\$ 373,842
Due from other governments	<u>54,937</u>	<u>27,182</u>
Total assets	<u>\$ 498,880</u>	<u>\$ 401,024</u>
LIABILITIES		
Accounts payable	\$ 6,871	\$ 6,871
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	17,183	17,183
FUND BALANCES		
Restricted	<u>481,697</u>	<u>383,841</u>
Total liabilities and fund balances	<u>\$ 498,880</u>	<u>\$ 401,024</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 320,000	\$ 413,279	\$ 93,279	\$ 336,718
Investment income	<u>5,000</u>	<u>9,577</u>	<u>4,577</u>	<u>7,142</u>
Total revenues	<u>325,000</u>	<u>422,856</u>	<u>97,856</u>	<u>343,860</u>
Expenditures:				
Current:				
Commodities:				
Maintenance supplies	62,000	62,000	-	45,000
Capital outlay	<u>263,000</u>	<u>263,000</u>	<u>-</u>	<u>278,000</u>
Total expenditures	<u>325,000</u>	<u>325,000</u>	<u>-</u>	<u>323,000</u>
Excess of revenues over expenditures	-	97,856	97,856	20,860
Fund balances at beginning of year	<u>383,841</u>	<u>383,841</u>	<u>-</u>	<u>362,981</u>
Fund balances at end of year	<u>\$ 383,841</u>	<u>\$ 481,697</u>	<u>\$ 97,856</u>	<u>\$ 383,841</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 289,275	\$ 282,083
Property taxes receivable	663,988	654,923
 Total assets	 \$ 953,263	 \$ 937,006
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	\$ 665,332	\$ 656,592
FUND BALANCES		
Restricted	173,753	166,236
Assigned	114,178	114,178
 Total fund balances	 287,931	 280,414
 Total deferred inflows of resources and fund balances	 \$ 953,263	 \$ 937,006

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	2019			2018
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 609,000	\$ 542,163	\$ (66,837)	\$ 574,352
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>609,000</u>	<u>534,646</u>	<u>74,354</u>	<u>567,269</u>
Excess of revenues over expenditures	-	7,517	7,517	7,083
Fund balances at beginning of year	<u>280,414</u>	<u>280,414</u>	<u>-</u>	<u>273,331</u>
Fund balances at end of year	<u><u>\$ 280,414</u></u>	<u><u>\$ 287,931</u></u>	<u><u>\$ 7,517</u></u>	<u><u>\$ 280,414</u></u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 345,375	\$ 266,097
Property taxes receivable	174,372	169,113
Due from other governments	<u>-</u>	<u>2,206</u>
Total assets	<u>\$ 519,747</u>	<u>\$ 437,416</u>
LIABILITIES		
Accounts payable	<u>\$ 1,619</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	<u>174,800</u>	<u>169,556</u>
FUND BALANCES		
Restricted	190,961	115,493
Assigned	<u>152,367</u>	<u>152,367</u>
Total fund balances	<u>343,328</u>	<u>267,860</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 519,747</u>	<u>\$ 437,416</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 159,000	\$ 172,194	\$ 13,194	\$ 152,402
Expenditures:				
Current:				
Other:				
Special recreation association	<u>249,500</u>	<u>96,726</u>	<u>152,774</u>	<u>77,831</u>
Excess (deficiency) of revenues over expenditures	(90,500)	75,468	165,968	74,571
Fund balances at beginning of year	<u>267,860</u>	<u>267,860</u>	<u>-</u>	<u>193,289</u>
Fund balances at end of year	<u>\$ 177,360</u>	<u>\$ 343,328</u>	<u>\$ 165,968</u>	<u>\$ 267,860</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 49,202</u>	<u>\$ 55,611</u>
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 9,600</u>
FUND BALANCES		
Restricted	31,930	28,739
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>49,202</u>	<u>46,011</u>
Total liabilities and fund balances	<u>\$ 49,202</u>	<u>\$ 55,611</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 10,000	\$ 30,425	\$ 20,425	\$ 19,559
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>27,234</u>	<u>(17,234)</u>	<u>10,948</u>
Excess of revenues over expenditures	-	3,191	3,191	8,611
Fund balances at beginning of year	<u>46,011</u>	<u>46,011</u>	-	<u>37,400</u>
Fund balances at end of year	<u>\$ 46,011</u>	<u>\$ 49,202</u>	<u>\$ 3,191</u>	<u>\$ 46,011</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 148,062</u>	<u>\$ 148,062</u>
LIABILITIES		
Accounts payable	\$ 131,499	\$ 131,499
FUND BALANCES		
Assigned	<u>16,563</u>	<u>16,563</u>
Total liabilities and fund balances	<u>\$ 148,062</u>	<u>\$ 148,062</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2019</u>			<u>2018</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	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>51,533</u>
Deficiency of revenues over expenditures	(10,000)	-	10,000	(51,533)
Fund balances at beginning of year	<u>16,563</u>	<u>16,563</u>	<u>-</u>	<u>68,096</u>
Fund balances at end of year	<u>\$ 6,563</u>	<u>\$ 16,563</u>	<u>\$ 10,000</u>	<u>\$ 16,563</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
BUSINESS DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 220,646	\$ 348,514
Due from other funds	35,391	35,391
Due from other governments	<u>18,502</u>	<u>18,302</u>
Total assets	<u>\$ 274,539</u>	<u>\$ 402,207</u>
LIABILITIES		
Accounts payable	<u>\$ -</u>	<u>\$ 155,470</u>
FUND BALANCES		
Restricted	184,034	168,850
Assigned	<u>90,505</u>	<u>77,887</u>
Total fund balances	<u>274,539</u>	<u>246,737</u>
Total liabilities and fund balances	<u>\$ 274,539</u>	<u>\$ 402,207</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</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	\$ 106,094	\$ (8,906)	\$ 108,926
Investment income	<u>1,000</u>	<u>4,095</u>	<u>3,095</u>	<u>2,836</u>
Total revenues	<u>116,000</u>	<u>110,189</u>	<u>(5,811)</u>	<u>111,762</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	12,500	1,800	10,700	18,340
Debt service:				
Principal	48,160	112,279	(64,119)	111,688
Interest	<u>107,060</u>	<u>23,308</u>	<u>83,752</u>	<u>43,782</u>
Total expenditures	<u>167,720</u>	<u>137,387</u>	<u>30,333</u>	<u>173,810</u>
Deficiency of revenues over expenditures	(51,720)	(27,198)	24,522	(62,048)
Other financing sources:				
Transfers in	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>45,000</u>
Net change in fund balances	3,280	27,802	24,522	(17,048)
Fund balances at beginning of year	<u>246,737</u>	<u>246,737</u>	<u>-</u>	<u>263,785</u>
Fund balances at end of year	<u>\$ 250,017</u>	<u>\$ 274,539</u>	<u>\$ 24,522</u>	<u>\$ 246,737</u>

See independent auditor's report.

CAPITAL PROJECTS FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
 127TH AND HARLEM TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 504,263</u>	<u>\$ 562,223</u>
LIABILITIES		
Accounts payable	\$ 137	\$ 203,310
Due to other funds	<u>35,391</u>	<u>35,391</u>
Total liabilities	35,528	238,701
FUND BALANCES		
Restricted	<u>468,735</u>	<u>323,522</u>
Total liabilities and fund balances	<u>\$ 504,263</u>	<u>\$ 562,223</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
127TH AND HARLEM TAX INCREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 290,000	\$ 368,009	\$ 78,009	\$ 276,270
Investment income	<u>1,500</u>	<u>8,748</u>	<u>7,248</u>	<u>5,541</u>
Total revenues	<u>291,500</u>	<u>376,757</u>	<u>85,257</u>	<u>281,811</u>
Expenditures:				
Current:				
Personnel	10,000	5,376	4,624	10,598
Contractual:				
Professional fees	40,000	10,274	29,726	30,888
Commodities:				
Supplies:				
Departmental and office	200	184	16	179
Debt service:				
Interest	<u>232,300</u>	<u>215,710</u>	<u>16,590</u>	<u>202,637</u>
Total expenditures	<u>282,500</u>	<u>231,544</u>	<u>50,956</u>	<u>244,302</u>
Excess of revenues over expenditures	9,000	145,213	136,213	37,509
Fund balances at beginning of year	<u>323,522</u>	<u>323,522</u>	<u>-</u>	<u>286,013</u>
Fund balances at end of year	<u>\$ 332,522</u>	<u>\$ 468,735</u>	<u>\$ 136,213</u>	<u>\$ 323,522</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ <u>111,807</u>	\$ <u>93,441</u>
LIABILITIES		
Accounts payable	\$ 137	\$ -
FUND BALANCES		
Restricted	<u>111,670</u>	<u>93,441</u>
Total liabilities and fund balances	<u>\$ 111,807</u>	<u>\$ 93,441</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 28,000	\$ 27,662	\$ (338)	\$ 26,970
Investment income	<u>500</u>	<u>2,228</u>	<u>1,728</u>	<u>1,398</u>
Total revenues	<u>28,500</u>	<u>29,890</u>	<u>1,390</u>	<u>28,368</u>
Expenditures:				
Current:				
Personnel	5,000	5,498	(498)	4,697
Contractual:				
Professional fees	65,500	6,026	59,474	7,246
Commodities:				
Supplies:				
Departmental and office	<u>500</u>	<u>137</u>	<u>363</u>	<u>116</u>
Total expenditures	<u>71,000</u>	<u>11,661</u>	<u>59,339</u>	<u>12,059</u>
Excess (deficiency) of revenues over expenditures	(42,500)	18,229	60,729	16,309
Fund balances at beginning of year	<u>93,441</u>	<u>93,441</u>	<u>-</u>	<u>77,132</u>
Fund balances at end of year	<u>\$ 50,941</u>	<u>\$ 111,670</u>	<u>\$ 60,729</u>	<u>\$ 93,441</u>

See independent auditor's report.

DEBT SERVICE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 BOND AND INTEREST FUND
 BALANCE SHEET
 DECEMBER 31, 2019
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 25,979	\$ 16,541
Property taxes receivable	<u>403,786</u>	<u>402,064</u>
Total assets	<u>\$ 429,765</u>	<u>\$ 418,605</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	\$ 404,958	\$ 403,428
FUND BALANCES		
Restricted	<u>24,807</u>	<u>15,177</u>
Total deferred inflows of resources and fund balances	<u>\$ 429,765</u>	<u>\$ 418,605</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
 BOND AND INTEREST FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</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	\$ 462,088	\$ 471,693	\$ 9,605	\$ 468,928
Expenditures:				
Debt service:				
Principal	275,000	275,000	-	270,000
Interest	187,063	187,063	-	195,162
Total expenditures	462,063	462,063	-	465,162
Excess of revenues over expenditures	25	9,630	9,605	3,766
Fund balances at beginning of year	-	15,177	15,177	11,411
Fund balances at end of year	\$ 25	\$ 24,807	\$ 24,782	\$ 15,177

See independent auditor's report.

NONMAJOR PROPRIETARY FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100,996	\$ 99,583
LIABILITIES		
Current liabilities:		
Accounts payable	<u>1,135</u>	<u>225</u>
NET POSITION		
Unrestricted	<u>\$ 99,861</u>	<u>\$ 99,358</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>			<u>2018</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	\$ 46,107	\$ (9,893)	\$ 50,731
Operating expenses:				
Personnel	20,000	20,000	-	20,000
Contractual:				
Maintenance	40,000	22,690	17,310	742
Commodities:				
Supplies:				
Departmental and office	15,000	2,914	12,086	9,155
Total operating expenses	75,000	45,604	29,396	29,897
Operating income (loss)	(19,000)	503	19,503	20,834
Net position at beginning of year	99,358	99,358	-	78,524
Net position at end of year	\$ 80,358	\$ 99,861	\$ 19,503	\$ 99,358

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from users	\$ 46,107	\$ 50,731
Payments to employees	(20,000)	(20,000)
Payments to suppliers	<u>(24,694)</u>	<u>(20,661)</u>
Net cash provided by operating activities	1,413	10,070
Cash at beginning of year	<u>99,583</u>	<u>89,513</u>
Cash at end of year	<u>\$ 100,996</u>	<u>\$ 99,583</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 503	\$ 20,834
Adjustment to reconcile operating income to net cash provided by operating activities:		
Increase (decrease) in accounts payable	<u>910</u>	<u>(10,764)</u>
Net cash provided by operating activities	<u>\$ 1,413</u>	<u>\$ 10,070</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY
CONSOLIDATED YEAR-END FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019

CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
494-00-0967	High-Growth Cities Program	2,713	-	-	2,713
494-42-0495	Local Surface Transportation Program	8,987	-	-	8,987
494-00-1488	Motor Fuel Tax Program	322,287	-	-	322,287
494-10-0343	State and Community Highway Safety / National Priority Safety Program	-	25,794	-	25,794
	Other grant programs and activities	-	-	-	-
	All other costs not allocated	-	-	20,923,410	20,923,410
	Totals:	333,987	25,794	20,923,410	21,283,191

See independent auditor's report.

STATISTICAL SECTION

**CITY OF PALOS HEIGHTS, ILLINOIS
STATISTICAL SECTION
YEAR ENDED DECEMBER 31, 2019**

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	123 - 124
Changes in Net Position	125 - 128
Governmental Activities Tax Revenues by Source	129
Fund Balances of Governmental Funds	130 - 131
Changes in Fund Balances of Governmental Funds	132 - 133

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	134
Property Tax Rates - Direct and Overlapping Governments	135 - 136
Principal Property Taxpayers	137
Schedule of Assessed Valuation, Rate Extension and Collections	138 - 139

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	140 - 141
Ratios of General Obligation Bonded Debt Outstanding	142
Direct and Overlapping General Obligation Bonded Debt	143
Legal Debt Margin Information	144 - 145
Pledged Revenue Coverage	146

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	147 - 148
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	149
Operating Indicators by Function	150 - 151

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

	<u>2019</u>	<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>
Governmental activities:										
Net investment in capital assets	\$ 23,914,248	\$ 23,712,812	\$ 24,257,020	\$ 23,621,767	\$ 23,831,289	\$ 21,216,906	\$ 21,172,893	\$ 21,374,139	\$ 20,646,441	\$ 20,841,644
Restricted	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451	1,315,525	1,480,317
Unrestricted	<u>(20,645,325)</u>	<u>(19,053,188)</u>	<u>(18,463,759)</u>	<u>(15,946,493)</u>	<u>(15,762,127)</u>	<u>59,727</u>	<u>4,225,787</u>	<u>3,730,432</u>	<u>3,691,358</u>	<u>3,718,536</u>
Total governmental activities net position	<u>5,896,210</u>	<u>6,818,150</u>	<u>7,437,435</u>	<u>9,067,761</u>	<u>10,020,175</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>
Business-type activities:										
Net investment in capital assets	4,464,509	4,579,991	3,924,132	3,923,317	3,445,295	3,456,874	3,523,793	3,463,940	3,483,197	3,298,191
Unrestricted	<u>8,551,130</u>	<u>7,201,435</u>	<u>6,507,579</u>	<u>5,601,566</u>	<u>4,721,703</u>	<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>
Total business-type activities net position	<u>13,015,639</u>	<u>11,781,426</u>	<u>10,431,711</u>	<u>9,524,883</u>	<u>8,166,998</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>
Primary government:										
Net investment in capital assets	28,378,757	28,292,803	28,181,152	27,545,084	27,276,584	24,673,780	24,696,686	24,838,079	24,129,638	24,139,835
Restricted	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451	1,315,525	1,480,317
Unrestricted	<u>(12,094,195)</u>	<u>(11,851,753)</u>	<u>(11,956,180)</u>	<u>(10,344,927)</u>	<u>(11,040,424)</u>	<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>
Total primary government net position	<u>\$ 18,911,849</u>	<u>\$ 18,599,576</u>	<u>\$ 17,869,146</u>	<u>\$ 18,592,644</u>	<u>\$ 18,187,173</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>

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.

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

	<u>2019</u>	<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>
Expenses:											
Governmental activities:											
General government	\$ 2,466,705	\$ 2,494,207	\$ 2,833,267	\$ 2,479,732		\$ 2,762,909	\$ 6,787,035	\$ 2,545,228	\$ 2,534,196	\$ 2,961,363	\$ 2,780,324
Police and emergency services	8,485,331	7,293,695	6,532,287	6,514,299		5,856,452	5,385,075	5,212,461	4,712,668	4,721,077	4,864,153
Public works	3,023,254	3,091,306	2,757,154	2,707,894		2,993,929	1,575,551	3,047,280	2,436,278	2,515,834	2,434,360
Recreation and culture	2,811,596	2,684,856	2,757,104	2,722,325		2,223,000	2,656,983	1,961,503	1,987,341	1,885,637	1,816,090
Interest	<u>401,484</u>	<u>417,703</u>	<u>433,167</u>	<u>416,120</u>		<u>384,395</u>	<u>263,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities expenses	<u>17,188,370</u>	<u>15,981,767</u>	<u>15,312,979</u>	<u>14,840,370</u>		<u>14,220,685</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>
Business-type activities:											
Waterworks and sewerage	6,027,803	5,898,952	6,143,184	5,242,435		5,229,808	4,692,038	4,702,865	4,488,776	3,905,705	4,174,483
Parking lot	<u>45,604</u>	<u>29,897</u>	<u>71,961</u>	<u>28,872</u>		<u>7,574</u>	<u>105,624</u>	<u>80,210</u>	<u>46,442</u>	<u>55,498</u>	<u>37,985</u>
Total business-type activities expenses	<u>6,073,407</u>	<u>5,928,849</u>	<u>6,215,145</u>	<u>5,271,307</u>		<u>5,237,382</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>
Total primary government expenses	<u>\$ 23,261,777</u>	<u>\$ 21,910,616</u>	<u>\$ 21,528,124</u>	<u>\$ 20,111,677</u>		<u>\$ 19,458,067</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>
Program revenues:											
Governmental activities:											
Charges for services:											
General government	\$ 988,306	\$ 959,010	\$ 1,322,879	\$ 888,883		\$ 1,355,366	\$ 1,058,746	\$ 1,202,625	\$ 1,004,837	\$ 1,022,992	\$ 1,518,111
Police and emergency services	678,823	732,105	410,973	387,605		440,247	881,261	590,298	258,190	116,767	166,161
Recreation and culture	1,232,649	1,268,539	1,162,422	916,804		819,044	706,382	704,767	685,238	859,327	866,531
Operating grants and contributions	-	-	-	-		14,598	93,533	-	274,325	172,558	974,719
Capital grants and contributions	<u>79,297</u>	<u>86,662</u>	<u>101,420</u>	<u>83,511</u>		<u>3,498,169</u>	<u>42,665</u>	<u>797,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>2,979,075</u>	<u>3,046,316</u>	<u>2,997,694</u>	<u>2,276,803</u>		<u>6,127,424</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>
Business-type activities:											
Charges for services:											
Waterworks and sewerage	7,060,693	7,084,162	7,208,273	6,540,007		6,468,985	5,666,296	5,253,317	4,761,295	3,815,506	3,817,620
Parking lot	46,107	50,731	51,038	52,292		55,607	56,376	57,362	51,295	53,573	52,410
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,158</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>7,106,800</u>	<u>7,134,893</u>	<u>7,259,311</u>	<u>6,597,457</u>		<u>6,524,592</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>
Total primary government program revenues	<u>\$ 10,085,875</u>	<u>\$ 10,181,209</u>	<u>\$ 10,257,005</u>	<u>\$ 8,874,260</u>		<u>\$ 12,652,016</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>

See independent auditor's report.

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

	<u>2019</u>	<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>
Net (expense) revenue:											
Governmental activities	\$ (14,209,295)	\$ (12,935,451)	\$ (12,315,285)	\$ (12,563,567)		\$ (8,093,261)	\$ (13,885,093)	\$ (9,471,374)	\$ (9,447,893)	\$ (9,912,267)	\$ (8,369,405)
Business-type activities	<u>1,033,393</u>	<u>1,206,044</u>	<u>1,044,166</u>	<u>1,326,150</u>		<u>1,287,210</u>	<u>925,010</u>	<u>527,604</u>	<u>277,372</u>	<u>(92,124)</u>	<u>(342,438)</u>
Total primary government net expense	<u>\$ (13,175,902)</u>	<u>\$ (11,729,407)</u>	<u>\$ (11,271,119)</u>	<u>\$ (11,237,417)</u>		<u>\$ (6,806,051)</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>
General revenues and other changes in net position:											
Governmental activities:											
General revenues:											
Taxes:											
Property	\$ 7,313,223	\$ 6,795,656	\$ 6,336,789	\$ 6,022,995		\$ 5,504,839	\$ 5,108,109	\$ 4,539,275	\$ 4,478,335	\$ 4,585,072	\$ 4,423,432
Utility	1,073,019	1,128,801	1,131,427	1,164,686		1,208,116	1,316,295	1,310,520	1,312,430	1,376,227	1,406,795
Business district sales	106,094	108,926	110,569	113,327		106,958	79,793	60,289	43,579	17,665	-
Intergovernmental - unrestricted	3,470,975	3,183,251	3,016,498	3,019,553		3,127,378	3,042,806	3,029,783	2,888,338	2,689,690	2,704,789
Gain on dispositions of capital assets	-	-	23,184	1,132		55,856	18,488	32,821	-	-	-
Investment income (loss)	262,187	183,623	19,302	117,066		(88,666)	22,916	15,342	13,704	5,490	9,525
Other income	<u>1,061,857</u>	<u>915,909</u>	<u>974,165</u>	<u>1,172,394</u>		<u>704,405</u>	<u>717,635</u>	<u>1,118,347</u>	<u>1,430,205</u>	<u>850,950</u>	<u>1,364,903</u>
Total governmental activities	<u>13,287,355</u>	<u>12,316,166</u>	<u>11,611,934</u>	<u>11,611,153</u>		<u>10,618,886</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>
Business-type activities:											
General revenues:											
Investment income	165,410	100,501	45,510	26,674		2,212	6,205	3,290	2,085	9,585	36,618
Other income	<u>35,410</u>	<u>43,170</u>	<u>9,700</u>	<u>5,061</u>		<u>4,984</u>	<u>7,091</u>	<u>31,744</u>	<u>17,795</u>	<u>27,216</u>	<u>189</u>
Total business-type activities	<u>200,820</u>	<u>143,671</u>	<u>55,210</u>	<u>31,735</u>		<u>7,196</u>	<u>13,296</u>	<u>35,034</u>	<u>19,880</u>	<u>36,801</u>	<u>36,807</u>
Total primary government	<u>\$ 13,488,175</u>	<u>\$ 12,459,837</u>	<u>\$ 11,667,144</u>	<u>\$ 11,642,888</u>		<u>\$ 10,626,082</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>
Changes in net position:											
Governmental activities	\$ (921,940)	\$ (619,285)	\$ (703,351)	\$ (952,414)		\$ 2,525,625	\$ (3,579,051)	\$ 635,003	\$ 718,698	\$ (387,173)	\$ 1,540,039
Business-type activities	<u>1,234,213</u>	<u>1,349,715</u>	<u>1,099,376</u>	<u>1,357,885</u>		<u>1,294,406</u>	<u>938,306</u>	<u>562,638</u>	<u>297,252</u>	<u>(55,323)</u>	<u>(305,631)</u>
Total primary government	<u>\$ 312,273</u>	<u>\$ 730,430</u>	<u>\$ 396,025</u>	<u>\$ 405,471</u>		<u>\$ 3,820,031</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>

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.

**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
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
2019	7,313,223	1,073,019	106,094	8,492,336

See independent auditor's report.

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

	<u>2019</u>	<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>
General Fund:										
Nonspendable	\$ 195,793	\$ 108,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	270,275	201,363
Unassigned	<u>4,383,772</u>	<u>3,751,432</u>	<u>3,674,664</u>	<u>3,817,145</u>	<u>4,038,720</u>	<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>
Total General Fund	<u>\$ 4,579,565</u>	<u>\$ 3,860,340</u>	<u>\$ 3,674,664</u>	<u>\$ 3,817,145</u>	<u>\$ 4,038,720</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>
All other governmental funds:										
Unreserved	-	-	-	-	-	-	-	-	-	-
Restricted	2,652,094	2,173,703	1,655,585	1,559,973	6,113,031	2,151,341	1,608,345	1,267,451	1,331,145	1,480,317
Assigned	<u>2,135,486</u>	<u>2,289,266</u>	<u>2,610,086</u>	<u>3,032,758</u>	<u>2,307,944</u>	<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>
Total all other governmental funds	<u>\$ 4,787,580</u>	<u>\$ 4,462,969</u>	<u>\$ 4,265,671</u>	<u>\$ 4,592,731</u>	<u>\$ 8,420,975</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>

See independent auditor's report.

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

	<u>2019</u>	<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>
Revenues:										
Taxes	\$ 8,492,336	\$ 8,033,383	\$ 7,578,785	\$ 7,301,008	\$ 6,819,913	\$ 6,504,197	\$ 5,910,084	\$ 5,834,344	\$ 5,978,964	\$ 5,830,227
Intergovernmental	3,470,975	3,183,251	3,016,498	3,019,553	3,127,378	3,042,806	3,029,783	2,888,338	2,689,690	2,704,789
Charges for services	416,024	411,831	411,883	408,175	475,846	472,623	440,352	470,015	444,107	626,409
Fees by agreement	959,110	979,796	880,689	634,863	555,699	459,016	415,314	370,778	384,570	382,454
Fines, forfeitures and penalties	678,823	732,105	410,973	381,864	440,247	840,207	535,115	258,190	323,701	1,197,495
Grants	8,987	86,662	101,420	83,511	197,542	136,801	800,241	274,325	145,473	791,064
Investment income (loss)	262,187	183,623	19,302	117,066	(88,666)	22,916	15,342	13,704	5,490	9,525
Licenses, permits and inspections	572,282	547,179	910,996	480,708	879,520	534,551	714,897	534,822	388,950	890,417
Swimming pool	273,539	288,743	281,733	281,941	263,345	247,366	289,453	314,460	309,886	292,295
Other	1,061,857	915,909	974,165	1,178,135	702,014	739,870	1,109,157	1,430,205	1,041,909	712,861
Total revenues	<u>16,196,120</u>	<u>15,362,482</u>	<u>14,586,444</u>	<u>13,886,824</u>	<u>13,372,838</u>	<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>
Expenditures:										
Current:										
General government	2,349,717	2,515,146	2,442,055	2,261,309	2,344,161	2,297,550	2,297,358	2,245,369	2,931,256	2,718,005
Public safety	6,737,633	6,128,083	5,877,546	6,043,242	5,681,116	5,141,101	4,801,300	4,600,370	4,580,413	4,657,581
Public works	1,175,352	1,195,725	954,429	1,035,369	1,237,195	1,113,560	1,219,498	1,479,566	1,133,309	1,428,618
Recreational department	2,162,070	2,171,691	2,143,767	2,141,026	1,797,910	2,058,670	1,610,632	1,555,626	1,723,479	1,273,891
Roads and construction	446,459	493,191	502,641	548,192	595,813	437,385	393,819	413,649	423,476	367,808
Debt service:										
Principal retirement	424,149	416,911	413,754	211,109	20,818	7,003	-	-	-	-
Interest charges and fees	429,611	446,740	462,724	579,268	452,854	61,335	-	-	-	-
Capital outlay	1,484,793	1,646,521	2,290,069	5,388,447	3,354,261	1,250,528	1,909,376	2,159,850	1,142,568	1,820,060
Total expenditures	<u>15,209,784</u>	<u>15,014,008</u>	<u>15,086,985</u>	<u>18,207,962</u>	<u>15,484,128</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>
Excess (deficiency) of revenues over expenditures	<u>986,336</u>	<u>348,474</u>	<u>(500,541)</u>	<u>(4,321,138)</u>	<u>(2,111,290)</u>	<u>633,221</u>	<u>1,027,755</u>	<u>(65,249)</u>	<u>(221,761)</u>	<u>1,171,573</u>
Other financing sources (uses):										
Installment contract	-	-	-	181,419	-	64,500	-	-	-	-
Proceeds from bond issuance	-	-	-	-	6,300,000	-	-	-	-	-
Premium on bond issuance	-	-	-	-	298,022	-	-	-	-	-
Proceeds from sale of capital assets	57,500	34,500	31,000	89,900	84,151	34,000	55,183	-	-	-
Transfers in	741,228	715,794	1,274,147	1,289,093	983,639	721,105	916,250	553,948	858,090	549,076
Transfers out	(741,228)	(715,794)	(1,274,147)	(1,289,093)	(983,639)	(721,105)	(916,250)	(553,948)	(858,090)	(549,076)
Total other financing sources (uses)	<u>57,500</u>	<u>34,500</u>	<u>31,000</u>	<u>271,319</u>	<u>6,682,173</u>	<u>98,500</u>	<u>55,183</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,043,836</u>	<u>\$ 382,974</u>	<u>\$ (469,541)</u>	<u>\$ (4,049,819)</u>	<u>\$ 4,570,883</u>	<u>\$ 731,721</u>	<u>\$ 1,082,938</u>	<u>\$ (65,249)</u>	<u>\$ (221,761)</u>	<u>\$ 1,171,573</u>
Debt service as a percentage of non-capital expenditures	<u>5.978%</u>	<u>6.089%</u>	<u>6.518%</u>	<u>6.150%</u>	<u>5.192%</u>	<u>0.604%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>

See independent auditor's report.

**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
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
2018	442,987,918	N/A	442,987,918	1,328,963,754	1.589

(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>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>
City of Palos Heights:										
Corporate	0.438	0.379	0.421	0.438	0.438	0.438	0.438	0.438	0.436	0.423
Bond and interest	0.109	0.106	0.122	0.128	0.000	0.000	0.000	0.000	0.000	0.000
Police pension	0.481	0.403	0.358	0.339	0.288	0.232	0.129	0.105	0.075	0.070
IMRF	0.066	0.069	0.084	0.079	0.074	0.064	0.063	0.049	0.036	0.033
Recreation	0.144	0.142	0.168	0.178	0.185	0.184	0.165	0.135	0.099	0.093
Police protection	0.251	0.263	0.294	0.290	0.241	0.214	0.165	0.135	0.099	0.093
Social security	0.060	0.062	0.082	0.070	0.060	0.064	0.062	0.050	0.036	0.034
Special recreation	0.040	0.035	0.039	0.040	0.040	0.040	0.040	0.040	0.037	0.035
Total City of Palos Heights	1.589	1.459	1.568	1.562	1.326	1.236	1.062	0.952	0.818	0.781
Overlapping governments:										
City of Palos Heights Library Fund	0.287	0.279	0.350	0.375	0.403	0.364	0.498	0.377	0.342	0.335
Cook County	0.489	0.496	0.533	0.552	0.568	0.560	0.531	0.462	0.423	0.394
Cook County Forest Preserve District	0.060	0.062	0.063	0.069	0.069	0.069	0.063	0.058	0.051	0.049
Consolidated Elections	0.000	0.031	0.000	0.034	0.000	0.031	0.000	0.025	0.000	0.021
Suburban Cook TB Sanitarium District	0.000	0.000	0.000	0.000	0.000	0.004	0.000	0.000	0.000	0.000
So. Cook Co. Mosquito Abatement District	0.017	0.016	0.017	0.017	0.017	0.016	0.014	0.012	0.010	0.009
Metropolitan Water Reclamation Dist. of Chicago	0.396	0.402	0.406	0.426	0.430	0.417	0.370	0.320	0.274	0.261
Palos Township	0.064	0.060	0.068	0.070	0.066	0.063	0.057	0.050	0.040	0.039
Palos Twp General Assistance	0.009	0.008	0.008	0.088	0.007	0.006	0.005	0.005	0.004	0.004
Palos Twp Road and Bridge	0.051	0.047	0.054	0.055	0.052	0.049	0.046	0.042	0.033	0.032
Worth Township	0.070	0.067	0.078	0.078	0.076	0.073	0.068	0.060	0.050	0.048
Worth Township General Assistance	0.017	0.017	0.019	0.020	0.020	0.018	0.017	0.015	0.013	0.012
Worth Township Road and Bridge	0.034	0.033	0.037	0.039	0.037	0.035	0.033	0.030	0.025	0.024
North Palos Fire Protection District	1.106	1.032	1.161	1.198	1.134	1.076	0.974	0.869	0.701	0.691
Palos Fire Protection District	1.134	1.058	1.215	1.255	1.201	1.153	1.047	0.709	0.557	0.544
Palos Heights Fire Protection District	1.025	0.829	0.934	0.934	0.927	0.891	0.814	0.727	0.583	0.572
Worth Park District	0.474	0.455	0.506	0.520	0.503	0.461	0.420	0.375	0.308	0.299
South Palos Sanitary District	0.366	0.345	0.409	0.421	0.406	0.392	0.361	0.331	0.253	0.258
School District 118	2.882	2.714	3.106	3.212	3.133	2.989	2.743	2.457	2.011	1.983
School District 127	6.268	5.915	6.781	6.994	6.702	6.096	5.533	4.952	4.062	3.893
School District 128	2.949	2.803	3.146	3.284	3.136	3.001	2.755	2.460	1.967	1.914
Community High School District 218	3.458	3.719	4.164	4.247	4.049	3.775	3.442	3.037	2.482	2.364
Consolidated High School District 230	2.425	2.287	2.778	2.879	2.770	2.641	2.438	2.180	1.812	1.764
Community College District 524	0.384	0.365	0.406	0.419	0.403	0.375	0.346	0.311	0.256	0.247
Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation	25.554	24.499	27.807	28.748	27.435	25.791	23.637	20.816	17.075	16.538

Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2019**

Taxpayer	2018			2009		
	Taxable Assessed Value *	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value **	Rank	Percentage of Total Taxable Assessed Value
Manor Care Health Service	\$ 13,886,696	1	3.13 %	\$ 10,009,089	1	1.77 %
Jetco Properties	6,131,464	2	1.38	-		-
Palos Heights Properties	5,626,479	3	1.27	9,030,557	2	1.60
Ridgeland Nursing	3,806,287	4	0.86	2,676,685	6	0.47
7600 College Landco	3,704,077	5	0.84	-		-
St. George Corp	3,166,867	6	0.71	4,469,588	4	0.79
Costa Construction	2,998,407	7	0.68	-		-
Advocate Healthcare	2,344,625	8	0.53	2,652,788	7	0.47
Reagan Corp	2,271,673	9	0.51	2,443,309	9	0.43
Vasili C Siampos	1,863,855	10	0.42	-		-
First Midwest Bank	-		-	3,357,887	5	0.59
James Lambert	-		-	5,816,729	3	1.03
Westgate Valley Commons	-		-	2,575,060	8	0.46
Dan Development	-		-	2,330,889	10	0.41
Total	\$ 45,800,430		10.33 %	\$ 45,362,581		8.02 %

* Includes only those parcels with 2018 equalized assessed valuation of approximately \$100,000 and over.

** Includes only those parcels with 2008 equalized assessed valuation of approximately \$169,000 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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Equalized assessed valuation	<u>\$ 442,987,918</u>	<u>\$ 458,253,064</u>	<u>\$ 396,160,414</u>	<u>\$ 379,844,244</u>	<u>\$ 393,578,232</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>
Tax rates (per \$100 of equalized assessed valuation):										
Park and recreation	0.1439	0.1423	0.1678	0.1782	0.1845	0.1845	0.1646	0.1353	0.0987	0.0927
Police pension	0.4813	0.4028	0.3575	0.3390	0.2879	0.2319	0.1286	0.1054	0.0752	0.0702
Social security and I.M.R.F.	0.1256	0.1304	0.1657	0.1486	0.1348	0.1282	0.1243	0.0987	0.0720	0.0668
Corporate	0.4375	0.3785	0.4212	0.4375	0.4375	0.4375	0.4375	0.4375	0.4363	0.4230
Police protection	0.2509	0.2634	0.2946	0.2900	0.2414	0.2139	0.1646	0.1353	0.0987	0.0927
Handicapped fund	0.0400	0.0346	0.0385	0.0400	0.0400	0.0400	0.0400	0.0400	0.0371	0.0000
Bond and interest	0.1094	0.1065	0.1226	0.1279	0.0000	0.0000	0.0000	0.0000	0.0000	0.0353
Total tax rates	<u>1.5886</u>	<u>1.4585</u>	<u>1.5679</u>	<u>1.5612</u>	<u>1.3261</u>	<u>1.2360</u>	<u>1.0596</u>	<u>0.9522</u>	<u>0.8180</u>	<u>0.7807</u>
Rate difference	<u>0.1301</u>	<u>(0.1094)</u>	<u>0.0067</u>	<u>0.2351</u>	<u>0.0901</u>	<u>0.1764</u>	<u>0.1074</u>	<u>0.1342</u>	<u>0.0373</u>	<u>(0.0492)</u>
Tax extensions:										
Park and recreation	\$ 637,243	\$ 652,043	\$ 664,757	\$ 677,054	\$ 726,186	\$ 737,375	\$ 705,550	\$ 628,101	\$ 561,139	\$ 523,303
Police pension	2,132,100	1,845,988	1,416,273	1,287,500	1,133,000	927,000	551,050	489,297	427,534	396,288
Social security and I.M.R.F.	556,552	597,400	656,438	564,549	526,802	512,710	532,768	458,194	409,341	377,094
Corporate	1,938,072	1,734,394	1,668,628	1,661,819	1,721,905	1,748,865	1,875,170	2,031,001	2,480,495	2,387,886
Police protection	1,111,250	1,207,058	1,167,089	1,101,556	950,220	854,988	705,550	628,101	561,139	523,303
Handicapped fund	177,195	158,573	152,522	151,938	157,431	159,896	171,444	185,691	210,925	0
Bond and interest	484,667	487,922	485,693	485,920	0	0	0	0	0	199,273
Total tax extensions	<u>\$ 7,037,079</u>	<u>\$ 6,683,378</u>	<u>\$ 6,211,400</u>	<u>\$ 5,930,336</u>	<u>\$ 5,215,544</u>	<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>
Collections:										
Current	\$ 6,844,540	\$ 6,430,310	\$ 6,086,018	\$ 5,793,491	\$ 5,165,275	\$ 4,760,018	\$ 4,372,599	\$ 4,354,259	\$ 4,453,280	\$ 4,206,417
Subsequent	0	14,639	4,662	35,523	20,204	59,088	84,660	87,961	65,838	76,288
Total collections	<u>\$ 6,844,540</u>	<u>\$ 6,444,949</u>	<u>\$ 6,090,680</u>	<u>\$ 5,829,014</u>	<u>\$ 5,185,479</u>	<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>
Percent collected:										
Current	97.26 %	96.21 %	97.97 %	97.69 %	99.04 %	96.34 %	96.28 %	98.50 %	95.76 %	95.45 %
Subsequent	0.00	0.22	0.08	0.60	0.39	1.20	1.86	1.99	1.42	1.73
Total percent collected	<u>97.26 %</u>	<u>96.43 %</u>	<u>98.05 %</u>	<u>98.29 %</u>	<u>99.43 %</u>	<u>97.54 %</u>	<u>98.14 %</u>	<u>100.49 %</u>	<u>97.18 %</u>	<u>97.18 %</u>

See independent auditor's report.

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

Fiscal Year	Governmental Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds (1)	Alternate Revenue Bonds	Installment Contracts	Notes Payable	Installment Contract			
2019	\$ 5,530,680	\$ -	\$ 61,807	\$ 3,645,868	\$ 200,437	\$ 9,438,792	1.73 %	\$ 754
2018	5,827,417	-	98,677	3,758,147	314,897	9,999,138	1.83	799
2017	6,120,097	-	133,900	3,869,835	243,769	10,367,601	1.89	828
2016	6,403,686	-	189,768	3,967,221	433,488	10,994,163	2.01	878
2015	6,590,179	-	43,682	3,992,997	575,778	11,202,636	2.05	895
2014	-	-	64,500	3,992,997	-	4,057,497	0.74	324
2013	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-

(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.

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

Fiscal Year	General Obligation Debt (1)	Less Amount Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2019	\$ 5,530,680	\$ 24,807	\$ 5,505,873	0.41 %	\$ 440
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	-	-	-	-	-

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, 2019**

<u>Overlapping Agencies</u>	<u>2018 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	\$ 442,887,812	\$ 9,238,355 (1)	100.000 %	<u>\$ 9,238,355</u>
Overlapping agencies:				
Cook County	158,166,591,583	2,803,851,750 (4)	0.280	7,850,785
Cook County Forest Preserve District	158,166,591,583	140,990,000	0.280	394,772
Metropolitan Water Reclamation District	155,390,213,727	2,274,859,669 (2)	0.285	6,483,350
Palos Fire Protection District	375,790,141	- (4)	87.642	-
South Palos Twp. Sanitary District	60,291,367	308,000 (2)	12.404	38,204
Park District:				
Worth Park District	174,081,576	51,585 (4)	0.072	37
Schools:				
School District #118	821,651,519	1,790,000	26.533	474,941
School District #127	169,902,025	1,278,368 (3)	0.282	3,605
School District #128	308,366,909	1,735,000	72.771	1,262,577
High School District #218	2,295,567,899	39,275,360 (3)(4)	9.796	3,847,414
High School District #230	4,861,151,282	5,595,000	4.485	250,936
Community College #524	10,104,799,139	47,410,000 (4)	4.383	<u>2,077,980</u>
Total overlapping agencies				<u>22,684,601</u>
Total overlapping general obligation bonded debt				<u>\$ 31,922,956</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>2019</u>	<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>
Debt limit	\$ 38,207,708	\$ 39,524,327	\$ 34,168,836	\$ 32,761,566	\$ 33,946,123	\$ 34,477,633	\$ 36,967,628	\$ 40,039,729	\$ 49,035,692	\$ 48,689,170
Total net debt applicable to limit	<u>5,792,924</u>	<u>6,240,991</u>	<u>6,497,766</u>	<u>7,026,942</u>	<u>7,209,639</u>	<u>64,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>\$ 32,414,784</u>	<u>\$ 33,283,336</u>	<u>\$ 27,671,070</u>	<u>\$ 25,734,624</u>	<u>\$ 26,736,484</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>
Total net debt applicable to the limit as a percentage of debt limit	<u>15.16%</u>	<u>15.79%</u>	<u>19.02%</u>	<u>21.45%</u>	<u>21.24%</u>	<u>0.19%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Legal Debt Margin Calculation for Fiscal Year 2019:

Equalized assessed valuation of taxable property	\$ 442,987,918
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	38,207,708
Less debt applicable to limit	<u>5,792,924</u>
Legal debt margin	<u>\$ 32,414,784</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.

**CITY OF PALOS HEIGHTS, ILLINOIS
 PLEDGED-REVENUE COVERAGE
 DECEMBER 31, 2019**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2019	\$ 351,297	\$ 112,279	\$ 239,018	1.00
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 four 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**

Fiscal Year	Population	Personal	Per Capita	Metro	Median Age	Education Level Age 25 and Older		
		Income (in thousands)	Income	Area Unemployment Rate		Four Years High School	One Year or More of College	Elementary Enrollment
2019	12,515	\$ 546,092	\$ 43,635	3.20 %	50.9	8,597	6,404	2,843
2018	12,515	546,092	43,635	3.90	50.9	8,597	6,404	2,843
2017	12,515	547,781	43,770	5.00	50.9	8,597	6,404	2,843
2016	12,515	547,781	43,770	5.70	50.9	8,597	6,404	2,843
2015	12,515	547,781	43,770	6.00	50.9	8,597	6,404	2,843
2014	12,515	547,781	43,770	6.20	50.9	8,597	6,404	2,843
2013	12,515	547,781	43,770	8.60	50.9	8,597	6,404	2,843
2012	12,515	547,781	43,770	8.80	50.9	8,597	6,404	2,843
2011	12,515	547,781	43,770	9.30	50.9	8,597	6,404	2,843
2010	12,960	426,319	32,895	9.10	46.8	7,328	5,348	2,852

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.

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

	<u>2019</u>	<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>
Function:										
Public safety - Police:										
Officers	29	27	28	27	29	28	26	27	27	27
Civilians	3	3	3	3	3	3	3	3	3	3
Public works	18	16	16	16	16	16	15	15	15	16
Recreation	7	7	6	7	6	6	6	6	6	6
Lake Katherine	4	4	4	3	3	3	3	3	3	3
General government	9	9	9	8	9	8	7	8	10	9
Motor vehicle maintenance	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>						
Total	<u>72</u>	<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>

Source: City records

See independent auditor's report.

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

	<u>2019</u>	<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>
Function:										
Public safety:										
Police department:										
Arrests	295	534	439	564	625	763	1,268	679	534	1,274
Traffic violations	1,100	1,310	1,415	1,536	1,562	918	2,449	4,150	2,072	4,322
Compliance violations	1,250	1,661	1,687	1,036	1,465	1,811	1,803	79	1,531	342
Public works:										
Streets resurfaced (in miles)	1.90	2.81	1.89	1.10	1.90	1.92	1.26	1.12	0.78	0.79
Building and community development:										
Building permits issued:										
Commercial	148	135	202	149	196	182	181	230	245	230
Residential	742	700	652	642	694	643	574	551	628	618
Building value	\$ 12,918,723	\$ 13,041,291	\$ 47,693,103	\$ 14,456,771	\$ 41,518,041	\$ 13,019,521	\$ 76,879,203	\$ 14,491,902	\$ 20,495,154	\$441,545,312
Number of dwelling units	5,058	5,057	5,057	5,057	5,057	5,057	5,057	5,057	5,057	5,113
Number of registered voters	9,423	9,174	9,174	9,174	9,174	9,174	11,611	11,611	11,611	11,611
Waterworks and sewerage:										
Number of properties served by the combined waterworks and sewerage system	5,177	5,176	5,176	5,176	5,176	5,176	5,176	5,176	5,176	5,176
Number of metered customers served by the combined waterworks and sewerage system	5,608	5,607	5,607	5,607	5,607	5,607	5,607	5,659	5,650	5,577
Number of metered customers served by the waterworks system only	2	2	2	2	2	2	2	2	2	2
Water main breaks	40	48	51	37	47	46	67	51	28	44
Average daily consumption (in 000's)	1,232	1,460	1,502	1,514	1,573	1,531	1,660	1,780	1,598	1,807
Gallons per customer	80	95	98	99	102	100	108	115	103	118
Gallons per capita	36	43	44	44	46	45	47	50	45	51
Total gallons purchased and pumped by the City (in 000's)	496,417	532,985	548,360	552,593	574,074	558,843	606,030	649,518	583,315	659,489
Total gallons billed (in 000's)	449,535	469,438	490,571	497,801	492,153	493,491	549,313	582,333	543,983	585,081

Source: City records

See independent auditor's report.