

CITY OF PALOS HEIGHTS
STATE OF ILLINOIS

Annual Comprehensive Financial Report

Fiscal Year:

January 1, 2021 ~ December 31, 2021



CITY OF PALOS HEIGHTS, ILLINOIS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021

**CITY OF PALOS HEIGHTS, ILLINOIS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021**

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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

Alan Fulkerson

WARD 4

Michael McGrogan

Jerry McGovern

June 21, 2022

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

The annual comprehensive financial report for the City of Palos Heights, Illinois, for the fiscal year ended December 31, 2021, 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 12,068 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 seventeen 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 replacement of the roof at the former Southwest Central dispatch center, the purchase of capital equipment for Public Works including a Case front end loader, three new pick up trucks, 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 acquired equipment to build Misty Meadows Park.

FOR THE FUTURE

The City of Palos Heights enters fiscal year 2022 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2022 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2022 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 improvements at City Hall, development of Misty Meadows park, renovation of Orchard Park, the purchase of capital equipment for Public Works, new sidewalks along Ridgeland Avenue, resurfacing of a portion of the bike trail at Lake Katherine, preliminary engineering on the Lake Katherine parking lot, municipal parking lot 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.

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.

The level of budgetary controls is maintained at the fund level. The Mayor and City Council regularly discuss favorable and unfavorable variances of the actual to budget.

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,



Janice E. Colvin
Director of Accounting, City of Palos Heights



Government Finance Officers Association

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Achievement
for Excellence
in Financial
Reporting

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**City of Palos Heights
Illinois**

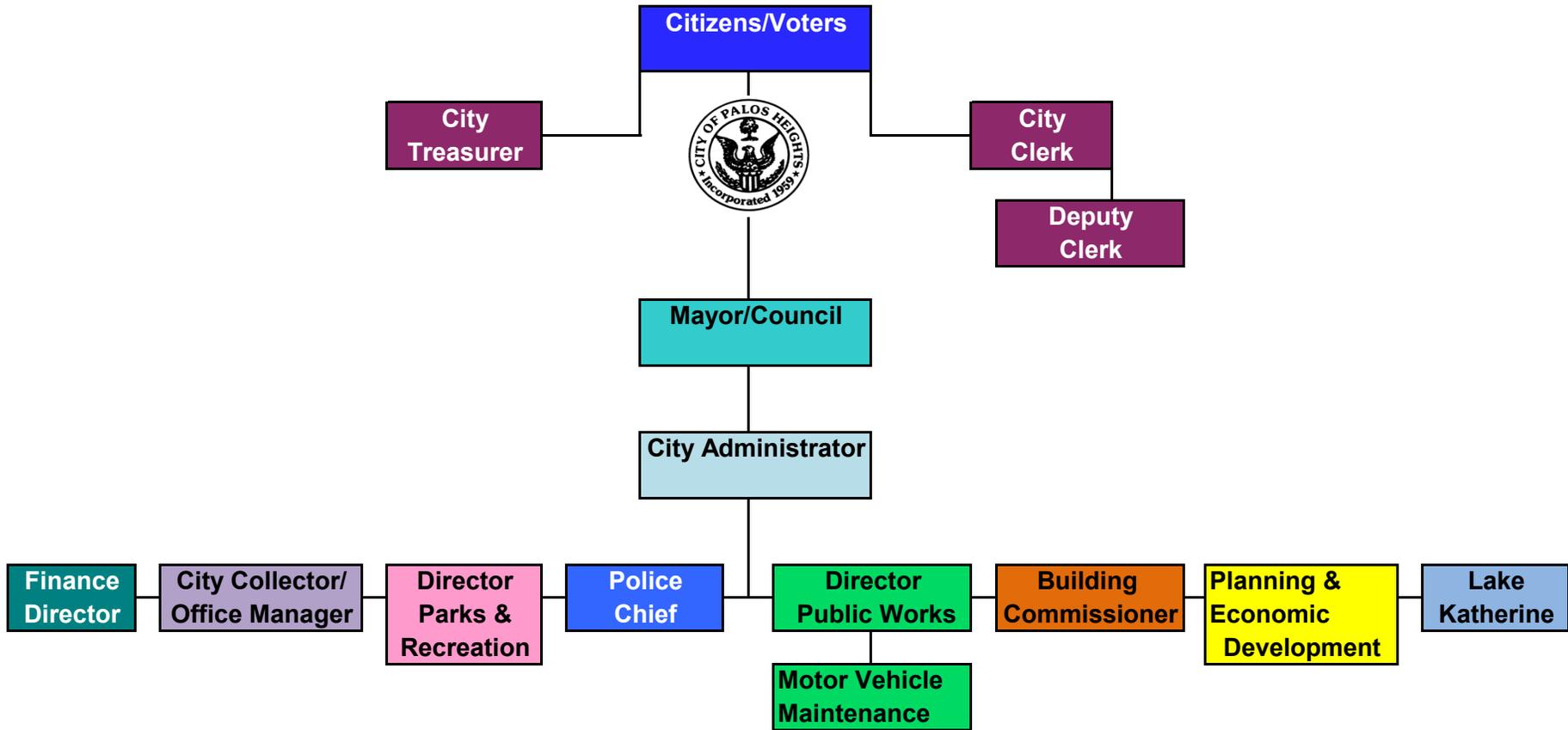
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS
OFFICERS AND OFFICIALS
DECEMBER 31, 2021**

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
HEATHER BEGLEY - WARD THREE
JERRY MCGOVERN - WARD FOUR
MICHAEL MCGROGAN - WARD FOUR

CLERK

THOMAS KANTAS

TREASURER

JAMES DAEMICKE

ADMINISTRATOR

DAVID STROHL

ATTORNEY

THOMAS BROWN

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Palos Heights, Illinois' basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2021, 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.

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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Palos Heights, Illinois and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Palos Heights, Illinois's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Palos Heights, Illinois' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and employee retirement and post-employment benefit plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palos Heights, Illinois' basic financial statements. The combining and individual fund financial statements and schedules, Illinois Grant Accountability and Transparency Act Consolidated Year-End Financial Report, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, Illinois Grant Accountability and Transparency Act Consolidated Year-End Financial Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Palos Heights, Illinois' basic financial statements for the year ended December 31, 2020, 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 City of Palos Heights, Illinois's basic financial statements as a whole. The individual fund financial statements and schedules for the year ended December 31, 2020, 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 related directly to the underlying accounting and other records used to prepare the City of Palos Heights' basic financial statements. The information was subjected to the audit 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 City of Palos Heights' 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2022, on our consideration of the City of Palos Heights, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Palos Heights, Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palos Heights, Illinois' internal control over financial reporting and compliance.



Orland Park, Illinois
June 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2021

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, 2021. 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-iv 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, 2021 by \$25,898,686 (*net position*). Of this amount, \$28,126,217 is invested in capital assets and \$3,126,983 is restricted; (\$5,354,514) is a deficit.
- The total net position of the City increased by \$5,038,213 during the year ended December 31, 2021.
- As of December 31, 2021, the City's governmental funds reported combined ending fund balances of \$12,384,833. Approximately 47% of this amount (\$5,791,252) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2021, total governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$2,327,612.
- 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 \$5,791,252, or approximately 48% of total General Fund expenditures.
- The City's long-term liabilities at December 31, 2021 totaled \$27,396,515. The City's long-term liabilities include a liability of \$14,973,260 related to the police pension, and a liability of \$2,211,701 related to other post-employment benefits as of December 31, 2021.

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, 2021

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

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

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

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

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

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

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

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

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2021

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 23-61 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 62-72 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 73-123 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 \$25,898,686 at the close of the most recent fiscal year.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 23,441,490	\$ 18,423,624	\$ 10,744,174	\$ 9,893,320	\$ 34,185,664	\$ 28,316,944
Capital assets	28,385,135	29,244,691	4,820,280	5,020,397	33,205,415	34,265,088
Total assets	<u>51,826,625</u>	<u>47,668,315</u>	<u>15,564,454</u>	<u>14,913,717</u>	<u>67,391,079</u>	<u>62,582,032</u>
Deferred outflows of resources	<u>2,816,946</u>	<u>4,005,498</u>	<u>419,853</u>	<u>446,160</u>	<u>3,236,799</u>	<u>4,451,658</u>
Current and other liabilities	1,980,591	1,291,577	457,658	748,890	2,438,249	2,040,467
Long-term liabilities outstanding	26,735,906	30,711,116	660,609	794,629	27,396,515	31,505,745
Total liabilities	<u>28,716,497</u>	<u>32,002,693</u>	<u>1,118,267</u>	<u>1,543,519</u>	<u>29,834,764</u>	<u>33,546,212</u>
Deferred inflows of resources	<u>14,280,093</u>	<u>12,176,918</u>	<u>614,335</u>	<u>424,235</u>	<u>14,894,428</u>	<u>12,601,153</u>
Net position:						
Net investment in capital assets	23,305,937	23,996,463	4,820,280	4,904,177	28,126,217	28,900,640
Restricted	3,126,983	2,982,153	-	-	3,126,983	2,982,153
Unrestricted	<u>(14,785,939)</u>	<u>(19,484,414)</u>	<u>9,431,425</u>	<u>8,462,094</u>	<u>(5,354,514)</u>	<u>(11,022,320)</u>
Total net position	<u>\$ 11,646,981</u>	<u>\$ 7,494,202</u>	<u>\$ 14,251,705</u>	<u>\$ 13,366,271</u>	<u>\$ 25,898,686</u>	<u>\$ 20,860,473</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 (12.0%) 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 \$(5,354,514) related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$5,038,213 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 2021 and its effects on net position.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 2,162,980	\$ 1,938,891	\$ 7,448,334	\$ 7,364,461	\$ 9,611,314	\$ 9,303,352
Operating grants and contributions	1,703,780	-	-	-	1,703,780	-
Capital grants and contributions	171,266	795,303	-	-	171,266	795,303
General revenues:						
Property taxes	7,749,471	7,222,096	-	-	7,749,471	7,222,096
Utility taxes	1,052,460	1,017,182	-	-	1,052,460	1,017,182
Business district taxes	152,955	115,916	-	-	152,955	115,916
Intergovernmental - unrestricted	4,620,072	3,955,946	-	-	4,620,072	3,955,946
Investment income	29,004	90,649	14,707	100,641	43,711	191,290
Gain on sale of assets	73,412	-	40,430	-	113,842	-
Other income	1,211,006	907,509	42,421	39,116	1,253,427	946,625
Transfers	21,405	-	(21,405)	-	-	-
Total revenues	<u>18,947,811</u>	<u>16,043,492</u>	<u>7,524,487</u>	<u>7,504,218</u>	<u>26,472,298</u>	<u>23,547,710</u>
Expenses:						
General government	2,747,151	2,112,880	-	-	2,747,151	2,112,880
Police and emergency services	6,072,819	6,462,128	-	-	6,072,819	6,462,128
Public works	2,689,895	2,507,963	-	-	2,689,895	2,507,963
Recreation and culture	2,917,440	2,981,754	-	-	2,917,440	2,981,754
Interest	367,727	380,775	-	-	367,727	380,775
Waterworks and sewerage	-	-	6,633,390	7,142,761	6,633,390	7,142,761
Parking lot	-	-	5,663	10,825	5,663	10,825
Total expenses	<u>14,795,032</u>	<u>14,445,500</u>	<u>6,639,053</u>	<u>7,153,586</u>	<u>21,434,085</u>	<u>21,599,086</u>
Change in net position	4,152,779	1,597,992	885,434	350,632	5,038,213	1,948,624
Net position at beginning of year	<u>7,494,202</u>	<u>5,896,210</u>	<u>13,366,271</u>	<u>13,015,639</u>	<u>20,860,473</u>	<u>18,911,849</u>
Net position at end of year	<u>\$ 11,646,981</u>	<u>\$ 7,494,202</u>	<u>\$ 14,251,705</u>	<u>\$ 13,366,271</u>	<u>\$ 25,898,686</u>	<u>\$ 20,860,473</u>

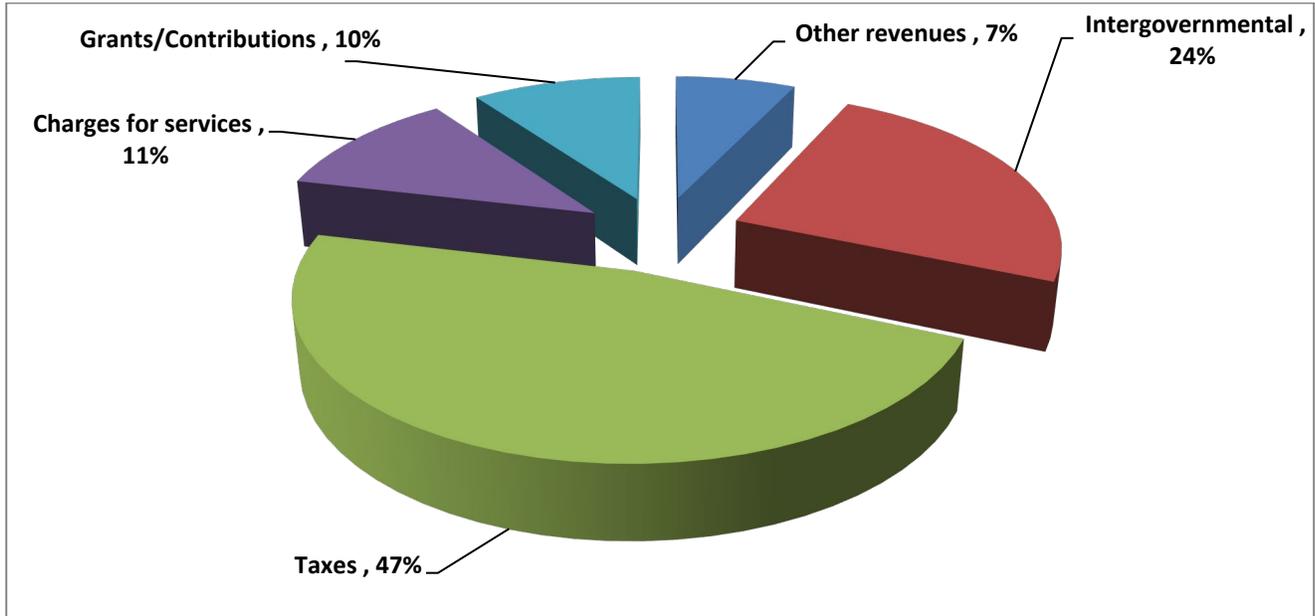
Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$4,152,779 from the prior fiscal year for an ending net position balance of \$11,646,981. This was mainly related to additional grants received and changes in long-term liabilities during the year.

Business-type Activities. During the current fiscal year, net position for the business-type activities increased by \$885,434 from the prior fiscal year for an ending net position balance of \$14,251,705. Revenues remained comparable to prior year. Expenses decreased in the current year because less water and sewer projects were performed in the current year.

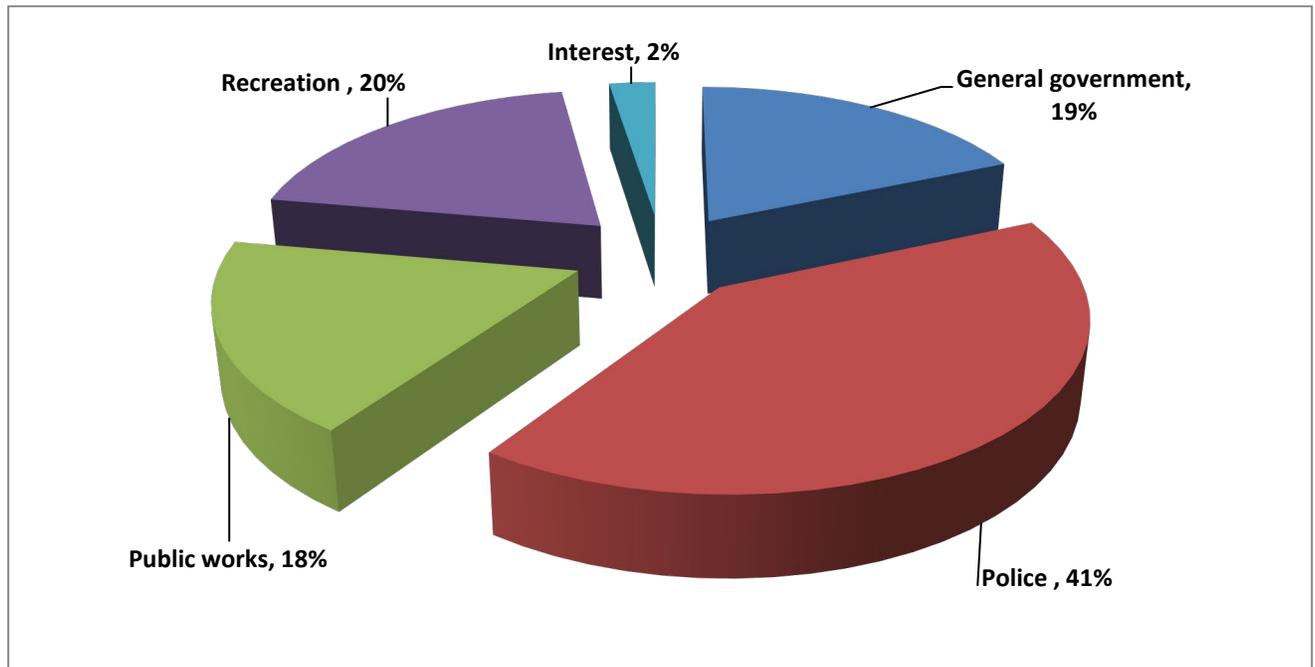
**City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2021**

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, 2021

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, 2021 the City's governmental funds reported combined fund balances of \$12,384,833, an increase of \$2,327,612 over the prior fiscal year. As noted earlier, approximately 47% of this amount (\$5,791,252) 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 (\$3,168,036), 2) assigned for particular purposes (\$3,317,713), or 3) nonspendable because it has been used for prepaid items (\$107,832).

As of December 31, 2021, the City's General Fund, its chief operating fund, reported an ending balance of \$5,899,084. This is an increase of \$1,928,487 in comparison with the prior fiscal year. Intergovernmental revenues such as State Income Tax and Sales Tax increased in the current year. Permit fees also increased in the current year. The City also received Coronavirus State and Local Recovery Funds. The fund balance in the General Fund was classified as unassigned (\$5,791,252) and nonspendable (\$107,832) at December 31, 2021.

As of December 31, 2021, the City's Capital Projects Fund reported an ending balance of \$2,988,867. This is an increase of \$288,660 in comparison to the prior year. The change in fund balance was due to a transfer from the General Fund.

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 \$885,804 increase in its net position in 2021. Operating revenues exceeded operating expenses for the year. This net increase was offset somewhat by an increase in other expenses during the current year. 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, 2021, \$32,660,016 was held in trust for police pension benefits.

City of Palos Heights, Illinois
Management’s Discussion and Analysis (Unaudited)
December 31, 2021

Budgetary Highlights

The 2021 annual expenditure budget for the City’s General Fund identified the budgeted level of spending at \$12,852,113. Actual expenditures were less than budgeted expenditures by approximately \$676,771, or 5.2 percent.

Actual revenues were higher than budgeted revenues in the General Fund by \$1,924,883, or approximately 14.9 percent.

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

<u>Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Intergovernmental	\$3,074,455	\$3,836,550	\$762,095
Grants	\$0	\$852,890	\$852,890

State Income Tax and Sales Tax revenues significantly increased this year. The grant revenues that were received were not budgeted for.

The most significant difference 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	\$2,013,335	\$1,856,551	\$156,784
Public safety – Corporate subfund	\$6,828,104	\$6,544,026	\$284,078
Public works – Corporate subfund	\$1,392,000	\$1,128,510	\$263,490

General government expenditures for hospital and medical insurance expenditures came in lower than expected. Public safety and public works personnel expenditures also came in lower than expected.

Capital Asset Administration

The City’s investment in capital assets as of December 31, 2021, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 9,822,391	\$ 9,332,820	\$ 45,849	\$ 45,849	\$ 9,868,240	\$ 9,378,669
Buildings and building improvements	12,053,350	12,503,761	1,238,883	1,308,845	13,292,233	13,812,606
Equipment	1,119,814	1,109,747	214,822	129,824	1,334,636	1,239,571
Water distribution, storm system and sanitary systems			3,320,726	3,510,027	3,320,726	3,510,027
Infrastructure	5,161,464	5,560,421			5,161,464	5,560,421
Construction in progress	228,116	737,942	-	-	228,116	737,942
Total	<u>\$ 28,385,135</u>	<u>\$ 29,244,691</u>	<u>\$ 4,820,280</u>	<u>\$ 4,994,545</u>	<u>\$ 33,205,415</u>	<u>\$ 34,239,236</u>

Major capital asset events during the current fiscal year included the purchase of 1 Chevy Tahoe, 3 Ford F-350, F59 Step Van and Case Wheel Loader, and 2 Dell SCv3020 Servers.

Additional information on the City’s capital assets can be found in note II C on pages 37 – 39 of this report.

City of Palos Heights, Illinois
Management’s Discussion and Analysis (Unaudited)
December 31, 2021

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>	
	2021	2020	2021	2020	2021	2020
Compensated absences	\$ 1,650,464	\$ 1,695,837	\$ 187,305	\$ 194,060	\$ 1,837,769	\$ 1,889,897
Net pension liability	14,973,260	18,237,044	-	-	14,973,260	18,237,044
Post-employment benefits liability	1,738,397	1,668,327	473,304	394,392	2,211,701	2,062,719
IMRF liability	-	431,489	-	115,809	-	547,298
General obligation bond, including premium	4,910,126	5,224,905	-	-	4,910,126	5,224,905
Notes payable	3,435,820	3,430,191	-	-	3,435,820	3,430,191
Installment contract	27,839	23,323	-	90,368	27,839	113,691
Total	<u>\$ 26,735,906</u>	<u>\$ 30,711,116</u>	<u>\$ 660,609</u>	<u>\$ 794,629</u>	<u>\$ 27,396,515</u>	<u>\$ 31,505,745</u>

Additional information on the City’s long-term liabilities can be found in note II E on pages 41 – 44 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 2022 as the City continues 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 2022 and it is the City’s intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2022 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 2022, the City will continue with capital projects such as office improvements at City Hall, development of Misty Meadows and Orchard parks, the purchase of capital equipment for Public Works, Ridgeland Avenue Improvements, municipal parking lot, Lake Katherine Bike Path, engineering of the Lake Katherine parking lot, and improvements at the Recreation Center. The City will continue its Road Program in 2022 at various locations throughout the City.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,980,849	\$ 9,161,398	\$ 21,142,247	\$ 1,341,310
Receivables	9,501,558	1,321,120	10,822,678	1,766,546
Other	928,923	-	928,923	-
Net pension asset	1,030,160	261,656	1,291,816	275,922
Capital assets not being depreciated:				
Land	4,721,987	45,849	4,767,836	314,652
Construction in progress	228,116	-	228,116	89,320
Capital assets net of accumulated depreciation:				
Land improvements	5,100,404	-	5,100,404	-
Buildings and improvements	12,053,350	1,238,883	13,292,233	2,098,406
Equipment	1,119,814	214,822	1,334,636	114,580
Library collection	-	-	-	277,839
Water distribution, storm and sanitary system	-	3,320,726	3,320,726	-
Infrastructure	5,161,464	-	5,161,464	-
Total assets	<u>51,826,625</u>	<u>15,564,454</u>	<u>67,391,079</u>	<u>6,278,575</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	2,153,613	136,242	2,289,855	139,902
Deferred outflows of resources related to other post-employment benefits	<u>663,333</u>	<u>283,611</u>	<u>946,944</u>	<u>-</u>
Total deferred outflows of resources	<u>2,816,946</u>	<u>419,853</u>	<u>3,236,799</u>	<u>139,902</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	1,470,951	457,658	1,928,609	31,148
Unearned revenue	125,571	-	125,571	-
Deposits held	384,069	-	384,069	-
Noncurrent liabilities:				
Due within one year	2,149,488	140,479	2,289,967	-
Due in more than one year	<u>24,586,418</u>	<u>520,130</u>	<u>25,106,548</u>	<u>-</u>
Total liabilities	<u>28,716,497</u>	<u>1,118,267</u>	<u>29,834,764</u>	<u>31,148</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	6,628,733	550,215	7,178,948	567,450
Deferred inflows of resources related to other post-employment benefits	272,129	64,120	336,249	-
Property taxes levied for future period	<u>7,379,231</u>	<u>-</u>	<u>7,379,231</u>	<u>1,766,546</u>
Total deferred inflows of resources	<u>14,280,093</u>	<u>614,335</u>	<u>14,894,428</u>	<u>2,333,996</u>
NET POSITION				
Net investment in capital assets	23,305,937	4,820,280	28,126,217	2,894,797
Restricted for:				
Community redevelopment	1,284,529	-	1,284,529	-
Road construction and maintenance	860,808	-	860,808	-
Law enforcement	709,572	-	709,572	-
Other purposes	272,074	-	272,074	19,558
Unrestricted	<u>(14,785,939)</u>	<u>9,431,425</u>	<u>(5,354,514)</u>	<u>1,138,978</u>
Total net position	<u>\$ 11,646,981</u>	<u>\$ 14,251,705</u>	<u>\$ 25,898,686</u>	<u>\$ 4,053,333</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Functions/programs:								
Primary government:								
Governmental activities:								
General government	\$ 2,747,151	\$ 984,481	\$ -	\$ 6,411	\$ (1,756,259)	\$ -	\$ (1,756,259)	\$ -
Police and emergency services	6,072,819	189,725	1,703,780	-	(4,179,314)	-	(4,179,314)	-
Public works	2,689,895	-	-	164,855	(2,525,040)	-	(2,525,040)	-
Recreation and culture	2,917,440	988,774	-	-	(1,928,666)	-	(1,928,666)	-
Interest expense	367,727	-	-	-	(367,727)	-	(367,727)	-
Total governmental activities	<u>14,795,032</u>	<u>2,162,980</u>	<u>1,703,780</u>	<u>171,266</u>	<u>(10,757,006)</u>	<u>-</u>	<u>(10,757,006)</u>	<u>-</u>
Business-type activities:								
Waterworks and sewerage	6,633,390	7,443,041	-	-	-	809,651	809,651	-
Parking lot	5,663	5,293	-	-	-	(370)	(370)	-
Total business-type activities	<u>6,639,053</u>	<u>7,448,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,281</u>	<u>809,281</u>	<u>-</u>
Total primary government	<u>\$ 21,434,085</u>	<u>\$ 9,611,314</u>	<u>\$ 1,703,780</u>	<u>\$ 171,266</u>	<u>(10,757,006)</u>	<u>809,281</u>	<u>(9,947,725)</u>	<u>-</u>
Component unit	<u>\$ 1,656,283</u>	<u>\$ 4,963</u>	<u>\$ 18,960</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,632,360)</u>
		General revenues:						
		Taxes:						
		Property			7,749,471	-	7,749,471	1,636,071
		Utility			1,052,460	-	1,052,460	-
		Business district sales			152,955	-	152,955	-
		Intergovernmental - unrestricted			4,620,072	-	4,620,072	15,419
		Investment income (loss)			29,004	14,707	43,711	(24,957)
		Gain from sale of capital assets			73,412	40,430	113,842	-
		Other income			1,211,006	42,421	1,253,427	67,336
		Transfers			21,405	(21,405)	-	-
		Total general revenues			<u>14,909,785</u>	<u>76,153</u>	<u>14,985,938</u>	<u>1,693,869</u>
		Changes in net position			4,152,779	885,434	5,038,213	61,509
		Net position at beginning of year			<u>7,494,202</u>	<u>13,366,271</u>	<u>20,860,473</u>	<u>3,991,824</u>
		Net position at end of year			<u>\$ 11,646,981</u>	<u>\$ 14,251,705</u>	<u>\$ 25,898,686</u>	<u>\$ 4,053,333</u>

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

FUND FINANCIAL STATEMENTS

CITY OF PALOS HEIGHTS, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
ASSETS				<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,906,366	\$ 3,031,501	\$ 4,042,982	\$ 11,980,849	\$ 9,495,771
Receivables:					
Property taxes	6,098,907	-	1,280,231	7,379,138	7,257,475
Accounts	157,770	-	6,033	163,803	144,285
Due from other funds	191,552	-	35,391	226,943	151,886
Due from other governments	1,491,694	394,936	71,987	1,958,617	883,692
Prepaid items	107,832	-	-	107,832	-
Other	821,091	-	-	821,091	642,401
	<u>\$ 13,775,212</u>	<u>\$ 3,426,437</u>	<u>\$ 5,436,624</u>	<u>\$ 22,638,273</u>	<u>\$ 18,575,510</u>
LIABILITIES					
Accounts payable	\$ 302,602	\$ 334,118	\$ 200,745	\$ 837,465	\$ 544,312
Other payable	-	-	335,259	335,259	-
Accrued expenditures	113,012	-	-	113,012	98,064
Unearned revenue	125,571	-	-	125,571	91,922
Deposits held	384,069	-	-	384,069	370,905
Due to other funds	-	103,452	123,491	226,943	151,886
	<u>925,254</u>	<u>437,570</u>	<u>659,495</u>	<u>2,022,319</u>	<u>1,257,089</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for future period	6,098,984	-	1,280,247	7,379,231	7,261,200
Unavailable revenue - grant proceeds	851,890	-	-	851,890	-
	<u>6,950,874</u>	<u>-</u>	<u>1,280,247</u>	<u>8,231,121</u>	<u>7,261,200</u>
FUND BALANCES					
Nonspendable	107,832	-	-	107,832	-
Restricted	-	-	3,168,036	3,168,036	3,015,571
Assigned	-	2,988,867	328,846	3,317,713	3,071,053
Unassigned	5,791,252	-	-	5,791,252	3,970,597
	<u>5,899,084</u>	<u>2,988,867</u>	<u>3,496,882</u>	<u>12,384,833</u>	<u>10,057,221</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,775,212</u>	<u>\$ 3,426,437</u>	<u>\$ 5,436,624</u>	<u>\$ 22,638,273</u>	<u>\$ 18,575,510</u>

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, 2021**

Fund balances - total governmental funds \$ 12,384,833

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. 28,385,135

The net pension asset is not an available financial resource and, therefore, is not reported in the funds. 1,030,160

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 and related accounts at year-end consist of:

General obligation bonds	\$	(4,765,000)
Unamortized issuance premium		(145,126)
Notes payable		(3,435,820)
Installment contract payable		(27,839)
Compensated absences payable		(1,650,464)
Net pension liabilities		(14,973,260)
Net other post-employment benefits liability		<u>(1,738,397)</u>

Total (26,735,906)

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	\$	2,816,946
Deferred inflows related to pensions and other post-employment benefits		<u>(6,900,862)</u>

Total (4,083,916)

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. (185,215)

Amounts due from other governments for revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. 851,890

Net position of governmental activities \$ 11,646,981

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, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
				<u>2021</u>	<u>2020</u>
Revenues:					
Taxes:					
Property levies, net	\$ 5,867,655	\$ -	\$ 1,881,816	\$ 7,749,471	\$ 7,222,096
Utility	1,052,460	-	-	1,052,460	1,017,182
Business district sales	-	-	152,955	152,955	115,916
Intergovernmental	3,836,550	-	783,522	4,620,072	3,955,946
Charges for services	386,038	-	-	386,038	328,131
Fees by agreement	752,758	-	-	752,758	311,029
Fines, forfeitures and penalties	108,009	-	81,716	189,725	613,297
Grants	852,890	170,266	-	1,023,156	795,303
Investment income	22,568	-	6,436	29,004	90,649
Licenses, permits and inspections	431,979	-	-	431,979	484,831
Swimming pool	236,016	-	-	236,016	31,485
Vehicle tag income	166,464	-	-	166,464	170,118
Other income	1,098,539	68,729	43,738	1,211,006	907,509
	<u>14,811,926</u>	<u>238,995</u>	<u>2,950,183</u>	<u>18,001,104</u>	<u>16,043,492</u>
Total revenues					
Expenditures:					
Current:					
General government	1,954,091	-	653,844	2,607,935	2,538,194
Public safety	6,544,026	-	508,379	7,052,405	7,025,766
Public works	1,106,614	-	37,393	1,144,007	1,183,341
Recreational department	2,012,709	-	130,249	2,142,958	1,837,381
Roads and construction	438,854	-	10,210	449,064	471,474
Debt service:					
Principal	37,242	-	539,371	576,613	539,161
Interest	242	-	388,423	388,665	413,112
Capital outlay:					
General government	450	86,712	-	87,162	-
Public works	21,896	197,157	-	219,053	198,968
Recreational department	15,293	198,116	-	213,409	604,072
Roads and construction	43,925	241,960	662,349	948,234	635,884
	<u>12,175,342</u>	<u>723,945</u>	<u>2,930,218</u>	<u>15,829,505</u>	<u>15,447,353</u>
Total expenditures					

(continued)

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, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds	
				2021	2020
Excess (deficiency) of revenues over expenditures	2,636,584	(484,950)	19,965	2,171,599	596,139
Other financing sources (uses):					
Installment contract	41,758	-	-	41,758	-
Proceeds from sale of capital assets	36,850	15,500	40,500	92,850	93,937
Transfers in	21,405	758,110	50,000	829,515	1,444,568
Transfers out	(808,110)	-	-	(808,110)	(1,444,568)
Total other financing sources (uses)	(708,097)	773,610	90,500	156,013	93,937
Net change in fund balances	1,928,487	288,660	110,465	2,327,612	690,076
Fund balances at beginning of year	3,970,597	2,700,207	3,386,417	10,057,221	9,367,145
Fund balances at end of year	\$ 5,899,084	\$ 2,988,867	\$ 3,496,882	\$ 12,384,833	\$ 10,057,221

(concluded)

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, 2021**

Net change in fund balance - total governmental funds \$ 2,327,612

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 (\$1,380,884) exceeded capitalized capital outlays (\$540,766) in the current period. (840,118)

The net effect of transactions involving dispositions of capital assets was to decrease net position. (19,438)

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	\$	295,000
Amortization of issuance premium		19,779
Principal repayments of notes payable		244,371
Installment contract issued		(41,758)
Principal repayments of installment contract		<u>37,242</u>

Total 554,634

Economic development expenses of the City were funded by the issuance of a note payable. (250,000)

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 City contributions exceeded pension benefits earned in the current period. 1,561,016
(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, 2021**

<p>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.</p>	(79,349)
<p>Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds.</p>	45,373
<p>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.</p>	1,159
<p>Grant revenues in the statement of activities that do not provide current financial resources are included in deferred inflows of resources as reported in the governmental funds. This is the amount by which unavailable grant revenues at the end of the current fiscal year increased from the corresponding amount at the end of the previous fiscal year.</p>	<u>851,890</u>
<p>Change in net position of governmental activities</p>	<u>\$ 4,152,779</u> (concluded)

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, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 6,079,894	\$ 5,867,655	\$ (212,239)
Utility	1,070,000	1,052,460	(17,540)
Intergovernmental	3,074,455	3,836,550	762,095
Charges for services	352,600	386,038	33,438
Fees by agreement	586,600	752,758	166,158
Fines, forfeitures and penalties	120,000	108,009	(11,991)
Grants	-	852,890	852,890
Investment income	60,000	22,568	(37,432)
Licenses, permits and inspections	342,400	431,979	89,579
Swimming pool	135,250	236,016	100,766
Vehicle tag income	180,500	166,464	(14,036)
Other income	<u>885,344</u>	<u>1,098,539</u>	<u>213,195</u>
Total revenues	<u>12,887,043</u>	<u>14,811,926</u>	<u>1,924,883</u>
Expenditures:			
Current:			
Personnel	6,483,994	6,227,616	256,378
Retirement contributions	2,297,394	2,297,394	-
Hospital and medical insurance	1,103,000	998,827	104,173
Contractual	1,813,068	1,695,068	118,000
Commodities	410,700	449,324	(38,624)
Other	338,315	219,726	118,589
Legal department	77,000	107,984	(30,984)
Vehicle tag expense	55,000	60,355	(5,355)
Debt service:			
Principal	30,000	37,242	(7,242)
Interest	-	242	(242)
Capital outlay	<u>243,642</u>	<u>81,564</u>	<u>162,078</u>
Total expenditures	<u>12,852,113</u>	<u>12,175,342</u>	<u>676,771</u>
Excess of revenues over expenditures	<u>34,930</u>	<u>2,636,584</u>	<u>2,601,654</u>

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

	Original and Final Budget	Actual	Variance with Final Budget
Other financing sources (uses):			
Installment contract	-	41,758	41,758
Proceeds from sale of capital assets	5,000	36,850	31,850
Transfers in	-	21,405	21,405
Transfers out	<u>(84,487)</u>	<u>(808,110)</u>	<u>(723,623)</u>
Total other financing sources (uses)	<u>(79,487)</u>	<u>(708,097)</u>	<u>(628,610)</u>
Net change in fund balances	(44,557)	1,928,487	1,973,044
Fund balances at beginning of year	<u>3,970,597</u>	<u>3,970,597</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,926,040</u>	<u>\$ 5,899,084</u>	<u>\$ 1,973,044</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020

ASSETS	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2021	2020
Current assets:				
Cash and cash equivalents	\$ 9,060,980	\$ 100,418	\$ 9,161,398	\$ 8,520,690
Accounts receivable - water customers:				
Billed	412,072	-	412,072	464,447
Unbilled	909,048	-	909,048	908,183
Total current assets	10,382,100	100,418	10,482,518	9,893,320
Noncurrent assets:				
Net pension asset	261,656	-	261,656	-
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	9,686,272	-	9,686,272	9,686,272
Equipment	1,876,271	-	1,876,271	1,671,072
Total	15,187,325	-	15,187,325	14,982,126
Less accumulated depreciation	(10,367,045)	-	(10,367,045)	(9,987,581)
Net capital assets	4,820,280	-	4,820,280	4,994,545
Total noncurrent assets	5,081,936	-	5,081,936	4,994,545
Total assets	15,464,036	100,418	15,564,454	14,887,865
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	136,242	-	136,242	232,780
Deferred outflows of resources related to other post-employment benefits	283,611	-	283,611	213,380
Total deferred outflows of resources	419,853	-	419,853	446,160

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

	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2021	2020
LIABILITIES				
Current liabilities:				
Accounts payable	436,540	-	436,540	732,694
Accrued payroll	21,118	-	21,118	16,196
Current portion of long-term liabilities:				
Compensated absences	140,479	-	140,479	145,545
Installment contracts	-	-	-	90,368
Total current liabilities	<u>598,137</u>	<u>-</u>	<u>598,137</u>	<u>984,803</u>
Long-term liabilities:				
Compensated absences	46,826	-	46,826	48,515
Net pension liability	-	-	-	115,809
Net other post-employment benefits liability	<u>473,304</u>	<u>-</u>	<u>473,304</u>	<u>394,392</u>
Total long-term liabilities	<u>520,130</u>	<u>-</u>	<u>520,130</u>	<u>558,716</u>
Total liabilities	<u>1,118,267</u>	<u>-</u>	<u>1,118,267</u>	<u>1,543,519</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	550,215	-	550,215	368,548
Deferred inflows of resources related to other post-employment benefits	<u>64,120</u>	<u>-</u>	<u>64,120</u>	<u>55,687</u>
Total deferred inflows of resources	<u>614,335</u>	<u>-</u>	<u>614,335</u>	<u>424,235</u>
NET POSITION				
Net investment in capital assets	4,820,280	-	4,820,280	4,904,177
Unrestricted	<u>9,331,007</u>	<u>100,418</u>	<u>9,431,425</u>	<u>8,462,094</u>
Total net position	<u>\$ 14,151,287</u>	<u>\$ 100,418</u>	<u>\$ 14,251,705</u>	<u>\$ 13,366,271</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks</u>	<u>Nonmajor</u>	<u>Totals</u>	
	<u>and</u>		<u>Fund</u>	<u>2021</u>
	<u>Sewerage</u>			
Operating revenues:				
Charges for services	\$ 7,443,041	\$ 5,293	\$ 7,448,334	\$ 7,364,461
Sales of water meters	12,205	-	12,205	7,515
Other	30,216	-	30,216	31,601
Total operating revenues	<u>7,485,462</u>	<u>5,293</u>	<u>7,490,755</u>	<u>7,403,577</u>
Operating expenses:				
Personnel	1,218,157	-	1,218,157	1,201,587
Contractual	3,574,038	-	3,574,038	3,587,773
Commodities	875,728	5,663	881,391	1,613,412
Depreciation	465,866	-	465,866	390,132
Other	495,999	-	495,999	353,616
Total operating expenses	<u>6,629,788</u>	<u>5,663</u>	<u>6,635,451</u>	<u>7,146,520</u>
Operating income (loss)	<u>855,674</u>	<u>(370)</u>	<u>855,304</u>	<u>257,057</u>
Nonoperating revenue (expense):				
Gain on sale of capital assets	40,430	-	40,430	-
Investment income	14,707	-	14,707	100,641
Interest expense	(3,602)	-	(3,602)	(7,066)
Total nonoperating revenue (expense)	<u>51,535</u>	<u>-</u>	<u>51,535</u>	<u>93,575</u>
Income (loss) before transfers	907,209	(370)	906,839	350,632
Transfer out	<u>(21,405)</u>	<u>-</u>	<u>(21,405)</u>	<u>-</u>
Change in net position	885,804	(370)	885,434	350,632
Net position at beginning of year	<u>13,265,483</u>	<u>100,788</u>	<u>13,366,271</u>	<u>13,015,639</u>
Net position at end of year	<u>\$ 14,151,287</u>	<u>\$ 100,418</u>	<u>\$ 14,251,705</u>	<u>\$ 13,366,271</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, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,536,972	\$ 5,293	\$ 7,542,265	\$ 7,293,548
Payments to employees	(1,302,136)	-	(1,302,136)	(1,376,677)
Payments to suppliers	(5,241,906)	(5,676)	(5,247,582)	(5,148,922)
Net cash provided (used) by operating activities	<u>992,930</u>	<u>(383)</u>	<u>992,547</u>	<u>767,949</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	<u>(21,405)</u>	<u>-</u>	<u>(21,405)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Payments for purchases of capital assets	(291,601)	-	(291,601)	(364,280)
Payment of accounts payable used to finance prior year purchases of capital assets	-	-	-	(355,451)
Proceeds from sale of capital assets	40,430	-	40,430	-
Principal paid on capital debt	(90,368)	-	(90,368)	(110,069)
Interest paid on capital debt	(3,602)	-	(3,602)	(7,066)
Net cash used by capital and related financing activities	<u>(345,141)</u>	<u>-</u>	<u>(345,141)</u>	<u>(836,866)</u>
Cash flows from investing activities:				
Investment income received	<u>14,707</u>	<u>-</u>	<u>14,707</u>	<u>100,641</u>
Net change in cash and cash equivalents	641,091	(383)	640,708	31,724
Cash and cash equivalents at beginning of year	<u>8,419,889</u>	<u>100,801</u>	<u>8,520,690</u>	<u>8,488,966</u>
Cash and cash equivalents at end of year	<u>\$ 9,060,980</u>	<u>\$ 100,418</u>	<u>9,161,398</u>	<u>\$ 8,520,690</u>

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

Business-type Activities - Enterprise Funds				
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2021	2020
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 855,674	\$ (370)	\$ 855,304	\$ 257,057
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	465,866	-	465,866	390,132
(Increase) decrease in:				
Accounts receivable	51,510	-	51,510	(110,029)
Deferred outflows of resources related to pensions	96,538	-	96,538	(117,743)
Deferred outflows of resources related to other post-employment benefits	(70,231)	-	(70,231)	(17,188)
Net pension asset	(261,656)	-	(261,656)	-
Increase (decrease) in:				
Accounts payable	(296,141)	(13)	(296,154)	405,879
Accrued payroll	4,922	-	4,922	(26,300)
Compensated absences	(6,755)	-	(6,755)	(101,470)
Net pension liability	(115,809)	-	(115,809)	(129,737)
Net other post-employment benefits liability	78,912	-	78,912	36,741
Deferred inflows of resources related to pensions	181,667	-	181,667	167,532
Deferred inflows of resources related to other post-employment benefits	8,433	-	8,433	13,075
	<u>8,433</u>	<u>-</u>	<u>8,433</u>	<u>13,075</u>
Net cash provided (used) by operating activities	<u>\$ 992,930</u>	<u>\$ (383)</u>	<u>\$ 992,547</u>	<u>\$ 767,949</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020

	2021	2020
ASSETS		
Cash	\$ 9,965	\$ 8,415
Accrued interest receivable	52,035	45,185
Prepaid expenses	5,528	4,964
Investments:		
Certificates of deposit	582,123	498,493
Debt issues:		
Corporate	1,836,458	1,719,498
Municipal	1,921,135	1,279,965
GNMA	37,624	50,102
Mutual funds:		
Equities	19,924,340	17,453,325
Mutual money market funds	334,765	466,422
U.S. government agency obligations	6,757,364	6,126,675
U.S. Treasury notes	1,219,414	1,156,359
Total assets	32,680,751	28,809,403
LIABILITIES		
Accounts payable	20,735	16,319
NET POSITION		
Restricted for pension benefits	\$ 32,660,016	\$ 28,793,084

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, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021	2020
Additions:		
Contributions:		
Employees	\$ 297,453	\$ 304,570
Employer	2,297,394	2,071,195
Total contributions	2,594,847	2,375,765
Investment income	3,528,715	3,867,110
Less investment expense	(70,957)	(58,403)
Net investment income	3,457,758	3,808,707
Total additions	6,052,605	6,184,472
Deductions:		
Benefit payments	2,044,962	1,859,064
Refunds of contributions	85,239	-
Administrative expenses	55,472	49,118
Total deductions	2,185,673	1,908,182
Change in net position	3,866,932	4,276,290
Net position at beginning of year	28,793,084	24,516,794
Net position at end of year	\$ 32,660,016	\$ 28,793,084

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, 2021

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, 2021**

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, 2021**

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, the Business District Fund and the PEG Capital 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, 2021**

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
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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, 2021 was adopted through the passage of ordinance number O-01-21 on February 2, 2021.
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, 2021.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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	\$ 12,623,600
Beautification Committee	46,847
Vehicle License	215,399
Special revenue funds:	
Seizure and Forfeiture	99,960
Motor Fuel Tax	1,112,702
Social Security and IMRF	801,875
Special Recreation	240,450
Police DUI Fine	10,500
Cal Sag Trail	10,500
Business District	186,900
PEG Capital	26,250
Capital projects funds:	
Capital Projects	2,530,500
127th and Harlem Tax Increment	340,935
Gateway Tax Increment	75,600
Debt service fund:	
Bond and Interest	488,552
Enterprise funds:	
Waterworks and Sewerage	11,695,062
Metra Station Parking	21,000

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2021**

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 property, 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:

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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
Infrastructure	50
Land improvements	10 - 20
Library collection	5
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).

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 four types of items that qualify for reporting in this category. One item, included in the government-wide and fund financial statements, is related to property taxes that are levied for a future period. Two 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). The fourth item, unavailable grant proceeds, is reported as deferred inflows of resources in the governmental fund balance sheets.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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 asset/liability and the total other post-employment benefits liability 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.

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.

L. New Accounting Standard - Leases

In June 2017, the GASB issued Statement No. 87, *Leases*. The most significant change in the new leasing guidance is the requirement for a lessee to recognize a lease liability and an intangible right-to-use asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the effect the adoption of Statement No. 87 is expected to have on its financial statements and related disclosures.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

M. Management's Evaluation of Going Concern

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the City's ability to continue as a going concern through December 31, 2022. Management's evaluation did not identify any conditions or events that raise substantial doubt about the City's ability to continue as a going concern through December 31, 2022.

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 and cash equivalents as of December 31, 2021 was comprised of the following:

	<u>Government- wide</u>	<u>Fiduciary</u>
Cash on hand	\$ 2,136	\$ -
Deposits with financial institutions	13,420,637	9,965
The Illinois Funds	<u>7,719,474</u>	<u>-</u>
Total	<u>\$ 21,142,247</u>	<u>\$ 9,965</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 Federal Deposit Insurance Corporation (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, 2021, \$12,955,036 of the City's bank balances of \$13,706,036 was in excess of FDIC limits and was collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

Pension Trust Fund

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Investments

Pension Trust Fund

As of December 31, 2021, the Pension Trust Fund had the following investments:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Credit Quality Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Certificates of deposit	\$ 582,123	N/A	5.09
Debt issues:			
Corporate	1,836,458	Aaa - Baa1	5.17
Municipal (3)	1,921,135	Aaa - A1	4.82
GNMA	37,624	N/R	12.91
Mutual funds:			
Equities	19,924,340	N/A	N/A
Mutual money market funds	334,765	N/A	N/A
U.S. government agency obligations (3)	6,757,364	Aaa	5.68
U.S. Treasury notes	<u>1,219,414</u>	N/A	5.32
 Total investments	 <u>\$ 32,613,223</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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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, 2021:

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.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 582,123	\$ -	\$ 582,123
Debt issues:				
Corporate	-	1,836,458	-	1,836,458
Municipal	-	1,921,135	-	1,921,135
GNMA	-	37,624	-	37,624
Mutual funds:				
Equities	19,924,340	-	-	19,924,340
Mutual money market funds	-	334,765	-	334,765
U.S. government agency obligations	-	6,757,364	-	6,757,364
U.S. Treasury notes	-	1,219,414	-	1,219,414
	<u>\$ 19,924,340</u>	<u>\$ 12,688,883</u>	<u>\$ -</u>	<u>\$ 32,613,223</u>
Total investments at fair value				

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

C. Capital Assets

Capital asset activity for the year ended December 31, 2021 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	\$ 4,721,987	\$ -	\$ -	\$ 4,721,987
Construction in progress	<u>737,942</u>	<u>190,074</u>	<u>(699,900)</u>	<u>228,116</u>
Total capital assets not being depreciated	<u>5,459,929</u>	<u>190,074</u>	<u>(699,900)</u>	<u>4,950,103</u>
Capital assets being depreciated:				
Land improvements	7,314,766	15,222	689,439	8,019,427
Buildings and improvements	19,897,294	13,500	-	19,910,794
Equipment	4,391,737	321,970	(246,070)	4,467,637
Infrastructure	<u>20,013,105</u>	<u>-</u>	<u>-</u>	<u>20,013,105</u>
Total capital assets being depreciated	<u>51,616,902</u>	<u>350,692</u>	<u>443,369</u>	<u>52,410,963</u>
Less accumulated depreciation for:				
Land improvements	(2,703,933)	(215,090)	-	(2,919,023)
Buildings and improvements	(7,393,533)	(463,911)	-	(7,857,444)
Equipment	(3,281,990)	(302,926)	237,093	(3,347,823)
Infrastructure	<u>(14,452,684)</u>	<u>(398,957)</u>	<u>-</u>	<u>(14,851,641)</u>
Total accumulated depreciation	<u>(27,832,140)</u>	<u>(1,380,884)</u>	<u>237,093</u>	<u>(28,975,931)</u>
Total capital assets being depreciated, net	<u>23,784,762</u>	<u>(1,030,192)</u>	<u>680,462</u>	<u>23,435,032</u>
Governmental activities capital assets, net	<u>\$ 29,244,691</u>	<u>\$ (840,118)</u>	<u>\$ (19,438)</u>	<u>\$ 28,385,135</u>

(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 45,849	\$ -	\$ -	\$ 45,849
Capital assets being depreciated:				
Buildings and improvements	3,578,933	-	-	3,578,933
Equipment	1,671,072	291,601	(86,402)	1,876,271
Water distribution, storm and sanitary system	9,686,272	-	-	9,686,272
Total capital assets being depreciated	<u>14,936,277</u>	<u>291,601</u>	<u>(86,402)</u>	<u>15,141,476</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,270,088)	(69,962)	-	(2,340,050)
Equipment	(1,541,248)	(206,603)	86,402	(1,661,449)
Water distribution, storm and sanitary system	(6,176,245)	(189,301)	-	(6,365,546)
Total accumulated depreciation	<u>(9,987,581)</u>	<u>(465,866)</u>	<u>86,402</u>	<u>(10,367,045)</u>
Total capital assets being depreciated, net	<u>4,948,696</u>	<u>(174,265)</u>	<u>-</u>	<u>4,774,431</u>
Business-type activities capital assets, net	<u>\$ 4,994,545</u>	<u>\$ (174,265)</u>	<u>\$ -</u>	<u>\$ 4,820,280</u>
Component unit:				
Palos Heights Public Library:				
Capital assets not being depreciated:				
Land	\$ 314,652	\$ -	\$ -	\$ 314,652
Construction in progress	-	89,320	-	89,320
Total capital assets not being depreciated	<u>314,652</u>	<u>89,320</u>	<u>-</u>	<u>403,972</u>
Capital assets being depreciated:				
Buildings and improvements	4,614,232	-	-	4,614,232
Equipment	504,275	-	-	504,275
Library collection	415,777	120,626	-	536,403
Total capital assets being depreciated	<u>5,534,284</u>	<u>120,626</u>	<u>-</u>	<u>5,654,910</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,398,072)	(117,754)	-	(2,515,826)
Furniture and equipment	(366,425)	(23,270)	-	(389,695)
Library collection	<u>(175,409)</u>	<u>(83,155)</u>	<u>-</u>	<u>(258,564)</u>
Total accumulated depreciation	<u>(2,939,906)</u>	<u>(224,179)</u>	<u>-</u>	<u>(3,164,085)</u>
Total capital assets being depreciated, net	<u>2,594,378</u>	<u>(103,553)</u>	<u>-</u>	<u>2,490,825</u>
Palos Heights Public Library capital assets, net	<u>\$ 2,909,030</u>	<u>\$ (14,233)</u>	<u>\$ -</u>	<u>\$ 2,894,797</u> (concluded)

Depreciation expense was charged to functions/programs as follows:

 Primary government:

 City of Palos Heights, Illinois:

 Governmental activities:

General government	\$ 464,343
Police and emergency services	263,337
Public works	104,723
Recreation and culture	<u>548,481</u>

 Total depreciation expense - governmental activities \$ 1,380,884

 Business-type activities:

Waterworks and sewerage	<u>\$ 465,866</u>
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Component unit:

 Palos Heights Public Library:

Recreation and culture	<u>\$ 224,179</u>
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**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2021 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 191,552	\$ -
Capital Projects Fund	-	103,452
Nonmajor governmental funds:		
Seizure and Forfeiture Fund	-	77,788
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>\$ 226,943</u>	 <u>\$ 226,943</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, 2021 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 758,110
General Fund	Nonmajor governmental fund:	
	Business District Fund	50,000
Waterworks and Sewerage Fund	General Fund	<u>21,405</u>
 Total		 <u>\$ 829,515</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, 2021**

E. Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Adjustments</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	\$ 5,060,000	\$ -	\$ (295,000)	\$ 4,765,000	\$ 300,000
Unamortized issuance premium	164,905	-	(19,779)	145,126	-
Notes payable	3,430,191	250,000	(244,371)	3,435,820	350,151
Installment contract payable	23,323	41,758	(37,242)	27,839	13,919
Compensated absences payable	1,695,837	1,480,880	(1,526,253)	1,650,464	1,485,418
Net pension liabilities:					
Police Pension	18,237,044	1,103,600	(4,367,384)	14,973,260	-
Illinois Municipal Retirement	431,489	(85,608)	(345,881)	-	-
Other post-employment benefits liability	<u>1,668,327</u>	<u>155,975</u>	<u>(85,905)</u>	<u>1,738,397</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 30,711,116</u>	<u>\$ 2,946,605</u>	<u>\$ (6,921,815)</u>	<u>\$ 26,735,906</u>	<u>\$ 2,149,488</u>
Business-type activities:					
Installment contracts payable	\$ 90,368	\$ -	\$ (90,368)	\$ -	\$ -
Compensated absences payable	194,060	138,790	(145,545)	187,305	140,479
Net pension liability:					
Illinois Municipal Retirement	115,809	(27,786)	(88,023)	-	-
Other post-employment benefits liability	<u>394,392</u>	<u>38,993</u>	<u>39,919</u>	<u>473,304</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 794,629</u>	<u>\$ 149,997</u>	<u>\$ (284,017)</u>	<u>\$ 660,609</u>	<u>\$ 140,479</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	<u>\$ 105,880</u>	<u>\$ (8,744)</u>	<u>\$ (97,136)</u>	<u>\$ -</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, 2021**

Due to the investment activity of the Illinois Municipal Retirement Fund during the current and prior year, the governmental activities are reporting a net pension asset of \$1,030,160, the business-type activities are reporting a net pension asset of \$261,656, and the component unit is reporting a net pension asset of \$275,922 at December 31, 2021.

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>
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>\$ 4,765,000</u>	<u>\$ 1,245,769</u>	<u>\$ 6,010,769</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Notes Payable

The City has pledged certain future revenues to repay notes payable of \$4,000,000 that were issued in 2014 and \$250,000 that were issued in 2021. 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, 2021, the City paid \$2,571,907 in principal and interest on the notes payable. \$1,576,574 was paid from incremental property tax revenue, \$732,673 from business district sales tax revenue and \$262,660 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
2022	\$ 196,085	\$ 119,051	\$ 35,015	\$ 350,151	\$ 176,542	\$ 26,991	\$ 14,985	\$ 218,518
2023	221,652	134,575	39,581	395,808	161,098	15,526	19,625	196,249
2024	253,618	153,982	45,289	452,889	143,850	10,118	17,108	171,076
2025	306,857	168,200	52,784	527,841	128,044	-	14,227	142,271
2026	339,681	172,400	56,898	568,979	97,830	-	10,870	108,700
2027	374,830	176,700	61,281	612,811	65,263	-	7,251	72,514
2028	295,311	179,296	52,734	527,341	28,281	1,904	3,354	33,539
Total	<u>\$ 1,988,034</u>	<u>\$ 1,104,204</u>	<u>\$ 343,582</u>	<u>\$ 3,435,820</u>	<u>\$ 800,908</u>	<u>\$ 54,539</u>	<u>\$ 87,420</u>	<u>\$ 942,867</u>

Installment Contract Payable

The City entered into an installment contract for Christmas decorations on August 26, 2021. Payments under the contract, including interest at 0%, are due as follows:

Year	Principal	Interest	Total
2022	\$ 13,919	\$ -	\$ 13,919
2023	13,920	-	13,920
Total	<u>\$ 27,839</u>	<u>\$ -</u>	<u>\$ 27,839</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Legal Debt Margin

The legal debt margin of the City as of December 31, 2021 is calculated as follows:

Assessed valuation - 2020 tax year (most recent information available)	<u>\$ 472,305,143</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 40,736,319</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	4,910,126
Installment contract	<u>27,839</u>
Total debt applicable to limit	<u>4,937,965</u>
Legal debt margin	<u>\$ 35,798,354</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

F. Fund Balances

As of December 31, 2021, 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	\$ 107,832	\$ -	\$ -	\$ 107,832
Restricted:				
Capital projects	\$ -	\$ -	\$ 1,067,438	\$ 1,067,438
Community redevelopment	-	-	217,091	217,091
Debt service	-	-	41,053	41,053
Law enforcement	-	-	709,572	709,572
PEG Capital	-	-	9,126	9,126
Road construction and maintenance	-	-	860,808	860,808
Social Security and IMRF	-	-	73,617	73,617
Special recreation programs	-	-	189,331	189,331
Total restricted	<u>-</u>	<u>-</u>	<u>3,168,036</u>	<u>3,168,036</u>
Assigned:				
Capital projects	-	2,988,867	-	2,988,867
Community redevelopment	-	-	89,456	89,456
Cal Sag Trail	-	-	8,249	8,249
Law enforcement	-	-	17,272	17,272
Social Security and IMRF	-	-	61,502	61,502
Special recreation programs	-	-	152,367	152,367
Total assigned	<u>-</u>	<u>2,988,867</u>	<u>328,846</u>	<u>3,317,713</u>
Unassigned	<u>5,791,252</u>	<u>-</u>	<u>-</u>	<u>5,791,252</u>
Total fund balances	<u>\$ 5,899,084</u>	<u>\$ 2,988,867</u>	<u>\$ 3,496,882</u>	<u>\$ 12,384,833</u>

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, 2021.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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.

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

Employees Covered by Benefit Terms. At December 31, 2021, 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	2
Active employees	<u>27</u>
 Total	 <u><u>52</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, 2021, the City's contribution was 76.8% of covered payroll.

Investment Policy. The Police Pension Plan's investment program is derived from the terms and provisions of the 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

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

Net Pension Liability. The City's net pension liability was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 using the following actuarial assumptions. The total pension liability was rolled forward by the actuary using updating procedures to December 31, 2021.

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 - 5-year smoothed fair 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.

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, 2021 (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 %	5.90 %
Small cap domestic equity	12.0	7.70
Fixed income	40.0	1.10
International equity	<u>6.0</u>	6.90
Total	<u>100.0 %</u>	

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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.

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 47,030,128	\$ 28,793,084	\$ 18,237,044
Changes for the year:			
Service cost	666,622	-	666,622
Interest on the total pension liability	3,036,058	-	3,036,058
Differences between expected and actual experience	(969,331)	-	(969,331)
Net investment income	-	3,457,758	(3,457,758)
Contributions - employees	-	297,453	(297,453)
Contributions - employer	-	2,297,394	(2,297,394)
Benefit payments, including refunds of employee contributions	(2,130,201)	(2,130,201)	-
Administrative expense	-	(55,472)	55,472
Net changes	<u>603,148</u>	<u>3,866,932</u>	<u>(3,263,784)</u>
Balances at December 31, 2021	<u>\$ 47,633,276</u>	<u>\$ 32,660,016</u>	<u>\$ 14,973,260</u>

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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 <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Higher <u>(7.75%)</u>
City's net pension liability	<u>\$ 21,946,351</u>	<u>\$ 14,973,260</u>	<u>\$ 9,299,081</u>

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

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2021, the City recognized pension expense of \$1,103,600. At December 31, 2021, 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	\$ 690,150	\$ 1,465,219
Changes of assumptions	926,039	17,045
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>3,021,034</u>
Total	<u>\$ 1,616,189</u>	<u>\$ 4,503,298</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:

2022	\$ (336,402)
2023	(1,244,551)
2024	(754,595)
2025	(366,149)
2026	(83,072)
Thereafter	<u>(102,340)</u>
Total	<u>\$ (2,887,109)</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
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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 multiple employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available 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).

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

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 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.

**CITY OF PALOS HEIGHTS, ILLINOIS
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YEAR ENDED DECEMBER 31, 2021**

Employees Covered by Benefit Terms. As of December 31, 2021, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	80
Inactive plan members entitled to but not yet receiving benefits	60
Active plan members	<u>58</u>
 Total	 <u><u>198</u></u>

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 2021 was 10.56%. For the year ended December 31, 2021, the City contributed \$428,488 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, 2021 are reported in the financial statements as follows:

Governmental activities	\$ 281,612
Business-type activities	71,474
Component unit	<u>75,402</u>
 Total contributions	 <u><u>\$ 428,488</u></u>

Net Pension Asset. The City's net pension asset was measured as of December 31, 2021. The total pension asset used to calculate the net pension asset 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 asset at December 31, 2021:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Fair Value of Assets.
- The Inflation Rate was assumed to be 2.25%.
- Salary Increases were expected to be 2.89% to 13.75%, including inflation.
- The Investment Rate of Return was assumed to be 7.25%.
- Projected Retirement Age was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2020 valuation, pursuant to an experience study from years 2017 to 2019.
- Mortality - Nondisabled Retirees: Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020 were used.
- Mortality - Disabled Retirees: Pub-2010, Amount-Weighted, below-median income, General,

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Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

- Mortality - Active Members: Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.
- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2021:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	39 %	1.90 %
International equity	15	3.15
Fixed income	25	(0.60)
Real estate	10	3.30
Alternative investments	10	1.70-5.50
Cash equivalents	1	(0.90)
Total	<u>100 %</u>	

Single Discount Rate. A Single Discount Rate of 7.25% was used to measure the total pension liability as of December 31, 2021. 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.

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Changes in the Net Pension (Asset) Liability. Changes in the City's net pension (asset) liability for the year ended December 31, 2021 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension (Asset) Liability (a) - (b)</u>
Balances at December 31, 2020	<u>\$ 24,442,706</u>	<u>\$ 23,789,528</u>	<u>\$ 653,178</u>
Changes for the year:			
Service cost	383,322	-	383,322
Interest on the total pension liability	1,737,101	-	1,737,101
Differences between expected and actual experience	151,707	-	151,707
Net investment income	-	4,064,352	(4,064,352)
Contributions - employees	-	182,588	(182,588)
Contributions - employer	-	428,488	(428,488)
Benefit payments, including refunds of employee contributions	(1,348,711)	(1,348,711)	-
Other changes	<u>-</u>	<u>(182,382)</u>	<u>182,382</u>
Net changes	<u>923,419</u>	<u>3,144,335</u>	<u>(2,220,916)</u>
Balances at December 31, 2021	<u>\$ 25,366,125</u>	<u>\$ 26,933,863</u>	<u>\$ (1,567,738)</u>

The net pension asset as of December 31, 2021 is reported on the financial statements as follows:

Governmental activities	\$ (1,030,160)
Business-type activities	(261,656)
Component unit	<u>(275,922)</u>
Total net pension liability	<u>\$ (1,567,738)</u>

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

CITY OF PALOS HEIGHTS, ILLINOIS
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	<u>1% Lower (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Higher (8.25%)</u>
Primary government:			
Governmental activities	\$ 1,078,951	\$ (1,030,160)	\$ (2,703,027)
Business-type activities	274,049	(261,656)	(686,557)
Component unit:			
Palos Heights Public Library	289,051	(275,922)	(724,142)

Pension Income, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.
For the year ended December 31, 2021, the City recognized pension income of \$(122,138). Pension income for the year ended December 31, 2021 is reported in the financial statements as follows:

Governmental activities	\$ (85,608)
Business-type activities	(27,786)
Component unit	<u>(8,744)</u>
Total pension income	<u>\$ (122,138)</u>

At December 31, 2021, 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	\$ 651,733	\$ 14,636
Changes of assumptions	-	110,084
Net difference between projected and actual earnings on Plan investments	-	2,528,913
Changes in proportionate share	<u>21,933</u>	<u>22,017</u>
Total	<u>\$ 673,666</u>	<u>\$ 2,675,650</u>
Governmental activities	\$ 537,424	\$ 2,125,435
Business-type activities	<u>136,242</u>	<u>550,215</u>
Total	<u>\$ 673,666</u>	<u>\$ 2,675,650</u>

CITY OF PALOS HEIGHTS, ILLINOIS
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<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	\$ 139,902	\$ 3,130
Changes of assumptions	-	23,545
Net difference between projected and actual earnings on Plan investments	-	540,775
Changes in proportionate share	<u>8,083</u>	<u>7,796</u>
Total	<u>\$ 147,985</u>	<u>\$ 575,246</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>
2022	\$ (237,770)	\$ (50,745)
2023	(767,089)	(163,711)
2024	(606,005)	(129,332)
2025	<u>(391,120)</u>	<u>(83,473)</u>
Total	<u>\$ (2,001,984)</u>	<u>\$ (427,261)</u>

3. Summary of Pension Information

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (income) 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
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YEAR ENDED DECEMBER 31, 2021

Pension-related deferred outflows of resources, (asset) liabilities, deferred inflows of resources, and pension (income) 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	\$ 1,616,189	\$ 673,666	\$ 2,289,855
Net pension (asset) liability	14,973,260	(1,291,816)	13,681,444
Deferred inflows of resources	4,503,298	2,675,650	7,178,948
Pension (income) expense	1,103,600	(113,394)	990,206
Pension expenditures	2,297,394	353,086	2,650,480

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, 2021, the following employees of the City were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>66</u>
Total	<u><u>75</u></u>

Total OPEB Liability. The City's total OPEB liability of \$2,211,701 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

**CITY OF PALOS HEIGHTS, ILLINOIS
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Actuarial Assumption and Other Inputs. The total OPEB liability in the December 31, 2021 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, 2021 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	\$ <u>2,062,719</u>
Changes for the year:	
Service cost	76,075
Interest expense	38,860
Differences between expected and actual experience	62,795
Changes of assumptions or other inputs	69,757
Benefit payments	(98,505)
Other changes	<u>-</u>
Net changes	<u>148,982</u>
Balance at December 31, 2021	<u>\$ 2,211,701</u>

The total OPEB liability as of December 31, 2021 is reported in the financial statements as follows:

Governmental activities	\$ 1,738,397
Business-type activities	<u>473,304</u>
Total OPEB liability	<u>\$ 2,211,701</u>

CITY OF PALOS HEIGHTS, ILLINOIS
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YEAR ENDED DECEMBER 31, 2021

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 <u>(2.25%)</u>	Current Discount Rate <u>(3.25%)</u>	1% Higher <u>(4.25%)</u>
Total OPEB liability	\$ <u>2,442,006</u>	\$ <u>2,211,701</u>	\$ <u>2,005,912</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 <u>(4.0% to 5.5%)</u>	Current Healthcare Cost Trend Rates <u>(5.0% to 6.5%)</u>	1% Higher <u>(6.0% to 7.5%)</u>
Total OPEB liability	\$ <u>1,963,366</u>	\$ <u>2,211,701</u>	\$ <u>2,501,583</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2021, the City recognized OPEB expense of \$194,968. OPEB expense for the year ended December 31, 2021 is reported in the financial statements as follows:

Governmental activities	\$ 155,975
Business-type activities	<u>38,993</u>
Total OPEB expense	<u>\$ 194,968</u>

At December 31, 2021, 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>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,550	\$ 59,510
Changes in assumptions and other inputs	762,553	148,898
Change in proportionate share	<u>127,841</u>	<u>127,841</u>
Total	<u>\$ 946,944</u>	<u>\$ 336,249</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
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YEAR ENDED DECEMBER 31, 2021**

Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities	\$ 663,333	\$ 272,129
Business-type activities	<u>283,611</u>	<u>64,120</u>
Total	<u>\$ 946,944</u>	<u>\$ 336,249</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:

2022	\$ 80,033
2023	80,033
2024	80,033
2025	80,033
2026	80,033
Thereafter	<u>210,530</u>
Total	<u>\$ 610,695</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.

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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 June 21, 2022, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEE RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

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

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:								
Service cost	\$ 666,622	\$ 678,898	\$ 627,309	\$ 579,804	\$ 602,360	\$ 564,272	\$ 401,819	\$ 386,047
Interest on the total pension liability	3,036,058	2,992,604	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	(969,331)	616,576	(998,257)	423,492	127,223	174,661	(477,761)	-
Changes of assumptions	-	(23,717)	799,862	-	-	3,159,527	1,306,292	-
Benefit payments, including refunds of employee contributions	<u>(2,130,201)</u>	<u>(1,859,064)</u>	<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	603,148	2,405,297	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>47,030,128</u>	<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>	<u>31,622,651</u>
Total pension liability at end of year	<u>\$ 47,633,276</u>	<u>\$ 47,030,128</u>	<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	\$ 297,453	\$ 304,570	\$ 281,434	\$ 268,587	\$ 331,562	\$ 257,628	\$ 249,211	\$ 232,255
Contributions - employer	2,297,394	2,071,195	2,081,050	1,791,557	1,533,870	1,431,455	1,325,572	1,332,537
Net investment income (loss)	3,457,758	3,809,605	3,899,640	(956,338)	2,406,415	1,112,510	212,152	1,091,919
Benefit payments, including refunds of employee contributions	(2,130,201)	(1,859,064)	(1,769,496)	(1,730,623)	(1,745,025)	(1,611,364)	(1,623,718)	(1,594,195)
Administrative expenses	<u>(55,472)</u>	<u>(50,016)</u>	<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	3,866,932	4,276,290	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>28,793,084</u>	<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>	<u>15,918,274</u>
Plan fiduciary net position at end of year	<u>\$ 32,660,016</u>	<u>\$ 28,793,084</u>	<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>
Employer's net pension liability at end of year	<u>\$ 14,973,260</u>	<u>\$ 18,237,044</u>	<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>68.57 %</u>	<u>61.22 %</u>	<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>\$ 2,990,339</u>	<u>\$ 2,963,009</u>	<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>
Employer's net pension liability as a percentage of covered payroll	<u>500.72 %</u>	<u>615.49 %</u>	<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 Employer'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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 2,296,846	\$ 2,072,267	\$ 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>2,297,394</u>	<u>2,071,195</u>	<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>\$ (548)</u>	<u>\$ 1,072</u>	<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>\$ 2,990,339</u>	<u>\$ 2,963,009</u>	<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>76.83 %</u>	<u>69.90 %</u>	<u>74.10 %</u>	<u>68.32 %</u>	<u>58.11 %</u>	<u>56.00 %</u>	<u>52.42 %</u>	<u>57.16 %</u>

Notes to Schedule of Employer 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, 2021.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Entry age
Amortization method	Level percentage of pay (closed)
Remaining amortization period	15 years
Asset valuation method	5-year smoothed fair value
Inflation	2.25%
Salary increases	3.50% - 12.31%
Investment rate of return	6.75%, net of administrative expenses.

SCHEDULE OF INVESTMENT RETURNS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>11.91 %</u>	<u>15.26 %</u>	<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 of Investment Returns:

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:							
Service cost	\$ 383,322	\$ 402,293	\$ 383,302	\$ 347,009	\$ 351,233	\$ 359,540	\$ 357,665
Interest on the total pension liability	1,737,101	1,593,313	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	151,707	1,602,774	(145,529)	563,850	(63,109)	(345,918)	135,651
Changes of assumptions	-	(311,811)	-	632,774	(664,788)	(48,316)	23,426
Benefit payments, including refunds of employee contributions	<u>(1,348,711)</u>	<u>(1,238,883)</u>	<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	923,419	2,047,686	789,139	2,093,971	187,536	547,970	1,052,204
Total pension liability at beginning of year	<u>24,442,706</u>	<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>	<u>17,724,200</u>
Total pension liability at end of year	<u>\$ 25,366,125</u>	<u>\$ 24,442,706</u>	<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	\$ 182,588	\$ 204,969	\$ 176,558	\$ 168,553	\$ 194,876	\$ 152,361	\$ 148,433
Contributions - employer	428,488	502,190	377,863	442,134	431,181	430,424	432,689
Net investment income (loss)	4,064,352	2,919,238	3,329,133	(967,034)	2,902,427	1,076,475	77,695
Benefit payments, including refunds of employee contributions	(1,348,711)	(1,238,883)	(992,960)	(892,596)	(865,831)	(805,145)	(776,400)
Other changes	<u>(182,382)</u>	<u>295,952</u>	<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	3,144,335	2,683,466	3,065,475	(712,516)	2,142,185	915,368	59,016
Plan fiduciary net position at beginning of year	<u>23,789,528</u>	<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>	<u>15,636,534</u>
Plan fiduciary net position at end of year	<u>\$ 26,933,863</u>	<u>\$ 23,789,528</u>	<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 (asset) liability at end of year	<u>\$ (1,567,738)</u>	<u>\$ 653,178</u>	<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>106.18 %</u>	<u>97.33 %</u>	<u>94.24 %</u>	<u>83.50 %</u>	<u>96.11 %</u>	<u>85.96 %</u>	<u>83.59 %</u>
Covered payroll	<u>\$ 4,056,151</u>	<u>\$ 4,134,308</u>	<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 (asset) liability as a percentage of covered payroll	<u>(38.65)%</u>	<u>15.80 %</u>	<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>2021</u>	<u>2020</u>	<u>2019</u>		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 428,330	\$ 480,820	\$ 377,702		\$ 441,970	\$ 431,005	\$ 430,245	\$ 426,884
Contributions in relation to the actuarially determined contribution	<u>428,488</u>	<u>502,190</u>	<u>377,863</u>		<u>442,134</u>	<u>431,181</u>	<u>430,424</u>	<u>432,689</u>
Contribution deficiency (excess)	<u>\$ (158)</u>	<u>\$ (21,370)</u>	<u>\$ (161)</u>		<u>\$ (164)</u>	<u>\$ (176)</u>	<u>\$ (179)</u>	<u>\$ (5,805)</u>
Covered payroll	<u>\$ 4,056,151</u>	<u>\$ 4,134,308</u>	<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>10.56 %</u>	<u>12.15 %</u>	<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 2021 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 2021 Contribution Rate:*

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22-year closed period.
Asset valuation method	5-year smoothed fair value with a 20% corridor
Wage growth	3.25%
Price inflation	2.50%.
Salary increases	3.35% to 14.25% including inflation
Investment rate of return	7.25%

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)**

Retirement age Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

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

Other Information: There were no benefit changes during the year.

* Based on valuation assumptions used in the December 31, 2019 actuarial valuation. There is a two year lag between the valuation date and rate setting.

See independent auditor's report.

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 76,075	\$ 70,914	\$ 51,899	\$ 63,880	\$ 61,434
Interest expense	38,860	56,177	59,054	57,558	44,834
Differences between expected and actual experience	62,795	-	(33,714)	-	(61,193)
Changes of assumptions or other inputs	69,757	256,936	57,041	(1,421)	38,747
Benefit payments	(98,505)	(89,418)	(105,165)	(116,224)	(107,443)
Other changes	<u>-</u>	<u>188</u>	<u>63,874</u>	<u>27,407</u>	<u>378,544</u>
Net change in total OPEB liability	148,982	294,797	92,989	31,200	354,923
Total OPEB liability at beginning of year	<u>2,062,719</u>	<u>1,767,922</u>	<u>1,674,933</u>	<u>1,643,733</u>	<u>1,288,810</u>
Total OPEB liability at end of year	<u>\$ 2,211,701</u>	<u>\$ 2,062,719</u>	<u>\$ 1,767,922</u>	<u>\$ 1,674,933</u>	<u>\$ 1,643,733</u>
Covered-employee payroll	<u>\$ 5,965,487</u>	<u>\$ 6,173,380</u>	<u>\$ 6,173,380</u>	<u>\$ 5,470,316</u>	<u>\$ 5,470,316</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>37.07 %</u>	<u>33.41 %</u>	<u>28.64 %</u>	<u>30.62 %</u>	<u>30.05 %</u>

Notes to schedule:

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related OPEB benefits.

The information in the schedule will accumulate until a full 10-year trend is presented as required by GASB Statement No. 75.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

**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, 2021

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 4,386,639	\$ 67,206	\$ 452,521	\$ -	\$ 4,906,366
Receivables:					
Property taxes	6,098,907	-	-	-	6,098,907
Accounts	157,770	-	-	-	157,770
Due from other funds	250,282	-	-	(58,730)	191,552
Due from other governments	1,491,694	-	-	-	1,491,694
Prepaid items	107,832	-	-	-	107,832
Other	821,091	-	-	-	821,091
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 13,314,215</u>	<u>\$ 67,206</u>	<u>\$ 452,521</u>	<u>\$ (58,730)</u>	<u>\$ 13,775,212</u>
LIABILITIES					
Accounts payable	\$ 277,198	\$ 1,410	\$ 23,994	\$ -	\$ 302,602
Accrued expenditures	113,012	-	-	-	113,012
Unearned revenue	125,571	-	-	-	125,571
Deposits held	384,069	-	-	-	384,069
Due to other funds	-	-	58,730	(58,730)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>899,850</u>	<u>1,410</u>	<u>82,724</u>	<u>(58,730)</u>	<u>925,254</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for future period	6,098,984	-	-	-	6,098,984
Unavailable revenue - grant proceeds	851,890	-	-	-	851,890
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>6,950,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,950,874</u>
FUND BALANCES					
Nonspendable	107,832	-	-	-	107,832
Unassigned	5,355,659	65,796	369,797	-	5,791,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>5,463,491</u>	<u>65,796</u>	<u>369,797</u>	<u>-</u>	<u>5,899,084</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,314,215</u>	<u>\$ 67,206</u>	<u>\$ 452,521</u>	<u>\$ (58,730)</u>	<u>\$ 13,775,212</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, 2021**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,867,655	\$ -	\$ -	\$ 5,867,655
Utility	1,052,460	-	-	1,052,460
Intergovernmental	3,836,550	-	-	3,836,550
Charges for services	386,038	-	-	386,038
Fees by agreement	752,758	-	-	752,758
Fines, forfeitures and penalties	108,009	-	-	108,009
Grants	852,890	-	-	852,890
Investment income	22,568	-	-	22,568
Licenses, permits and inspections	431,979	-	-	431,979
Swimming pool	236,016	-	-	236,016
Vehicle tag income	-	-	166,464	166,464
Other income	1,061,104	37,435	-	1,098,539
	<u>14,608,027</u>	<u>37,435</u>	<u>166,464</u>	<u>14,811,926</u>
Total revenues				
Expenditures:				
Current:				
Personnel	6,227,616	-	-	6,227,616
Retirement contributions	2,297,394	-	-	2,297,394
Hospital and medical insurance	998,827	-	-	998,827
Contractual	1,695,068	-	-	1,695,068
Commodities	449,324	-	-	449,324
Other	182,541	37,185	-	219,726
Legal department	107,984	-	-	107,984
Vehicle tag expense	-	-	60,355	60,355
Debt service:				
Principal	33,242	4,000	-	37,242
Interest	242	-	-	242
Capital outlay	37,189	450	43,925	81,564
	<u>12,029,427</u>	<u>41,635</u>	<u>104,280</u>	<u>12,175,342</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>2,578,600</u>	<u>(4,200)</u>	<u>62,184</u>	<u>2,636,584</u>
Other financing sources (uses):				
Installment contract	41,758	-	-	41,758
Proceeds from sale of capital assets	36,850	-	-	36,850
Transfers in	21,405	-	-	21,405
Transfers out	(808,110)	-	-	(808,110)
	<u>(708,097)</u>	<u>-</u>	<u>-</u>	<u>(708,097)</u>
Total other financing sources (uses)				
Net change in fund balances	1,870,503	(4,200)	62,184	1,928,487
Fund balances at beginning of year	<u>3,592,988</u>	<u>69,996</u>	<u>307,613</u>	<u>3,970,597</u>
Fund balances at end of year	<u>\$ 5,463,491</u>	<u>\$ 65,796</u>	<u>\$ 369,797</u>	<u>\$ 5,899,084</u>

See independent auditor's report.

CORPORATE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,386,639	\$ 2,940,197
Receivables:		
Property taxes	6,098,907	6,011,252
Accounts	157,770	137,918
Due from other funds	250,282	175,225
Due from other governments	1,491,694	531,035
Prepaid items	107,832	-
Other	<u>821,091</u>	<u>642,401</u>
 Total assets	 <u>\$ 13,314,215</u>	 <u>\$ 10,438,028</u>
LIABILITIES		
Accounts payable	\$ 277,198	\$ 269,962
Accrued expenditures	113,012	98,064
Unearned revenue	125,571	91,922
Deposits held	<u>384,069</u>	<u>370,905</u>
 Total liabilities	 <u>899,850</u>	 <u>830,853</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	6,098,984	6,014,187
Unavailable revenue - grant proceeds	<u>851,890</u>	<u>-</u>
 Total deferred inflows of resources	 <u>6,950,874</u>	 <u>6,014,187</u>
FUND BALANCES		
Nonspendable	107,832	-
Unassigned	<u>5,355,659</u>	<u>3,592,988</u>
 Total fund balances	 <u>5,463,491</u>	 <u>3,592,988</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 13,314,215</u>	 <u>\$ 10,438,028</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 6,079,894	\$ 5,867,655	\$ (212,239)	\$ 5,624,468
Utility	1,070,000	1,052,460	(17,540)	1,017,182
Intergovernmental	3,074,455	3,836,550	762,095	3,199,210
Charges for services	352,600	386,038	33,438	328,131
Fees by agreement	586,600	752,758	166,158	311,029
Fines, forfeitures and penalties	120,000	108,009	(11,991)	71,986
Grants	-	852,890	852,890	300,985
Investment income	60,000	22,568	(37,432)	67,979
Licenses, permits and inspections	342,400	431,979	89,579	484,831
Swimming pool	135,250	236,016	100,766	31,485
Other	860,644	1,061,104	200,460	816,823
Total revenues	<u>12,681,843</u>	<u>14,608,027</u>	<u>1,926,184</u>	<u>12,254,109</u>
Expenditures:				
Current:				
Personnel	6,483,994	6,227,616	256,378	6,002,272
Retirement contributions	2,297,394	2,297,394	-	2,071,195
Hospital and medical insurance	1,103,000	998,827	104,173	1,000,013
Contractual	1,813,068	1,695,068	118,000	1,795,987
Commodities	410,700	449,324	(38,624)	298,300
Other	293,700	182,541	111,159	188,906
Legal department	77,000	107,984	(30,984)	74,817
Debt service:				
Principal	30,000	33,242	(3,242)	38,484
Interest	-	242	(242)	2,423
Capital outlay	93,500	37,189	56,311	48,392
Total expenditures	<u>12,602,356</u>	<u>12,029,427</u>	<u>572,929</u>	<u>11,520,789</u>
Excess of revenues over expenditures	<u>79,487</u>	<u>2,578,600</u>	<u>2,499,113</u>	<u>733,320</u>
Other financing sources (uses):				
Installment contract	-	41,758	41,758	-
Proceeds from sale of capital assets	5,000	36,850	31,850	-
Transfers in	-	21,405	21,405	-
Transfers out	(84,487)	(808,110)	(723,623)	(1,444,568)
Total other financing sources (uses)	<u>(79,487)</u>	<u>(708,097)</u>	<u>(628,610)</u>	<u>(1,444,568)</u>
Net change in fund balances	-	1,870,503	1,870,503	(711,248)
Fund balances at beginning of year	<u>3,592,988</u>	<u>3,592,988</u>	<u>-</u>	<u>4,304,236</u>
Fund balances at end of year	<u>\$ 3,592,988</u>	<u>\$ 5,463,491</u>	<u>\$ 1,870,503</u>	<u>\$ 3,592,988</u>

See independent auditor's report.

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

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**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
General government:				
Administration:				
Current:				
Personnel	\$ 152,074	\$ 184,319	\$ (32,245)	\$ 235,332
Hospital and medical insurance	1,103,000	998,827	104,173	1,000,013
Contractual:				
Deductible insurance	20,000	11,680	8,320	12,284
Employee training and travel	2,000	551	1,449	837
Insurance - liability premium, IRMA	236,561	236,531	30	189,726
Maintenance and replacement of equipment	5,000	4,894	106	4,405
Memberships, dues and subscriptions	10,000	11,501	(1,501)	9,131
Postage	2,500	2,501	(1)	2,405
Printing, publishing and legal notices	3,000	3,303	(303)	3,279
Professional fees	88,000	95,564	(7,564)	64,374
Telephone	15,000	15,167	(167)	10,387
Commodities:				
Codifications	4,000	2,487	1,513	3,396
Office and departmental supplies	15,000	16,163	(1,163)	16,106
Other:				
Expense account - City officials	28,700	16,643	12,057	21,516
Other	<u>251,500</u>	<u>148,436</u>	<u>103,064</u>	<u>156,784</u>
Total administration	<u>1,936,335</u>	<u>1,748,567</u>	<u>187,768</u>	<u>1,729,975</u>
Legal department:				
Current:				
City attorney retainer	15,000	15,000	-	15,000
City prosecutor's retainer	36,000	36,000	-	33,977
Legal	<u>26,000</u>	<u>56,984</u>	<u>(30,984)</u>	<u>25,840</u>
Total legal department	<u>77,000</u>	<u>107,984</u>	<u>(30,984)</u>	<u>74,817</u>
Total general government	<u><u>\$ 2,013,335</u></u>	<u><u>\$ 1,856,551</u></u>	<u><u>\$ 156,784</u></u>	<u><u>\$ 1,804,792</u></u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>			<u>2020</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	\$ 3,679,503	\$ 3,429,344	\$ 250,159	\$ 3,365,147
Retirement contributions	2,297,394	2,297,394	-	2,071,195
Contractual:				
Dispatching	346,502	345,366	1,136	340,822
Employee training and travel	41,600	38,575	3,025	28,338
Maintenance and replacement of equipment	189,100	184,167	4,933	147,748
Memberships, dues and subscriptions	2,000	1,706	294	3,769
Postage	2,000	1,141	859	1,193
Telephone	25,000	34,163	(9,163)	37,958
Utilities	164,005	153,575	10,430	337,247
Commodities:				
Investigation and operation supplies	52,500	42,374	10,126	37,689
Office and departmental supplies	20,000	11,846	8,154	15,807
Total police department	<u>6,819,604</u>	<u>6,539,651</u>	<u>279,953</u>	<u>6,386,913</u>
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	2,500	-	2,500	2,680
Legal expense	1,500	-	1,500	-
Memberships, dues and subscriptions	500	375	125	375
Total commissions	<u>8,500</u>	<u>4,375</u>	<u>4,125</u>	<u>7,055</u>
Total public safety	<u>\$ 6,828,104</u>	<u>\$ 6,544,026</u>	<u>\$ 284,078</u>	<u>\$ 6,393,968</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>			<u>2020</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	\$ 216,000	\$ 194,659	\$ 21,341	\$ 194,437
Contractual:				
Employee training and travel	4,100	260	3,840	250
Maintenance and replacement of equipment	100	-	100	-
Membership, dues, and subscriptions	800	175	625	475
Professional fees	12,000	10,012	1,988	6,869
Telephone	2,000	1,923	77	1,039
Commodities:				
Office and departmental supplies	8,100	4,491	3,609	10,239
Capital outlay:				
Purchase of equipment	<u>10,000</u>	<u>9,536</u>	<u>464</u>	<u>10,091</u>
Total building department	<u>253,100</u>	<u>221,056</u>	<u>32,044</u>	<u>223,400</u>
Building and grounds:				
Current:				
Personnel	419,000	311,469	107,531	360,638
Contractual:				
Employee training and travel	22,100	19,300	2,800	-
Maintenance and replacement of equipment	234,000	188,892	45,108	261,540
Membership, dues, and subscriptions	300	25	275	40
Professional fees	20,500	11,528	8,972	-
Commodities:				
Maintenance supplies	21,000	11,078	9,922	8,364
Office and departmental supplies	10,000	9,333	667	8,117
Capital outlay:				
Purchase of equipment	<u>10,000</u>	<u>3,167</u>	<u>6,833</u>	<u>8,108</u>
Total building and grounds	<u>736,900</u>	<u>554,792</u>	<u>182,108</u>	<u>646,807</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Motor vehicle maintenance:				
Current:				
Personnel	169,500	160,629	8,871	162,796
Contractual:				
Employee training and travel	10,800	6,252	4,548	5,688
Maintenance and replacement of equipment	84,500	67,020	17,480	64,560
Membership, dues, and subscriptions	200	-	200	-
Professional fees	5,000	3,331	1,669	869
Commodities:				
Maintenance supplies	84,000	98,461	(14,461)	40,899
Office and departmental supplies	8,000	7,776	224	7,630
Capital outlay:				
Purchase of equipment	40,000	9,193	30,807	2,175
Total motor vehicle maintenance	402,000	352,662	49,338	284,617
Total public works	\$ 1,392,000	\$ 1,128,510	\$ 263,490	\$ 1,154,824
 Lake Katherine:				
Current:				
Personnel	\$ 345,219	\$ 352,135	\$ (6,916)	\$ 319,602
Contractual:				
Insurance	5,000	4,525	475	4,500
Maintenance and replacement of equipment	34,500	32,725	1,775	31,504
Telephone	10,500	15,221	(4,721)	14,334
Utilities	25,000	36,871	(11,871)	33,016
Commodities:				
Office and departmental supplies	1,500	1,211	289	1,301
Capital outlay:				
Purchase of equipment	3,500	4,925	(1,425)	1,969
Total Lake Katherine	\$ 425,219	\$ 447,613	\$ (22,394)	\$ 406,226

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Recreation department:				
Current:				
Personnel	\$ 941,274	\$ 968,230	\$ (26,956)	\$ 857,459
Contractual:				
Employee training and travel	4,800	3,949	851	4,722
Maintenance and replacement of equipment	18,000	17,943	57	15,150
Membership, dues and subscriptions	15,000	20,060	(5,060)	12,374
Postage	4,000	2,021	1,979	5,243
Professional fees	63,000	56,471	6,529	56,587
Publicity and advertisement	15,000	13,128	1,872	11,718
Telephone	21,500	23,878	(2,378)	19,083
Utilities	11,000	11,557	(557)	6,580
Commodities:				
Maintenance supplies	12,000	11,416	584	14,286
Office and departmental supplies	7,000	4,970	2,030	4,779
Program supplies	129,600	175,795	(46,195)	105,103
Other:				
Other	13,500	17,462	(3,962)	10,606
Debt service:				
Principal	30,000	33,242	(3,242)	38,484
Interest	-	242	(242)	2,423
Capital outlay:				
Purchase of equipment	15,000	10,368	4,632	14,702
Total recreation department	<u>\$ 1,300,674</u>	<u>\$ 1,370,732</u>	<u>\$ (70,058)</u>	<u>\$ 1,179,299</u>
Swimming pool:				
Current:				
Personnel	\$ 147,600	\$ 149,288	\$ (1,688)	\$ 53,941
Contractual:				
Employee training and travel	4,500	1,464	3,036	2,722
Maintenance and replacement of equipment	9,000	16,193	(7,193)	8,870
Utilities	14,000	32,548	(18,548)	18,751
Commodities:				
Office and departmental supplies	25,500	43,648	(18,148)	14,575
Total swimming pool	<u>\$ 200,600</u>	<u>\$ 243,141</u>	<u>\$ (42,541)</u>	<u>\$ 98,859</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Roads and construction:				
Current:				
Personnel	\$ 409,824	\$ 473,543	\$ (63,719)	\$ 448,920
Contractual:				
Employee training and travel	1,100	799	301	-
Maintenance and replacement of equipment	(52,500)	(85,436)	32,936	(41,748)
Membership, dues, and subscriptions	500	2,100	(1,600)	253
Professional fees	21,000	13,373	7,627	21,527
Utilities	35,000	26,200	8,800	32,513
Commodities:				
Office and departmental supplies	12,500	8,275	4,225	10,009
Capital outlay:				
Purchase of equipment	15,000	-	15,000	11,347
Total roads and construction	\$ 442,424	\$ 438,854	\$ 3,570	\$ 482,821
Total corporate fund expenditures	\$ 12,602,356	\$ 12,029,427	\$ 572,929	\$ 11,520,789

See independent auditor's report.

BEAUTIFICATION COMMITTEE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 BALANCE SHEET
 DECEMBER 31, 2021
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 67,206</u>	<u>\$ 70,596</u>
LIABILITIES		
Accounts payable	\$ 1,410	\$ 600
FUND BALANCES		
Unassigned	<u>65,796</u>	<u>69,996</u>
Total liabilities and fund balances	<u>\$ 67,206</u>	<u>\$ 70,596</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, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 24,700	\$ 37,435	\$ 12,735	\$ 3,700
Expenditures:				
Current:				
Other	44,615	37,185	7,430	9,279
Debt service:				
Principal	-	4,000	(4,000)	-
Capital outlay	-	450	(450)	-
Total expenditures	<u>44,615</u>	<u>41,635</u>	<u>2,980</u>	<u>9,279</u>
Net change in fund balances	(19,915)	(4,200)	15,715	(5,579)
Fund balances at beginning of year	<u>69,996</u>	<u>69,996</u>	-	<u>75,575</u>
Fund balances at end of year	<u>\$ 50,081</u>	<u>\$ 65,796</u>	<u>\$ 15,715</u>	<u>\$ 69,996</u>

See independent auditor's report.

VEHICLE LICENSE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 452,521</u>	<u>\$ 366,993</u>
LIABILITIES		
Accounts payable	\$ 23,994	\$ 650
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	82,724	59,380
FUND BALANCES		
Unassigned	<u>369,797</u>	<u>307,613</u>
Total liabilities and fund balances	<u>\$ 452,521</u>	<u>\$ 366,993</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>		<u>2020</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Vehicle tag income	\$ 180,500	\$ 166,464	\$ (14,036)	\$ 170,118
Expenditures:				
Current:				
Other:				
Vehicle tag expense	55,000	60,355	(5,355)	47,379
Capital outlay	<u>150,142</u>	<u>43,925</u>	<u>106,217</u>	<u>14,880</u>
Total expenditures	<u>205,142</u>	<u>104,280</u>	<u>100,862</u>	<u>62,259</u>
Net change in fund balances	(24,642)	62,184	86,826	107,859
Fund balances at beginning of year	<u>307,613</u>	<u>307,613</u>	-	<u>199,754</u>
Fund balances at end of year	<u>\$ 282,971</u>	<u>\$ 369,797</u>	<u>\$ 86,826</u>	<u>\$ 307,613</u>

See independent auditor's report.

CAPITAL PROJECTS FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
CAPITAL PROJECTS FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 3,031,501	\$ 2,636,253
Due from other governments	<u>394,936</u>	<u>292,650</u>
Total assets	<u>\$ 3,426,437</u>	<u>\$ 2,928,903</u>
LIABILITIES		
Accounts payable	\$ 334,118	\$ 125,244
Due to other funds	<u>103,452</u>	<u>103,452</u>
Total liabilities	437,570	228,696
FUND BALANCES		
Assigned	<u>2,988,867</u>	<u>2,700,207</u>
Total liabilities and fund balances	<u>\$ 3,426,437</u>	<u>\$ 2,928,903</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Grants	\$ 310,000	\$ 170,266	\$ (139,734)	\$ 494,318
Investment income	-	-	-	1,780
Other income	<u>500,000</u>	<u>68,729</u>	<u>(431,271)</u>	<u>19,138</u>
Total revenues	810,000	238,995	(571,005)	515,236
Expenditures:				
Capital outlay	<u>2,410,000</u>	<u>723,945</u>	<u>1,686,055</u>	<u>959,198</u>
Deficiency of revenues over expenditures	<u>(1,600,000)</u>	<u>(484,950)</u>	<u>1,115,050</u>	<u>(443,962)</u>
Other financing sources:				
Proceeds from sale of capital assets	-	15,500	15,500	-
Transfers in	<u>34,487</u>	<u>758,110</u>	<u>723,623</u>	<u>1,399,568</u>
Net change in fund balances	(1,565,513)	288,660	1,854,173	955,606
Fund balances at beginning of year	<u>2,700,207</u>	<u>2,700,207</u>	<u>-</u>	<u>1,744,601</u>
Fund balances at end of year	<u>\$ 1,134,694</u>	<u>\$ 2,988,867</u>	<u>\$ 1,854,173</u>	<u>\$ 2,700,207</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, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 9,060,980	\$ 8,419,889
Accounts receivable - water customers:		
Billed	412,072	464,447
Unbilled	<u>909,048</u>	<u>908,183</u>
Total current assets	<u>10,382,100</u>	<u>9,792,519</u>
Noncurrent assets:		
Net pension asset	<u>261,656</u>	<u>-</u>
Capital assets:		
Land	45,849	45,849
Building and improvements	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,686,272	9,686,272
Equipment	<u>1,876,271</u>	<u>1,671,072</u>
Total	15,187,325	14,982,126
Less accumulated depreciation	<u>(10,367,045)</u>	<u>(9,987,581)</u>
Net capital assets	<u>4,820,280</u>	<u>4,994,545</u>
Total noncurrent assets	<u>5,081,936</u>	<u>4,994,545</u>
Total assets	<u>15,464,036</u>	<u>14,787,064</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	136,242	232,780
Deferred outflows of resources related to other post-employment benefits	<u>283,611</u>	<u>213,380</u>
Total deferred outflows of resources	<u>419,853</u>	<u>446,160</u>

See independent auditor's report.

	<u>2021</u>	<u>2020</u>
LIABILITIES		
Current liabilities:		
Accounts payable	436,540	732,681
Accrued payroll	21,118	16,196
Current portion of long-term liabilities:		
Compensated absences	140,479	145,545
Installment contracts	-	90,368
Total current liabilities	<u>598,137</u>	<u>984,790</u>
Long-term liabilities:		
Compensated absences	46,826	48,515
Net pension liability	-	115,809
Net other post-employment benefits liability	<u>473,304</u>	<u>394,392</u>
Total long-term liabilities	<u>520,130</u>	<u>558,716</u>
Total liabilities	<u>1,118,267</u>	<u>1,543,506</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	550,215	368,548
Deferred inflows of resources related to other post-employment benefits	<u>64,120</u>	<u>55,687</u>
Total deferred inflows of resources	<u>614,335</u>	<u>424,235</u>
NET POSITION		
Net investment in capital assets	4,820,280	4,904,177
Unrestricted	<u>9,331,007</u>	<u>8,361,306</u>
Total net position	<u>\$ 14,151,287</u>	<u>\$ 13,265,483</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, 2021**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>			<u>2020</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	\$ 6,275,000	\$ 6,238,743	\$ (36,257)	\$ 6,200,567
Sewer charges	1,102,000	1,120,696	18,696	1,096,007
User fees	500	1,870	1,370	10,339
Penalties	60,000	81,732	21,732	45,796
Sales of water meters	5,000	12,205	7,205	7,515
Other	31,225	30,216	(1,009)	31,601
	<u>7,473,725</u>	<u>7,485,462</u>	<u>11,737</u>	<u>7,391,825</u>
Total operating revenues				
Operating expenses:				
Personnel	1,378,000	1,218,157	159,843	1,191,875
Contractual	3,969,675	3,574,038	395,637	3,587,758
Commodities	1,452,000	875,728	576,272	1,612,314
Depreciation	-	465,866	(465,866)	390,132
Other	821,556	495,999	325,557	353,616
	<u>7,621,231</u>	<u>6,629,788</u>	<u>991,443</u>	<u>7,135,695</u>
Total operating expenses				
Operating income (loss)	<u>(147,506)</u>	<u>855,674</u>	<u>1,003,180</u>	<u>256,130</u>
Nonoperating revenue (expense):				
Gain on sale of capital assets	-	40,430	-	-
Investment income	45,000	14,707	(30,293)	100,641
Interest expense	-	(3,602)	(3,602)	(7,066)
	<u>45,000</u>	<u>51,535</u>	<u>(33,895)</u>	<u>93,575</u>
Total nonoperating revenue (expense)				
Income (loss) before transfers	(102,506)	907,209	1,009,715	349,705
Transfer out	<u>-</u>	<u>(21,405)</u>	<u>(21,405)</u>	<u>-</u>
Change in net position	(102,506)	885,804	988,310	349,705
Net position at beginning of year	<u>13,265,483</u>	<u>13,265,483</u>	<u>-</u>	<u>12,915,778</u>
Net position at end of year	<u>\$ 13,162,977</u>	<u>\$ 14,151,287</u>	<u>\$ 988,310</u>	<u>\$ 13,265,483</u>
Other budgeted expenditure:				
Capital outlay	<u>\$ 2,730,000</u>	<u>\$ 291,601</u>	<u>\$ 2,438,399</u>	<u>\$ 364,280</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Personnel:				
Salaries	\$ 904,000	\$ 859,725	\$ 44,275	\$ 816,567
Hospital and medical insurance	317,000	334,114	(17,114)	307,629
IMRF, Social Security and Medicare	<u>157,000</u>	<u>24,318</u>	<u>132,682</u>	<u>67,679</u>
Total personnel	<u>1,378,000</u>	<u>1,218,157</u>	<u>159,843</u>	<u>1,191,875</u>
Contractual:				
General insurance	101,925	101,631	294	101,960
Maintenance service	26,000	23,246	2,754	18,065
Other	248,750	245,309	3,441	227,196
Postage	20,000	14,870	5,130	15,920
Professional fees	65,000	28,726	36,274	62,203
Purchase of water	3,400,000	3,054,017	345,983	3,044,127
Telephone	30,000	23,274	6,726	31,304
Utilities	<u>78,000</u>	<u>82,965</u>	<u>(4,965)</u>	<u>86,983</u>
Total contractual	<u>3,969,675</u>	<u>3,574,038</u>	<u>395,637</u>	<u>3,587,758</u>
Commodities:				
Gas and oil	56,000	56,000	-	58,000
Supplies:				
Departmental and office	25,000	11,055	13,945	21,940
Maintenance	<u>1,371,000</u>	<u>808,673</u>	<u>562,327</u>	<u>1,532,374</u>
Total commodities	<u>1,452,000</u>	<u>875,728</u>	<u>576,272</u>	<u>1,612,314</u>
Depreciation	<u>-</u>	<u>465,866</u>	<u>(465,866)</u>	<u>390,132</u>
Other:				
Administrative charges	431,556	431,556	-	304,770
Bad debt expense	300,000	(2,302)	302,302	7,216
Equipment purchases	<u>90,000</u>	<u>66,745</u>	<u>23,255</u>	<u>41,630</u>
Total other	<u>821,556</u>	<u>495,999</u>	<u>325,557</u>	<u>353,616</u>
Total operating expenses	<u>\$ 7,621,231</u>	<u>\$ 6,629,788</u>	<u>\$ 991,443</u>	<u>\$ 7,135,695</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,536,972	\$ 7,281,796
Payments to employees	(1,302,136)	(1,366,965)
Payments to suppliers	(5,241,906)	(5,146,687)
Net cash provided by operating activities	992,930	768,144
Cash flows from noncapital financing activities:		
Transfers to other funds	(21,405)	-
Cash flows from capital and related financing activities:		
Payments for purchases of capital assets	(291,601)	(364,280)
Payment of accounts payable used to finance prior year purchases of capital assets	-	(355,451)
Proceeds from sale of capital assets	40,430	-
Principal paid on capital debt	(90,368)	(110,069)
Interest paid on capital debt	(3,602)	(7,066)
Net cash used by capital and related financing activities	(345,141)	(836,866)
Cash flows from investing activities:		
Investment income received	14,707	100,641
Net increase in cash and cash equivalents	641,091	31,919
Cash and cash equivalents at beginning of year	8,419,889	8,387,970
Cash and cash equivalents at end of year	\$ 9,060,980	\$ 8,419,889

See independent auditor's report.

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 855,674	\$ 256,130
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	465,866	390,132
(Increase) decrease in:		
Accounts receivable	51,510	(110,029)
Net pension asset	(261,656)	-
Deferred outflows of resources related to pensions	96,538	(117,743)
Deferred outflows of resources related to other post-employment benefits	(70,231)	(17,188)
Increase (decrease) in:		
Accounts payable	(296,141)	407,001
Accrued payroll	4,922	(26,300)
Compensated absences	(6,755)	(101,470)
Net pension liability	(115,809)	(129,737)
Net other post-employments benefits liability	78,912	36,741
Deferred inflows of resources related to pensions	181,667	167,532
Deferred inflows of resources related to other post-employment benefits	<u>8,433</u>	<u>13,075</u>
Net cash provided by operating activities	<u>\$ 992,930</u>	<u>\$ 768,144</u>

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>Special Revenue Funds</u>					<u>Capital Projects Funds</u>					<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Seizure and Forfeiture</u>	<u>Motor Fuel Tax</u>	<u>Social Security and IMRF</u>	<u>Special Recreation</u>	<u>Police DUI Fine</u>	<u>Cal Sag Trail</u>	<u>Business District</u>	<u>PEG Capital</u>	<u>127th and Harlem Tax Increment</u>	<u>Gateway Tax Increment</u>	<u>Bond and Interest</u>	
ASSETS												
Cash and cash equivalents	\$ 767,527	\$ 1,020,936	\$ 135,127	\$ 341,737	\$ 40,448	\$ 8,249	\$ 245,708	\$ 4,103	\$ 770,414	\$ 667,674	\$ 41,059	\$ 4,042,982
Receivables:												
Property taxes	-	-	700,831	176,546	-	-	-	-	-	-	402,854	1,280,231
Accounts	-	-	-	-	-	-	6,033	-	-	-	-	6,033
Due from other funds	-	-	-	-	-	-	35,391	-	-	-	-	35,391
Due from other governments	-	46,539	-	-	-	-	25,448	-	-	-	-	71,987
Total assets	\$ 767,527	\$ 1,067,475	\$ 835,958	\$ 518,283	\$ 40,448	\$ 8,249	\$ 306,547	\$ 10,136	\$ 770,414	\$ 667,674	\$ 443,913	\$ 5,436,624
LIABILITIES												
Accounts payable	\$ 3,343	\$ 196,355	\$ -	\$ 37	\$ -	\$ -	\$ -	\$ 1,010	\$ -	\$ -	\$ -	\$ 200,745
Other payable	-	-	-	-	-	-	-	-	335,259	-	-	335,259
Due to other funds	77,788	10,312	-	-	-	-	-	35,391	-	-	-	123,491
Total liabilities	81,131	206,667	-	37	-	-	-	1,010	335,259	-	-	659,495
DEFERRED INFLOWS OF RESOURCES												
Property taxes levied for future period	-	-	700,839	176,548	-	-	-	-	-	-	402,860	1,280,247
FUND BALANCES												
Restricted	686,396	860,808	73,617	189,331	23,176	-	217,091	9,126	735,023	332,415	41,053	3,168,036
Assigned	-	-	61,502	152,367	17,272	8,249	89,456	-	-	-	-	328,846
Total fund balances	686,396	860,808	135,119	341,698	40,448	8,249	306,547	9,126	735,023	332,415	41,053	3,496,882
Total liabilities, deferred inflows of resources, and fund balances	\$ 767,527	\$ 1,067,475	\$ 835,958	\$ 518,283	\$ 40,448	\$ 8,249	\$ 306,547	\$ 10,136	\$ 770,414	\$ 667,674	\$ 443,913	\$ 5,436,624

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, 2021**

	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	PEG Capital	127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
Revenues:												
Taxes:												
Property levies, net	\$ -	\$ -	\$ 536,735	\$ 169,535	\$ -	\$ -	\$ -	\$ -	\$ 485,341	\$ 217,307	\$ 472,898	\$ 1,881,816
Business district sales	-	-	-	-	-	-	152,955	-	-	-	-	152,955
Intergovernmental	-	783,522	-	-	-	-	-	-	-	-	-	783,522
Fines, forfeitures and penalties	81,716	-	-	-	-	-	-	-	-	-	-	81,716
Investment income	3,135	378	-	-	-	-	72	-	2,089	762	-	6,436
Other income	13,013	-	-	-	7,710	1,896	-	21,119	-	-	-	43,738
Total revenues	<u>97,864</u>	<u>783,900</u>	<u>536,735</u>	<u>169,535</u>	<u>7,710</u>	<u>1,896</u>	<u>153,027</u>	<u>21,119</u>	<u>487,430</u>	<u>218,069</u>	<u>472,898</u>	<u>2,950,183</u>
Expenditures:												
Current:												
Personnel	71,657	-	-	-	-	-	-	-	8,377	8,158	-	88,192
Payroll taxes and retirement contributions	-	-	591,798	-	-	-	-	-	-	-	-	591,798
Contractual	-	-	-	-	-	-	7,630	-	6,122	8,971	-	22,723
Commodities	-	37,393	-	-	-	-	-	-	243	147	-	37,783
Other	418,750	-	-	130,249	17,972	10,210	-	22,398	-	-	-	599,579
Debt service:												
Principal	-	-	-	-	-	-	158,088	-	86,283	-	295,000	539,371
Interest	-	-	-	-	-	-	-	-	218,160	-	170,263	388,423
Capital outlay	-	662,349	-	-	-	-	-	-	-	-	-	662,349
Total expenditures	<u>490,407</u>	<u>699,742</u>	<u>591,798</u>	<u>130,249</u>	<u>17,972</u>	<u>10,210</u>	<u>165,718</u>	<u>22,398</u>	<u>319,185</u>	<u>17,276</u>	<u>465,263</u>	<u>2,930,218</u>
Excess (deficiency) of revenues over expenditures	<u>(392,543)</u>	<u>84,158</u>	<u>(55,063)</u>	<u>39,286</u>	<u>(10,262)</u>	<u>(8,314)</u>	<u>(12,691)</u>	<u>(1,279)</u>	<u>168,245</u>	<u>200,793</u>	<u>7,635</u>	<u>19,965</u>
Other financing sources:												
Proceeds from sale of capital assets	40,500	-	-	-	-	-	-	-	-	-	-	40,500
Transfers in	-	-	-	-	-	-	50,000	-	-	-	-	50,000
Total other financing sources	<u>40,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,500</u>
Net change in fund balances	(352,043)	84,158	(55,063)	39,286	(10,262)	(8,314)	37,309	(1,279)	168,245	200,793	7,635	110,465
Fund balances at beginning of year	<u>1,038,439</u>	<u>776,650</u>	<u>190,182</u>	<u>302,412</u>	<u>50,710</u>	<u>16,563</u>	<u>269,238</u>	<u>10,405</u>	<u>566,778</u>	<u>131,622</u>	<u>33,418</u>	<u>3,386,417</u>
Fund balances at end of year	<u>\$ 686,396</u>	<u>\$ 860,808</u>	<u>\$ 135,119</u>	<u>\$ 341,698</u>	<u>\$ 40,448</u>	<u>\$ 8,249</u>	<u>\$ 306,547</u>	<u>\$ 9,126</u>	<u>\$ 735,023</u>	<u>\$ 332,415</u>	<u>\$ 41,053</u>	<u>\$ 3,496,882</u>

See independent auditor's report.

SPECIAL REVENUE FUNDS

SEIZURE AND FORFEITURE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 767,527</u>	<u>\$ 1,052,848</u>
LIABILITIES		
Accounts payable	\$ 3,343	\$ 11,678
Due to other funds	<u>77,788</u>	<u>2,731</u>
Total liabilities	81,131	14,409
FUND BALANCES		
Restricted	<u>686,396</u>	<u>1,038,439</u>
Total liabilities and fund balances	<u>\$ 767,527</u>	<u>\$ 1,052,848</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Fines, forfeitures and penalties	\$ 95,200	\$ 81,716	\$ (13,484)	\$ 541,311
Investment income	-	3,135	3,135	9,267
Other income	-	13,013	13,013	20,263
Total revenues	<u>95,200</u>	<u>97,864</u>	<u>2,664</u>	<u>570,841</u>
Expenditures:				
Current:				
Personnel	71,700	71,657	43	76,746
Other	<u>23,500</u>	<u>418,750</u>	<u>(395,250)</u>	<u>534,100</u>
Total expenditures	<u>95,200</u>	<u>490,407</u>	<u>(395,207)</u>	<u>610,846</u>
Deficiency of revenues over expenditures	-	(392,543)	(392,543)	(40,005)
Other financing sources:				
Proceeds from sale of capital assets	-	<u>40,500</u>	<u>40,500</u>	<u>93,937</u>
Net change in fund balances	-	(352,043)	(352,043)	53,932
Fund balances at beginning of year	<u>1,038,439</u>	<u>1,038,439</u>	<u>-</u>	<u>984,507</u>
Fund balances at end of year	<u>\$ 1,038,439</u>	<u>\$ 686,396</u>	<u>\$ (352,043)</u>	<u>\$ 1,038,439</u>

See independent auditor's report.

MOTOR FUEL TAX FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,020,936	\$ 746,908
Due from other governments	<u>46,539</u>	<u>41,545</u>
Total assets	<u>\$ 1,067,475</u>	<u>\$ 788,453</u>
LIABILITIES		
Accounts payable	\$ 196,355	\$ 1,491
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	206,667	11,803
FUND BALANCES		
Restricted	<u>860,808</u>	<u>776,650</u>
Total liabilities and fund balances	<u>\$ 1,067,475</u>	<u>\$ 788,453</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 749,929	\$ 783,522	\$ 33,593	\$ 756,736
Investment income	<u>1,200</u>	<u>378</u>	<u>(822)</u>	<u>3,562</u>
Total revenues	<u>751,129</u>	<u>783,900</u>	<u>32,771</u>	<u>760,298</u>
Expenditures:				
Current:				
Commodities:				
Maintenance supplies	60,000	37,393	22,607	48,891
Capital outlay	<u>999,716</u>	<u>662,349</u>	<u>337,367</u>	<u>416,454</u>
Total expenditures	<u>1,059,716</u>	<u>699,742</u>	<u>359,974</u>	<u>465,345</u>
Net change in fund balances	(308,587)	84,158	392,745	294,953
Fund balances at beginning of year	<u>776,650</u>	<u>776,650</u>	<u>-</u>	<u>481,697</u>
Fund balances at end of year	<u>\$ 468,063</u>	<u>\$ 860,808</u>	<u>\$ 392,745</u>	<u>\$ 776,650</u>

See independent auditor's report.

SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 135,127	\$ 190,540
Property taxes receivable	<u>700,831</u>	<u>663,882</u>
 Total assets	 <u>\$ 835,958</u>	 <u>\$ 854,422</u>
 DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	<u>\$ 700,839</u>	<u>\$ 664,240</u>
 FUND BALANCES		
Restricted	73,617	87,202
Assigned	<u>61,502</u>	<u>102,980</u>
 Total fund balances	 <u>135,119</u>	 <u>190,182</u>
 Total deferred inflows of resources and fund balances	 <u>\$ 835,958</u>	 <u>\$ 854,422</u>

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 600,000	\$ 536,735	\$ (63,265)	\$ 532,354
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>641,500</u>	<u>591,798</u>	<u>49,702</u>	<u>630,103</u>
Net change in fund balances	(41,500)	(55,063)	(13,563)	(97,749)
Fund balances at beginning of year	<u>190,182</u>	<u>190,182</u>	<u>-</u>	<u>287,931</u>
Fund balances at end of year	<u>\$ 148,682</u>	<u>\$ 135,119</u>	<u>\$ (13,563)</u>	<u>\$ 190,182</u>

See independent auditor's report.

SPECIAL RECREATION FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 341,737	\$ 303,501
Property taxes receivable	<u>176,546</u>	<u>176,434</u>
Total assets	<u>\$ 518,283</u>	<u>\$ 479,935</u>
LIABILITIES		
Accounts payable	<u>\$ 37</u>	<u>\$ 975</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	<u>176,548</u>	<u>176,548</u>
FUND BALANCES		
Restricted	189,331	150,045
Assigned	<u>152,367</u>	<u>152,367</u>
Total fund balances	<u>341,698</u>	<u>302,412</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 518,283</u>	<u>\$ 479,935</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 176,000	\$ 169,535	\$ (6,465)	\$ 169,659
Expenditures:				
Current:				
Other:				
Special recreation association	<u>229,000</u>	<u>130,249</u>	<u>98,751</u>	<u>210,575</u>
Net change in fund balances	(53,000)	39,286	92,286	(40,916)
Fund balances at beginning of year	<u>302,412</u>	<u>302,412</u>	<u>-</u>	<u>343,328</u>
Fund balances at end of year	<u>\$ 249,412</u>	<u>\$ 341,698</u>	<u>\$ 92,286</u>	<u>\$ 302,412</u>

See independent auditor's report.

POLICE DUI FINE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 40,448</u>	<u>\$ 50,710</u>
FUND BALANCES		
Restricted	\$ 23,176	\$ 33,438
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>\$ 40,448</u>	<u>\$ 50,710</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 10,000	\$ 7,710	\$ (2,290)	\$ 22,460
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>17,972</u>	<u>(7,972)</u>	<u>20,952</u>
Net change in fund balances	-	(10,262)	(10,262)	1,508
Fund balances at beginning of year	<u>50,710</u>	<u>50,710</u>	<u>-</u>	<u>49,202</u>
Fund balances at end of year	<u><u>\$ 50,710</u></u>	<u><u>\$ 40,448</u></u>	<u><u>\$ (10,262)</u></u>	<u><u>\$ 50,710</u></u>

See independent auditor's report.

CAL SAG TRAIL FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 8,249	\$ 148,062
LIABILITIES		
Accounts payable	\$ -	\$ 131,499
FUND BALANCES		
Assigned	8,249	16,563
Total liabilities and fund balances	\$ 8,249	\$ 148,062

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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ -	\$ 1,896	\$ 1,896	\$ -
Expenditures:				
Current:				
Other:				
Bike trail maintenance	<u>10,000</u>	<u>10,210</u>	<u>(210)</u>	<u>-</u>
Net change in fund balances	(10,000)	(8,314)	1,686	-
Fund balances at beginning of year	<u>16,563</u>	<u>16,563</u>	<u>-</u>	<u>16,563</u>
Fund balances at end of year	<u><u>\$ 6,563</u></u>	<u><u>\$ 8,249</u></u>	<u><u>\$ 1,686</u></u>	<u><u>\$ 16,563</u></u>

See independent auditor's report.

BUSINESS DISTRICT FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
BUSINESS DISTRICT FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 245,708	\$ 215,385
Due from other funds	35,391	35,391
Due from other governments	<u>25,448</u>	<u>18,462</u>
 Total assets	 <u>\$ 306,547</u>	 <u>\$ 269,238</u>
 FUND BALANCES		
Restricted	\$ 217,091	\$ 187,574
Assigned	<u>89,456</u>	<u>81,664</u>
 Total fund balances	 <u>\$ 306,547</u>	 <u>\$ 269,238</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Business district sales tax	\$ 125,000	\$ 152,955	\$ 27,955	\$ 115,916
Investment income	200	72	(128)	1,383
Total revenues	<u>125,200</u>	<u>153,027</u>	<u>27,827</u>	<u>117,299</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	13,000	7,630	5,370	4,212
Debt service:				
Principal	45,000	158,088	(113,088)	163,388
Interest	<u>120,000</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
Total expenditures	<u>178,000</u>	<u>165,718</u>	<u>12,282</u>	<u>167,600</u>
Deficiency of revenues over expenditures	(52,800)	(12,691)	40,109	(50,301)
Other financing sources:				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>45,000</u>
Net change in fund balances	(2,800)	37,309	40,109	(5,301)
Fund balances at beginning of year	<u>269,238</u>	<u>269,238</u>	<u>-</u>	<u>274,539</u>
Fund balances at end of year	<u>\$ 266,438</u>	<u>\$ 306,547</u>	<u>\$ 40,109</u>	<u>\$ 269,238</u>

See independent auditor's report.

PEG CAPITAL FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 PEG CAPITAL FUND
 BALANCE SHEET
 DECEMBER 31, 2021
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,103	\$ 5,935
Accounts receivable	<u>6,033</u>	<u>6,367</u>
 Total assets	 <u>\$ 10,136</u>	 <u>\$ 12,302</u>
 LIABILITIES		
Accounts payable	\$ 1,010	\$ 1,897
 FUND BALANCES		
Restricted	<u>9,126</u>	<u>10,405</u>
 Total liabilities and fund balances	 <u>\$ 10,136</u>	 <u>\$ 12,302</u>

See independent auditor's report.

CITY OF PALOS HEIGHTS, ILLINOIS
PEG CAPITAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 25,000	\$ 21,119	\$ (3,881)	\$ 25,125
Expenditures:				
Current:				
Other:				
Supplies	<u>25,000</u>	<u>22,398</u>	<u>2,602</u>	<u>14,720</u>
Net change in fund balances	-	(1,279)	(1,279)	10,405
Fund balances at beginning of year	<u>10,405</u>	<u>10,405</u>	<u>-</u>	<u>-</u>
Fund balances at end of year	<u><u>\$ 10,405</u></u>	<u><u>\$ 9,126</u></u>	<u><u>\$ (1,279)</u></u>	<u><u>\$ 10,405</u></u>

See independent auditor's report.

CAPITAL PROJECTS FUNDS

127TH AND HARLEM TAX INCREMENT FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
127TH AND HARLEM TAX INCREMENT FUND
BALANCE SHEET
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 770,414</u>	<u>\$ 602,169</u>
LIABILITIES		
Due to other funds	\$ 35,391	\$ 35,391
FUND BALANCES		
Restricted	<u>735,023</u>	<u>566,778</u>
Total liabilities and fund balances	<u>\$ 770,414</u>	<u>\$ 602,169</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 410,000	\$ 485,341	\$ 75,341	\$ 387,009
Investment income	2,500	2,089	(411)	5,556
Total revenues	<u>412,500</u>	<u>487,430</u>	<u>74,930</u>	<u>392,565</u>
Expenditures:				
Current:				
Personnel	7,500	8,377	(877)	6,470
Contractual:				
Professional fees	17,000	6,122	10,878	3,825
Commodities:				
Supplies:				
Departmental and office	200	243	(43)	62
Debt service:				
Principal	-	86,283	(86,283)	52,289
Interest	300,000	218,160	81,840	231,876
Total expenditures	<u>324,700</u>	<u>319,185</u>	<u>5,515</u>	<u>294,522</u>
Net change in fund balances	87,800	168,245	80,445	98,043
Fund balances at beginning of year	<u>566,778</u>	<u>566,778</u>	<u>-</u>	<u>468,735</u>
Fund balances at end of year	<u>\$ 654,578</u>	<u>\$ 735,023</u>	<u>\$ 80,445</u>	<u>\$ 566,778</u>

See independent auditor's report.

GATEWAY TAX INCREMENT FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2021
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	<u>\$ 667,674</u>	<u>\$ 131,938</u>
LIABILITIES		
Accounts payable	\$ -	\$ 316
Other payable	<u>335,259</u>	<u>-</u>
Total liabilities	335,259	316
FUND BALANCES		
Restricted	<u>332,415</u>	<u>131,622</u>
Total liabilities and fund balances	<u>\$ 667,674</u>	<u>\$ 131,938</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, 2021
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 250,000	\$ 217,307	\$ (32,693)	\$ 36,182
Investment income	<u>750</u>	<u>762</u>	<u>12</u>	<u>1,122</u>
Total revenues	<u>250,750</u>	<u>218,069</u>	<u>(32,681)</u>	<u>37,304</u>
Expenditures:				
Current:				
Personnel	20,000	8,158	11,842	10,560
Contractual:				
Professional fees	51,500	8,971	42,529	6,424
Commodities:				
Supplies:				
Departmental and office	<u>500</u>	<u>147</u>	<u>353</u>	<u>368</u>
Total expenditures	<u>72,000</u>	<u>17,276</u>	<u>54,724</u>	<u>17,352</u>
Net change in fund balances	178,750	200,793	22,043	19,952
Fund balances at beginning of year	<u>131,622</u>	<u>131,622</u>	<u>-</u>	<u>111,670</u>
Fund balances at end of year	<u>\$ 310,372</u>	<u>\$ 332,415</u>	<u>\$ 22,043</u>	<u>\$ 131,622</u>

See independent auditor's report.

DEBT SERVICE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 BOND AND INTEREST FUND
 BALANCE SHEET
 DECEMBER 31, 2021
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 41,059	\$ 33,736
Property taxes receivable	<u>402,854</u>	<u>405,907</u>
Total assets	<u>\$ 443,913</u>	<u>\$ 439,643</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for future period	\$ 402,860	\$ 406,225
FUND BALANCES		
Restricted	<u>41,053</u>	<u>33,418</u>
Total deferred inflows of resources and fund balances	<u>\$ 443,913</u>	<u>\$ 439,643</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Local sources:				
Property tax levies, net	\$ 465,288	\$ 472,898	\$ 7,610	\$ 472,424
Expenditures:				
Debt service:				
Principal	295,000	295,000	-	285,000
Interest	170,288	170,263	25	178,813
Total expenditures	465,288	465,263	25	463,813
Net change in fund balances	-	7,635	7,635	8,611
Fund balances at beginning of year	33,418	33,418	-	24,807
Fund balances at end of year	<u>\$ 33,418</u>	<u>\$ 41,053</u>	<u>\$ 7,635</u>	<u>\$ 33,418</u>

See independent auditor's report.

NONMAJOR PROPRIETARY FUND

METRA STATION PARKING FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 100,418	\$ 100,801
LIABILITIES		
Current liabilities:		
Accounts payable	<u>-</u>	<u>13</u>
NET POSITION		
Unrestricted	<u>\$ 100,418</u>	<u>\$ 100,788</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, 2021
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2021</u>			<u>2020</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	\$ 20,000	\$ 5,293	\$ (14,707)	\$ 11,752
Operating expenses:				
Personnel	16,000	-	16,000	9,712
Contractual:				
Maintenance	2,000	-	2,000	15
Commodities:				
Supplies:				
Departmental and office	<u>2,000</u>	<u>5,663</u>	<u>(3,663)</u>	<u>1,098</u>
Total operating expenses	<u>20,000</u>	<u>5,663</u>	<u>14,337</u>	<u>10,825</u>
Operating income (loss)	-	(370)	(370)	927
Net position at beginning of year	<u>100,788</u>	<u>100,788</u>	<u>-</u>	<u>99,861</u>
Net position at end of year	<u>\$ 100,788</u>	<u>\$ 100,418</u>	<u>\$ (370)</u>	<u>\$ 100,788</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020**

	2021	2020
Cash flows from operating activities:		
Receipts from users	\$ 5,293	\$ 11,752
Payments to employees	-	(9,712)
Payments to suppliers	(5,676)	(2,235)
Net cash used by operating activities	(383)	(195)
Cash and cash equivalents at beginning of year	100,801	100,996
Cash and cash equivalents at end of year	\$ 100,418	\$ 100,801
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (370)	\$ 927
Adjustment to reconcile operating income (loss) to net cash used by operating activities:		
Decrease in accounts payable	(13)	(1,122)
Net cash used by operating activities	\$ (383)	\$ (195)

See independent auditor's report.

**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY
ACT CONSOLIDATED YEAR-END FINANCIAL REPORT**

**CITY OF PALOS HEIGHTS, ILLINOIS
ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY ACT
CONSOLIDATED YEAR-END FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2021**

CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
422-11-0970	Open Space Land Acquisition & Development	6,526	-	-	6,526
494-00-0967	High-Growth Cities Program	18,231	-	-	18,231
494-00-1488	Motor Fuel Tax Program	430,429	-	-	430,429
494-00-2356	Local REBUILD ILLINOIS Bond Program	251,081			251,081
494-10-0343	State and Community Highway Safety / National Priority Safety Program	-	27,330	-	27,330
494-42-0495	Local Surface Transportation Program	-	152,131	-	152,131
	Other grant programs and activities	-	2,194,187	-	2,194,187
	All other costs not allocated	-	-	19,388,643	19,388,643
	Totals:	706,267	2,373,648	19,388,643	22,468,558

See independent auditor's report.

STATISTICAL SECTION

**CITY OF PALOS HEIGHTS, ILLINOIS
STATISTICAL SECTION
YEAR ENDED DECEMBER 31, 2021**

This part of the annual comprehensive 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	125 - 126
Changes in Net Position	127 - 130
Governmental Activities Tax Revenues by Source	131
Fund Balances of Governmental Funds	132 - 133
Changes in Fund Balances of Governmental Funds	134 - 135

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	136
Property Tax Rates - Direct and Overlapping Governments	137 - 138
Principal Property Taxpayers	139
Schedule of Assessed Valuation, Rate Extension and Collections	140 - 141

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	142 - 143
Ratios of General Obligation Bonded Debt Outstanding	144
Direct and Overlapping General Obligation Bonded Debt	145
Legal Debt Margin Information	146 - 147
Pledged Revenue Coverage	148

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	149 - 150
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	151
Operating Indicators by Function	152 - 153

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities:										
Net investment in capital assets	\$ 23,305,937	\$ 23,996,463	\$ 23,914,248	\$ 23,712,812	\$ 24,257,020	\$ 23,621,767	\$ 23,831,289	\$ 21,216,906	\$ 21,172,893	\$ 21,374,139
Restricted	3,126,983	2,982,153	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451
Unrestricted	<u>(14,785,939)</u>	<u>(19,484,414)</u>	<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>
Total governmental activities net position	<u>11,646,981</u>	<u>7,494,202</u>	<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>
Business-type activities:										
Net investment in capital assets	4,820,280	4,904,177	4,464,509	4,579,991	3,924,132	3,923,317	3,445,295	3,456,874	3,523,793	3,463,940
Unrestricted	<u>9,431,425</u>	<u>8,462,094</u>	<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>
Total business-type activities net position	<u>14,251,705</u>	<u>13,366,271</u>	<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>
Primary government:										
Net investment in capital assets	28,126,217	28,900,640	28,378,757	28,292,803	28,181,152	27,545,084	27,276,584	24,673,780	24,696,686	24,838,079
Restricted	3,126,983	2,982,153	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451
Unrestricted	<u>(5,354,514)</u>	<u>(11,022,320)</u>	<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>
Total primary government net position	<u>\$ 25,898,686</u>	<u>\$ 20,860,473</u>	<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>

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:										
Governmental activities:										
General government	\$ 2,747,151	\$ 2,112,880	\$ 2,466,705	\$ 2,494,207	\$ 2,833,267	\$ 2,479,732	\$ 2,762,909	\$ 6,787,035	\$ 2,545,228	\$ 2,534,196
Police and emergency services	6,072,819	6,462,128	8,485,331	7,293,695	6,532,287	6,514,299	5,856,452	5,385,075	5,212,461	4,712,668
Public works	2,689,895	2,507,963	3,023,254	3,091,306	2,757,154	2,707,894	2,993,929	1,575,551	3,047,280	2,436,278
Recreation and culture	2,917,440	2,981,754	2,811,596	2,684,856	2,757,104	2,722,325	2,223,000	2,656,983	1,961,503	1,987,341
Interest	<u>367,727</u>	<u>380,775</u>	<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>
Total governmental activities expenses	<u>14,795,032</u>	<u>14,445,500</u>	<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>
Business-type activities:										
Waterworks and sewerage	6,633,390	7,142,761	6,027,803	5,898,952	6,143,184	5,242,435	5,229,808	4,692,038	4,702,865	4,488,776
Parking lot	<u>5,663</u>	<u>10,825</u>	<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>
Total business-type activities expenses	<u>6,639,053</u>	<u>7,153,586</u>	<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>
Total primary government expenses	<u>\$ 21,434,085</u>	<u>\$ 21,599,086</u>	<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>
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 984,481	\$ 983,080	\$ 988,306	\$ 959,010	\$ 1,322,879	\$ 888,883	\$ 1,355,366	\$ 1,058,746	\$ 1,202,625	\$ 1,004,837
Police and emergency services	189,725	613,297	678,823	732,105	410,973	387,605	440,247	881,261	590,298	258,190
Recreation and culture	988,774	342,514	1,232,649	1,268,539	1,162,422	916,804	819,044	706,382	704,767	685,238
Operating grants and contributions	1,703,780	-	-	-	-	-	14,598	93,533	-	274,325
Capital grants and contributions	<u>171,266</u>	<u>795,303</u>	<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>
Total governmental activities program revenues	<u>4,038,026</u>	<u>2,734,194</u>	<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>
Business-type activities:										
Charges for services:										
Waterworks and sewerage	7,443,041	7,352,709	7,060,693	7,084,162	7,208,273	6,540,007	6,468,985	5,666,296	5,253,317	4,761,295
Parking lot	5,293	11,752	46,107	50,731	51,038	52,292	55,607	56,376	57,362	51,295
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>7,448,334</u>	<u>7,364,461</u>	<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>
Total primary government program revenues	<u>\$ 11,486,360</u>	<u>\$ 10,098,655</u>	<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>

See independent auditor's report.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (expense) revenue:										
Governmental activities	\$ (10,757,006)	\$ (11,711,306)	\$ (14,209,295)	\$ (12,935,451)	\$ (12,315,285)	\$ (12,563,567)	\$ (8,093,261)	\$ (13,885,093)	\$ (9,471,374)	\$ (9,447,893)
Business-type activities	<u>809,281</u>	<u>210,875</u>	<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>
Total primary government net expense	<u>\$ (9,947,725)</u>	<u>\$ (11,500,431)</u>	<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>
General revenues and other changes in net position:										
Governmental activities:										
General revenues:										
Taxes:										
Property	\$ 7,749,471	\$ 7,222,096	\$ 7,313,223	\$ 6,795,656	\$ 6,336,789	\$ 6,022,995	\$ 5,504,839	\$ 5,108,109	\$ 4,539,275	\$ 4,478,335
Utility	1,052,460	1,017,182	1,073,019	1,128,801	1,131,427	1,164,686	1,208,116	1,316,295	1,310,520	1,312,430
Business district sales	152,955	115,916	106,094	108,926	110,569	113,327	106,958	79,793	60,289	43,579
Intergovernmental	4,620,072	3,955,946	3,470,975	3,183,251	3,016,498	3,019,553	3,127,378	3,042,806	3,029,783	2,888,338
Gain from sale of capital assets	73,412	-	-	-	23,184	1,132	55,856	18,488	32,821	-
Investment income (loss)	29,004	90,649	262,187	183,623	19,302	117,066	(88,666)	22,916	15,342	13,704
Other income	1,211,006	907,509	1,061,857	915,909	974,165	1,172,394	704,405	717,635	1,118,347	1,430,205
Transfers	<u>21,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>14,909,785</u>	<u>13,309,298</u>	<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>
Business-type activities:										
General revenues:										
Investment income	14,707	100,641	165,410	100,501	45,510	26,674	2,212	6,205	3,290	2,085
Gain from sale of capital assets	40,430	-	-	-	-	-	-	-	-	-
Other income	42,421	39,116	35,410	43,170	9,700	5,061	4,984	7,091	31,744	17,795
Transfers	<u>(21,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>76,153</u>	<u>139,757</u>	<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>
Total primary government	<u>\$ 14,985,938</u>	<u>\$ 13,449,055</u>	<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>
Changes in net position:										
Governmental activities	\$ 4,152,779	\$ 1,597,992	\$ (921,940)	\$ (619,285)	\$ (703,351)	\$ (952,414)	\$ 2,525,625	\$ (3,579,051)	\$ 635,003	\$ 718,698
Business-type activities	<u>885,434</u>	<u>350,632</u>	<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>
Total primary government	<u>\$ 5,038,213</u>	<u>\$ 1,948,624</u>	<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>

Notes:

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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
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
2020	7,222,096	1,017,182	115,916	8,355,194
2021	7,749,471	1,052,460	152,955	8,954,886

See independent auditor's report.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:										
Nonspendable	\$ 107,832	\$ -	\$ 195,793	\$ 108,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>5,791,252</u>	<u>3,970,597</u>	<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>
Total General Fund	<u>\$ 5,899,084</u>	<u>\$ 3,970,597</u>	<u>\$ 4,579,565</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>
All other governmental funds:										
Restricted	\$ 3,168,036	\$ 3,015,571	\$ 2,652,094	\$ 2,173,703	\$ 1,655,585	\$ 1,559,973	\$ 6,113,031	\$ 2,151,341	\$ 1,608,345	\$ 1,267,451
Assigned	<u>3,317,713</u>	<u>3,071,053</u>	<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>
Total all other governmental funds	<u>\$ 6,485,749</u>	<u>\$ 6,086,624</u>	<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>

See independent auditor's report.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:										
Taxes	\$ 8,954,886	\$ 8,355,194	\$ 8,492,336	\$ 8,033,383	\$ 7,578,785	\$ 7,301,008	\$ 6,819,913	\$ 6,504,197	\$ 5,910,084	\$ 5,834,344
Intergovernmental	4,620,072	3,955,946	3,470,975	3,183,251	3,016,498	3,019,553	3,127,378	3,042,806	3,029,783	2,888,338
Charges for services	386,038	328,131	416,024	411,831	411,883	408,175	475,846	472,623	440,352	470,015
Fees by agreement	752,758	311,029	959,110	979,796	880,689	634,863	555,699	459,016	415,314	370,778
Fines, forfeitures and penalties	189,725	613,297	678,823	732,105	410,973	381,864	440,247	840,207	535,115	258,190
Grants	1,023,156	795,303	8,987	86,662	101,420	83,511	197,542	136,801	800,241	274,325
Investment income (loss)	29,004	90,649	262,187	183,623	19,302	117,066	(88,666)	22,916	15,342	13,704
Licenses, permits and inspections	598,443	654,949	572,282	547,179	910,996	480,708	879,520	534,551	714,897	534,822
Swimming pool	236,016	31,485	273,539	288,743	281,733	281,941	263,345	247,366	289,453	314,460
Other	1,211,006	907,509	1,061,857	915,909	974,165	1,178,135	702,014	739,870	1,109,157	1,430,205
Total revenues	<u>18,001,104</u>	<u>16,043,492</u>	<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>
Expenditures:										
Current:										
General government	2,607,935	2,538,194	2,349,717	2,515,146	2,442,055	2,261,309	2,344,161	2,297,550	2,297,358	2,245,369
Public safety	7,052,405	7,025,766	6,737,633	6,128,083	5,877,546	6,043,242	5,681,116	5,141,101	4,801,300	4,600,370
Public works	1,144,007	1,183,341	1,175,352	1,195,725	954,429	1,035,369	1,237,195	1,113,560	1,219,498	1,479,566
Recreational department	2,142,958	1,837,381	2,162,070	2,171,691	2,143,767	2,141,026	1,797,910	2,058,670	1,610,632	1,555,626
Roads and construction	449,064	471,474	446,459	493,191	502,641	548,192	595,813	437,385	393,819	413,649
Debt service:										
Principal retirement	576,613	539,161	424,149	416,911	413,754	211,109	20,818	7,003	-	-
Interest charges and fees	388,665	413,112	429,611	446,740	462,724	579,268	452,854	61,335	-	-
Capital outlay	1,467,858	1,438,924	1,484,793	1,646,521	2,290,069	5,388,447	3,354,261	1,250,528	1,909,376	2,159,850
Total expenditures	<u>15,829,505</u>	<u>15,447,353</u>	<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>
Excess (deficiency) of revenues over expenditures	<u>2,171,599</u>	<u>596,139</u>	<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>
Other financing sources (uses):										
Installment contract	41,758	-	-	-	-	181,419	-	64,500	-	-
Proceeds from bond issuance	-	-	-	-	-	-	6,300,000	-	-	-
Premium on bond issuance	-	-	-	-	-	-	298,022	-	-	-
Proceeds from sale of capital assets	92,850	93,937	57,500	34,500	31,000	89,900	84,151	34,000	55,183	-
Transfers in	829,515	1,444,568	741,228	715,794	1,274,147	1,289,093	983,639	721,105	916,250	553,948
Transfers out	(808,110)	(1,444,568)	(741,228)	(715,794)	(1,274,147)	(1,289,093)	(983,639)	(721,105)	(916,250)	(553,948)
Total other financing sources (uses)	<u>156,013</u>	<u>93,937</u>	<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>
Net change in fund balances	<u>\$ 2,327,612</u>	<u>\$ 690,076</u>	<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>
Debt service as a percentage of non-capital expenditures	<u>6.314%</u>	<u>6.661%</u>	<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>

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
2011	\$ 464,228,742	N/A	\$ 464,228,742	1,392,686,226	0.951
2012	428,610,174	N/A	428,610,174	1,285,830,522	1.060
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
2019	436,996,291	N/A	436,996,291	1,310,988,873	1.590
2020	472,305,143	N/A	472,305,143	1,416,915,429	1.526

(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>2020</u>	<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>
City of Palos Heights:										
Corporate	0.405	0.438	0.438	0.379	0.421	0.438	0.438	0.438	0.438	0.437
Bond and interest	0.103	0.111	0.109	0.106	0.122	0.128	0.000	0.000	0.000	0.000
Police pension	0.501	0.488	0.481	0.403	0.358	0.339	0.288	0.232	0.129	0.105
IMRF	0.058	0.065	0.066	0.069	0.084	0.079	0.074	0.064	0.062	0.049
Recreation	0.131	0.140	0.144	0.142	0.168	0.178	0.185	0.184	0.165	0.135
Police protection	0.232	0.247	0.251	0.263	0.294	0.290	0.241	0.214	0.164	0.135
Social security	0.059	0.061	0.060	0.062	0.082	0.070	0.060	0.064	0.062	0.050
Special recreation	0.037	0.040	0.040	0.035	0.039	0.040	0.040	0.040	0.040	0.040
Total City of Palos Heights	1.526	1.590	1.589	1.459	1.568	1.562	1.326	1.236	1.060	0.951
Overlapping governments:										
City of Palos Heights Library Fund	0.357	0.379	0.287	0.279	0.350	0.375	0.403	0.364	0.498	0.377
Cook County	0.453	0.454	0.489	0.496	0.533	0.552	0.568	0.560	0.531	0.462
Cook County Forest Preserve District	0.058	0.059	0.060	0.062	0.063	0.069	0.069	0.069	0.063	0.058
Consolidated Elections	0.000	0.030	0.000	0.031	0.000	0.034	0.000	0.031	0.000	0.025
So. Cook Co. Mosquito Abatement District	0.017	0.018	0.017	0.016	0.017	0.017	0.017	0.016	0.014	0.012
Metropolitan Water Reclamation Dist. of Chicago	0.378	0.389	0.396	0.402	0.406	0.426	0.430	0.417	0.370	0.320
Palos Township	0.062	0.067	0.064	0.060	0.068	0.070	0.066	0.063	0.057	0.050
Palos Twp General Assistance	0.007	0.010	0.009	0.008	0.008	0.088	0.007	0.006	0.005	0.005
Palos Twp Road and Bridge	0.049	0.053	0.051	0.047	0.054	0.055	0.052	0.049	0.046	0.042
Worth Township	0.060	0.069	0.070	0.067	0.078	0.078	0.076	0.073	0.068	0.060
Worth Township General Assistance	0.015	0.017	0.017	0.017	0.019	0.020	0.020	0.018	0.017	0.015
Worth Township Road and Bridge	0.029	0.033	0.034	0.033	0.037	0.039	0.037	0.035	0.033	0.030
North Palos Fire Protection District	1.220	1.320	1.106	1.032	1.161	1.198	1.134	1.076	0.974	0.869
Palos Fire Protection District	1.116	1.183	1.134	1.058	1.215	1.255	1.201	1.153	1.047	0.709
Palos Heights Fire Protection District	0.999	1.074	1.025	0.829	0.934	0.934	0.927	0.891	0.814	0.727
Worth Park District	0.406	0.486	0.474	0.455	0.506	0.520	0.503	0.461	0.420	0.375
South Palos Sanitary District	0.347	0.377	0.366	0.345	0.409	0.421	0.406	0.392	0.361	0.331
School District 118	2.794	2.988	2.882	2.714	3.106	3.212	3.133	2.989	2.743	2.457
School District 127	4.841	5.868	6.268	5.915	6.781	6.994	6.702	6.096	5.533	4.952
School District 128	2.842	3.035	2.949	2.803	3.146	3.284	3.136	3.001	2.755	2.460
Community High School District 218	3.407	3.821	3.458	3.719	4.164	4.247	4.049	3.775	3.442	3.037
Consolidated High School District 230	2.295	2.488	2.425	2.287	2.778	2.879	2.770	2.641	2.438	2.180
Community College District 524	0.351	0.393	0.384	0.365	0.406	0.419	0.403	0.375	0.346	0.311
Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation	<u>23.629</u>	<u>26.201</u>	<u>25.554</u>	<u>24.499</u>	<u>27.807</u>	<u>28.748</u>	<u>27.435</u>	<u>25.787</u>	<u>23.635</u>	<u>20.815</u>

Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2021**

Taxpayer	2020			2011		
	Taxable Assessed Value *	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value **	Rank	Percentage of Total Taxable Assessed Value
Manor Care Health Service	\$ 16,179,331	1	3.43 %	\$ 11,470,304	1	2.47 %
Albertsons	7,300,440	2	1.55	-	-	-
Palos Heights Properties	5,641,647	3	1.19	6,133,921	2	1.32
Everest College	5,213,846	4	1.10	-	-	-
Ridgeland Nursing	5,090,171	5	1.08	2,439,855	7	0.53
S-K Palos Heights Oppo	4,465,002	6	0.95	-	-	-
Costa Construction	3,364,688	7	0.71	-	-	-
Reagan Corp	2,775,357	8	0.59	2,465,141	6	0.53
Advocate Healthcare	2,764,065	9	0.59	2,256,762	8	0.49
Palos Community Hospital	2,307,155	10	0.49	-	-	-
James Lambert	-	-	-	4,614,474	3	0.99
St. George Corp.	-	-	-	4,132,776	4	0.89
First Midwest Bank	-	-	-	2,830,830	5	0.61
Vasili C Siampos	-	-	-	2,079,414	9	0.45
Leon & Kathryn Gombis	-	-	-	2,041,245	10	0.44
Total	<u>\$ 55,101,702</u>		<u>11.68 %</u>	<u>\$ 40,464,722</u>		<u>8.72 %</u>

* Includes only those parcels with 2020 equalized assessed valuation of approximately \$100,000 and over.

** Includes only those parcels with 2011 equalized assessed valuation of approximately \$140,000 and over.

Source: Office of the Cook County Clerk

See independent auditor's report.

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

Tax levy year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Equalized assessed valuation	<u>\$ 472,305,143</u>	<u>\$ 436,996,291</u>	<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>
Tax rates (per \$100 of equalized assessed valuation):										
Park and recreation	0.1312	0.1398	0.1439	0.1423	0.1678	0.1782	0.1845	0.1845	0.1646	0.1353
Police pension	0.5009	0.4884	0.4813	0.4028	0.3575	0.3390	0.2879	0.2319	0.1286	0.1054
Social security and I.M.R.F.	0.1173	0.1255	0.1256	0.1304	0.1657	0.1486	0.1348	0.1282	0.1243	0.0987
Corporate	0.4053	0.4375	0.4375	0.3785	0.4212	0.4375	0.4375	0.4375	0.4375	0.4375
Police protection	0.2315	0.2471	0.2509	0.2634	0.2946	0.2900	0.2414	0.2139	0.1646	0.1353
Handicapped fund	0.0371	0.0400	0.0400	0.0346	0.0385	0.0400	0.0400	0.0400	0.0400	0.0400
Bond and interest	0.1033	0.1113	0.1094	0.1065	0.1226	0.1279	0.0000	0.0000	0.0000	0.0000
Total tax rates	<u>1.5266</u>	<u>1.5896</u>	<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>
Rate difference	<u>(0.0630)</u>	<u>0.0010</u>	<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>
Tax extensions:										
Park and recreation	\$ 619,664	\$ 610,921	\$ 637,243	\$ 652,043	\$ 664,757	\$ 677,054	\$ 726,186	\$ 737,375	\$ 705,550	\$ 628,101
Police pension	2,365,776	2,134,290	2,132,100	1,845,988	1,416,273	1,287,500	1,133,000	927,000	551,050	489,297
Social security and I.M.R.F.	554,014	548,430	556,552	597,400	656,438	564,549	526,802	512,710	532,768	458,194
Corporate	1,914,253	1,911,859	1,938,072	1,734,394	1,668,628	1,661,819	1,721,905	1,748,865	1,875,170	2,031,001
Police protection	1,093,386	1,079,818	1,111,250	1,207,058	1,167,089	1,101,556	950,220	854,988	705,550	628,101
Handicapped fund	175,225	174,799	177,195	158,573	152,522	151,938	157,431	159,896	171,444	185,691
Bond and interest	487,891	486,377	484,667	487,922	485,693	485,920	-	-	-	-
Total tax extensions	<u>\$ 7,210,209</u>	<u>\$ 6,946,494</u>	<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>
Collections:										
Current	\$ 6,937,425	\$ 6,753,466	\$ 6,844,540	\$ 6,430,310	\$ 6,086,018	\$ 5,793,491	\$ 5,165,275	\$ 4,760,018	\$ 4,372,599	\$ 4,354,259
Subsequent	-	56,549	(9,749)	14,639	4,662	35,523	20,204	59,088	84,660	87,961
Total collections	<u>\$ 6,937,425</u>	<u>\$ 6,810,015</u>	<u>\$ 6,834,791</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>
Percent collected:										
Current	96.22 %	97.22 %	97.26 %	96.21 %	97.97 %	97.69 %	99.04 %	96.34 %	96.28 %	98.50 %
Subsequent	-	0.81	(0.14)	0.22	0.08	0.60	0.39	1.20	1.86	1.99
Total percent collected	<u>96.22 %</u>	<u>98.03 %</u>	<u>97.12 %</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>

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			
2021	\$ 4,910,126	\$ -	\$ 27,839	\$ 3,435,820	\$ -	\$ 8,373,785	1.55 %	\$ 694
2020	5,224,905	-	23,323	3,430,191	90,368	8,768,787	1.61	701
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	-	-	-	-	-	-	-	-

(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 (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2021	\$ 4,910,126	\$ -	\$ 4,910,126	0.35 %	\$ 407
2020	5,224,905	-	5,224,905	0.40	417
2019	5,530,680	-	5,530,680	0.42	442
2018	5,827,417	-	5,827,417	0.42	466
2017	6,120,097	-	6,120,097	0.51	489
2016	6,403,686	-	6,403,686	0.56	512
2015	6,590,179	-	6,590,179	0.56	527
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-

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) This is the amount restricted for debt service principal payments.
- (3) See the Schedule of Assessed Valuation, Rate Extension and Collections for property value data.
- (4) 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, 2021

<u>Overlapping Agencies</u>	<u>2020 Equalized Assessed Valuation</u>	<u>Outstanding Debt</u>	<u>Applicable to City</u>	
			<u>Percent</u>	<u>Amount</u>
City of Palos Heights, direct debt	\$ 472,305,143	\$ 8,373,785 (1)	100.000 %	<u>\$ 8,373,785</u>
Overlapping agencies:				
Cook County	173,401,855,430	2,425,146,750	0.272	6,596,399
Cook County Forest Preserve District	173,401,855,430	119,775,000	0.272	325,788
Metropolitan Water Reclamation District	170,461,689,436	2,759,628,416 (2)	0.277	7,644,171
South Palos Twp. Sanitary District	65,681,804	160,000 (2)	11.823	18,917
Park District:				
Worth Park District	212,438,066	257,000	0.071	182
Schools:				
School District #118	883,768,238	4,835,000	26.198	1,266,673
School District #127	210,596,126	706,765 (3)	0.273	1,929
High School District #218	2,719,205,116	31,795,000 (4)	8.851	2,814,175
High School District #230	5,384,436,493	23,190,000	4.300	997,170
Community College #524	11,623,059,762	36,100,000 (4)	4.063	<u>1,466,743</u>
Total overlapping agencies				<u>21,132,147</u>
Total overlapping general obligation bonded debt				<u>\$ 29,505,932</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Debt limit	\$ 40,736,319	\$ 37,690,930	\$ 38,207,708	\$ 39,524,327	\$ 34,168,836	\$ 32,761,566	\$ 33,946,123	\$ 34,477,633	\$ 36,967,628	\$ 40,039,729
Total net debt applicable to limit	<u>4,937,965</u>	<u>5,338,596</u>	<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>-</u>	<u>-</u>
Legal debt margin	<u>\$ 35,798,354</u>	<u>\$ 32,352,334</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>12.12%</u>	<u>14.16%</u>	<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>

Legal Debt Margin Calculation for Fiscal Year 2021:

Equalized assessed valuation of taxable property	\$ 472,305,143
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	40,736,319
Less debt applicable to limit	<u>4,937,965</u>
Legal debt margin	<u>\$ 35,798,354</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, 2021**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2021	\$ 462,531	\$ 244,371	\$ 218,160	1.00
2020	447,553	215,677	231,876	1.00
2019	351,297	112,279	239,018	1.00
2018	358,107	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 two 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
2021	12,068	\$ 539,693	\$ 44,721	4.10 %	52.1	9,591	5,213	2,477
2020	12,515	546,092	43,635	8.70	50.9	8,597	6,404	2,843
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

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Function:										
Public safety - Police:										
Officers	29	29	29	27	28	27	29	28	26	27
Civilians	3	3	3	3	3	3	3	3	3	3
Public works	16	16	18	16	16	16	16	16	15	15
Recreation	8	8	7	7	6	7	6	6	6	6
Lake Katherine	4	4	4	4	4	3	3	3	3	3
General government	8	9	9	9	9	8	9	8	7	8
Motor vehicle maintenance	<u>2</u>	<u>3</u>								
Total	<u>70</u>	<u>71</u>	<u>72</u>	<u>68</u>	<u>68</u>	<u>66</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>65</u>

Source: City records

See independent auditor's report.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Function:										
Public safety:										
Police department:										
Arrests	152	193	295	534	439	564	625	763	1,268	679
Traffic violations	398	308	1,100	1,310	1,415	1,536	1,562	918	2,449	4,150
Compliance violations	573	376	1,250	1,661	1,687	1,036	1,465	1,811	1,803	79
Public works:										
Streets resurfaced (in miles)	1.65	1.10	1.90	2.81	1.89	1.10	1.90	1.92	1.26	1.12
Building and community development:										
Building permits issued:										
Commercial	161	143	148	135	202	149	196	182	181	230
Residential	847	810	742	700	652	642	694	643	574	551
Building value	\$ 23,301,530	\$ 22,610,909	\$ 12,918,723	\$ 13,041,291	\$ 47,693,103	\$ 14,456,771	\$ 41,518,041	\$ 13,019,521	\$ 76,879,203	\$ 14,491,902
Number of dwelling units	5,058	5,058	5,058	5,057	5,057	5,057	5,057	5,057	5,057	5,057
Number of registered voters	9,745	9,745	9,423	9,174	9,174	9,174	9,174	9,174	11,611	11,611
Waterworks and sewerage:										
Number of properties served by the combined waterworks and sewerage system	5,177	5,177	5,177	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	5,608	5,608	5,607	5,607	5,607	5,607	5,607	5,607	5,659
Number of metered customers served by the waterworks system only	2	2	2	2	2	2	2	2	2	2
Water main breaks	45	67	40	48	51	37	47	46	67	51
Average daily consumption (in 000's)	1,440	1,461	1,232	1,460	1,502	1,514	1,573	1,531	1,660	1,780
Gallons per customer	94	95	80	95	98	99	102	100	108	115
Gallons per capita	42	43	36	43	44	44	46	45	47	50
Total gallons purchased and pumped by the City (in 000's)	525,437	533,164	496,417	532,985	548,360	552,593	574,074	558,843	606,030	649,518
Total gallons billed (in 000's)	474,232	471,396	449,535	469,438	490,571	497,801	492,153	493,491	549,313	582,333

Source: City records

See independent auditor's report.

SINGLE AUDIT SECTION

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

Honorable District President and Board of Directors of Trustees
City of Palos Heights, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Palos Heights, Illinois, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of City of Palos Heights, Illinois, and have issued our report thereon dated June 21, 2022.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Palos Heights, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Handwritten signature of PKF Mueller in black ink.

Orland Park, Illinois
June 21, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable District President and Board of Trustees
City of Palos Heights, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Palos Heights, Illinois' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Palos Heights, Illinois' major federal programs for the year ended December 31, 2021. City of Palos Heights, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Palos Heights, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Palos Heights, Illinois and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Palos Heights, Illinois' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Palos Heights, Illinois' federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Palos Heights, Illinois' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Palos Heights, Illinois' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Palos Heights, Illinois' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Palos Heights, Illinois' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Palos Heights, Illinois' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Orland Park, Illinois
June 21, 2022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF PALOS HEIGHTS, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice:				
<i>Direct Award:</i>				
Equitable Sharing Program	16.922	N/A	\$ -	\$ 53,144
U.S. Department of Transportation:				
Highway Planning and Construction Cluster:				
<i>Passed through Illinois Department of Transportation:</i>				
Highway Planning and Construction	20.205	P-91-038-19	-	17,363
Highway Planning and Construction	20.205	C-91-423-15	-	134,768
Total Highway Planning and Construction Cluster			-	152,131
Highway Safety Cluster:				
<i>Passed through Illinois Department of Transportation:</i>				
State and Community Highway Safety	20.600	343-15869	-	15,941
State and Community Highway Safety	20.600	343-29580	-	11,389
Total Highway Safety Cluster			-	27,330
Total U.S Department of Transportation			-	179,461
U.S. Department of the Treasury:				
<i>Direct Award:</i>				
Equitable Sharing Program	21.016	N/A	-	437,263
<i>Direct Award:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (M)	21.027	N/A	-	1,703,780
Total U.S Department of the Treasury			-	2,141,043
Total expenditures of federal awards			\$ -	\$ 2,373,648

(M) - Major program

See independent auditor's report and notes to schedule of expenditures of federal awards.

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award grant activity of the City of Palos Heights, Illinois (City) under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The City has elected to use the 10-percent de minimis cost rate.

NOTE 4. LOANS OR LOAN GUARANTEES

During the year ended December 31, 2021, the City received no loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

**CITY OF PALOS HEIGHTS, ILLINOIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with §200.516 (a)? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID 19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**SSCITY OF PALOS HEIGHTS, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

SECTION II: FINANCIAL STATEMENT FINDINGS

NONE

**CITY OF PALOS HEIGHTS, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS

NONE

**CITY OF PALOS HEIGHTS, ILLINOIS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2021**

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2020-001	The City does not have a formal purchase order policy in place.	Corrective action taken. Not repeated in 2021
2020-002	During our testing of the Equitable Sharing Program, we noted 5 out of the 40 disbursements selected for testing were not for activities allowed under program requirements. The 5 disbursements were paid to officers upon their passing of the Peace Officer Wellness Evaluation (POWER) test and were to be used for a credit to be redeemed for merchandise related to physical fitness. Per program requirements for uses of funds, this is unallowed.	Corrective action taken. Not repeated in 2021
2020-003	The City's procurement policy does not include the essential elements as outlined in 2 CFR sections 200.317 through 200.327 set forth within the Uniform Guidance.	Corrective action taken. Not repeated in 2021
2020-004	During our testing, we noted 10 out of 40 items selected were required to go through the formal bidding process but did not due to the nature of the items. It was determined these items were noncompetitive procurement items due to their nature; however, they were not appropriately documented as to why they were noncompetitive in nature and why they did not go through the formal bidding process.	Corrective action taken. Not repeated in 2021
2020-005	During the course of our testing, we noted the City and Police Department did not perform procedures over suspension and debarment before entering into a covered transaction.	Corrective action taken. Not repeated in 2021