

CITY OF PALOS HEIGHTS  
STATE OF ILLINOIS

Annual Comprehensive Financial Report

Fiscal Year:

January 1, 2022 ~ December 31, 2022



**CITY OF PALOS HEIGHTS, ILLINOIS**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2022**

**Submitted by:**  
**Janice Colvin**  
**Finance Director**

**CITY OF PALOS HEIGHTS, ILLINOIS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2022**

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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  
Heather Begley  
Brent Lewandowski

WARD 4  
Michael McGrogan  
Jerry McGovern

June 29, 2023

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, 2022, 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 the purchase of a property for future use, improvements at Channel 4, improvements to the Lake Katherine decking, new lighting at the Pony Ballfield, 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 built the new Dream Big Park.

## FOR THE FUTURE

The City of Palos Heights enters fiscal year 2023 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2023 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2023 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, 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, design engineering on the Lake Katherine parking lot, municipal parking lot and improvements at the Swimming Pool, 123<sup>rd</sup> Street Culvert Construction, Southwest Highway retaining wall construction, a new citywide phone system, new tank installation at NW Palos hospital, Route 83 watermain installation, meter replacement throughout the city, and 131<sup>st</sup> Street sewer lining.

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.

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.

### Financial Highlights

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

### Debt Administration

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

### Independent Audit

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

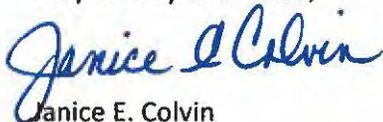
The independent auditor's report on the basic financial statements is included in the financial section of this report.

### Acknowledgements

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

I should also like to thank the Mayor, City Council members, City Treasurer and City Administrator for their interest and support of this ACFR, 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

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palos Heights  
Illinois**

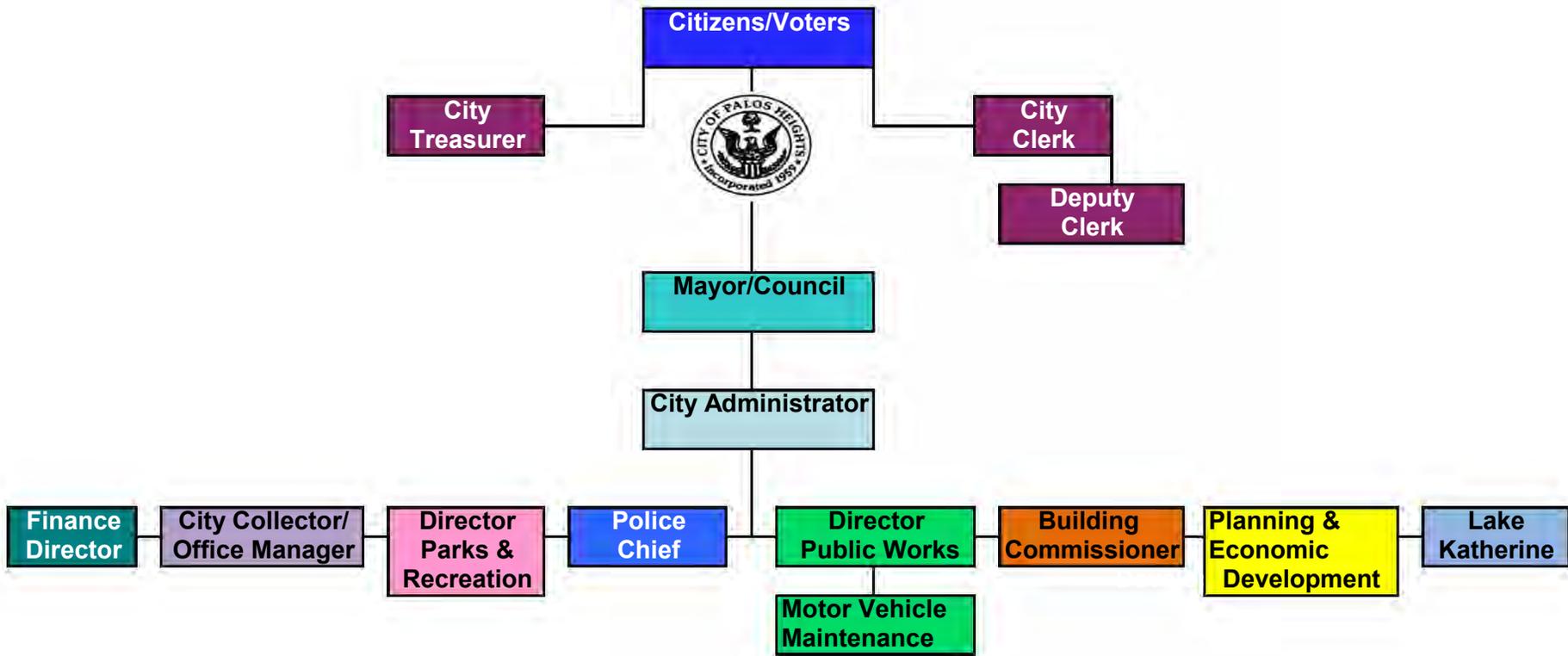
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2021

*Christopher P. Morrill*

Executive Director/CEO

# City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS  
OFFICERS AND OFFICIALS  
DECEMBER 31, 2022**

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, 2022, 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, 2022, 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' 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 and Illinois Grant Accountability and Transparency Act Consolidated Year-End Financial Report 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 and Illinois Grant Accountability and Transparency Act Consolidated Year-End Financial Report 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, 2021, 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, 2021, 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 29, 2023, 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 29, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2022**

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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, 2022. 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, 2022 by \$28,858,069 (*net position*). Of this amount, \$27,884,012 is invested in capital assets and \$3,915,321 is restricted; (\$2,941,264) is a deficit.
- The total net position of the City increased by \$2,959,383 during the year ended December 31, 2022.
- As of December 31, 2022, the City's governmental funds reported combined ending fund balances of \$15,822,790. Approximately 41% of this amount (\$6,433,518) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2022, total governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$3,437,957.
- 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 \$6,433,518, or approximately 50% of total General Fund expenditures.
- The City's long-term liabilities at December 31, 2022 totaled \$36,392,889. The City's long-term liabilities include a liability of \$21,643,487 related to the police pension, a liability of \$3,194,640 related to the Illinois Municipal Retirement Fund, and a liability of \$1,861,056 related to other post-employment benefits as of December 31, 2022.

### **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, 2022**

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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)**  
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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 \$28,858,069 at the close of the most recent fiscal year.

**City of Palos Heights, Illinois**  
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	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 25,012,325	\$ 23,441,490	\$ 11,461,991	\$ 10,744,174	\$ 36,474,316	\$ 34,185,664
Capital assets	27,900,441	28,385,135	4,927,848	4,820,280	32,828,289	33,205,415
Total assets	<u>52,912,766</u>	<u>51,826,625</u>	<u>16,389,839</u>	<u>15,564,454</u>	<u>69,302,605</u>	<u>67,391,079</u>
Deferred outflows of resources	<u>7,166,718</u>	<u>2,816,946</u>	<u>765,979</u>	<u>419,853</u>	<u>7,932,697</u>	<u>3,236,799</u>
Current and other liabilities	1,978,052	1,980,591	702,084	457,658	2,680,136	2,438,249
Long-term liabilities outstanding	35,075,735	26,735,906	1,317,154	660,609	36,392,889	27,396,515
Total liabilities	<u>37,053,787</u>	<u>28,716,497</u>	<u>2,019,238</u>	<u>1,118,267</u>	<u>39,073,025</u>	<u>29,834,764</u>
Deferred inflows of resources	<u>9,151,186</u>	<u>14,280,093</u>	<u>153,022</u>	<u>614,335</u>	<u>9,304,208</u>	<u>14,894,428</u>
Net position:						
Net investment in capital assets	23,203,444	23,305,937	4,680,568	4,820,280	27,884,012	28,126,217
Restricted	3,915,321	3,126,983	-	-	3,915,321	3,126,983
Unrestricted	<u>(13,244,254)</u>	<u>(14,785,939)</u>	<u>10,302,990</u>	<u>9,431,425</u>	<u>(2,941,264)</u>	<u>(5,354,514)</u>
Total net position	<u>\$ 13,874,511</u>	<u>\$ 11,646,981</u>	<u>\$ 14,983,558</u>	<u>\$ 14,251,705</u>	<u>\$ 28,858,069</u>	<u>\$ 25,898,686</u>

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

An additional portion of the City's net position (13.6%) 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 \$(2,941,264) related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$2,959,383 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 2022 and its effects on net position.

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2022**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 2,777,089	\$ 2,162,980	\$ 7,389,739	\$ 7,448,334	\$ 10,166,828	\$ 9,611,314
Operating grants and contributions	1,500	1,703,780	-	-	1,500	1,703,780
Capital grants and contributions	63,505	171,266	-	-	63,505	171,266
General revenues:						
Property taxes	8,312,534	7,749,471	-	-	8,312,534	7,749,471
Utility taxes	1,180,545	1,052,460	-	-	1,180,545	1,052,460
Business district taxes	143,814	152,955	-	-	143,814	152,955
Intergovernmental - unrestricted	5,196,051	4,620,072	-	-	5,196,051	4,620,072
Investment income	115,958	29,004	89,273	14,707	205,231	43,711
Gain on sale of assets	32,748	73,412	-	40,430	32,748	113,842
Other income	1,134,161	1,211,006	42,975	42,421	1,177,136	1,253,427
Transfers	-	21,405	-	(21,405)	-	-
Total revenues	<u>18,957,905</u>	<u>18,947,811</u>	<u>7,521,987</u>	<u>7,524,487</u>	<u>26,479,892</u>	<u>26,472,298</u>
Expenses:						
General government	2,575,120	2,747,151	-	-	2,575,120	2,747,151
Police and emergency services	7,631,698	6,072,819	-	-	7,631,698	6,072,819
Public works	2,711,535	2,689,895	-	-	2,711,535	2,689,895
Recreation and culture	3,461,525	2,917,440	-	-	3,461,525	2,917,440
Interest	350,497	367,727	-	-	350,497	367,727
Waterworks and sewerage	-	-	6,784,355	6,633,390	6,784,355	6,633,390
Parking lot	-	-	5,779	5,663	5,779	5,663
Total expenses	<u>16,730,375</u>	<u>14,795,032</u>	<u>6,790,134</u>	<u>6,639,053</u>	<u>23,520,509</u>	<u>21,434,085</u>
Change in net position	2,227,530	4,152,779	731,853	885,434	2,959,383	5,038,213
Net position at beginning 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>
Net position at end of year	<u>\$ 13,874,511</u>	<u>\$ 11,646,981</u>	<u>\$ 14,983,558</u>	<u>\$ 14,251,705</u>	<u>\$ 28,858,069</u>	<u>\$ 25,898,686</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased by \$2,227,530 from the prior fiscal year for an ending net position balance of \$13,874,511. Revenues remained comparable to prior year. Expenses increased in the current year related to police and emergency services.

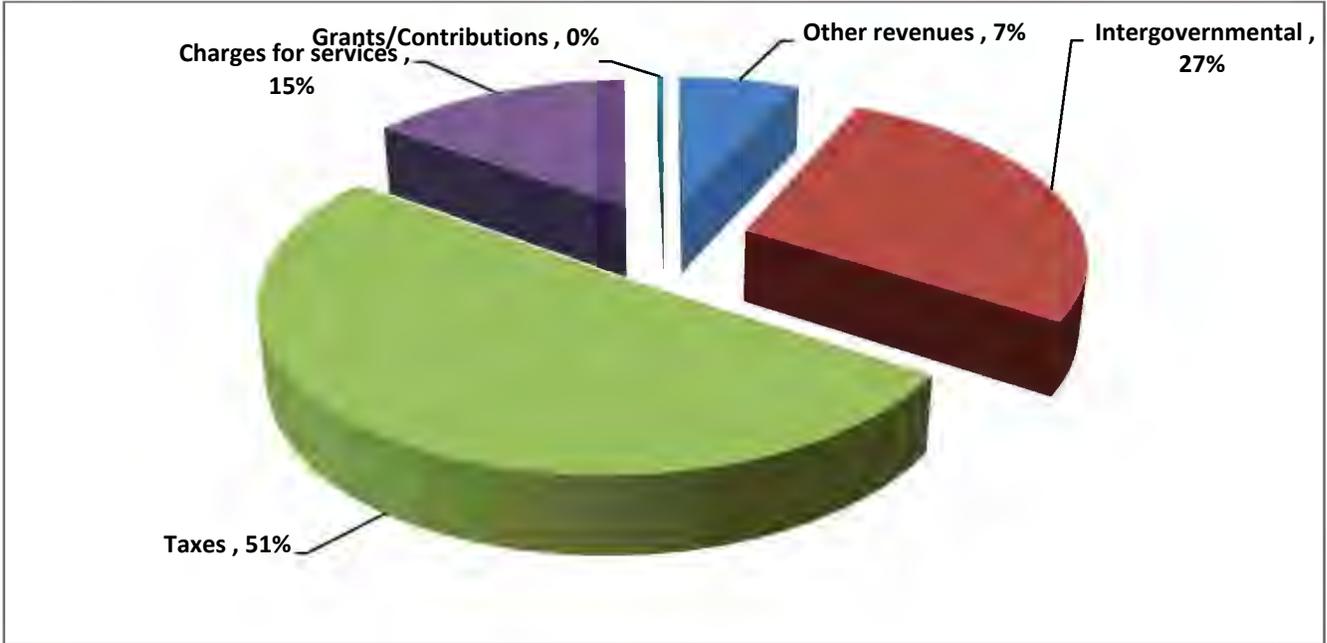
**Business-type Activities.** During the current fiscal year, net position for the business-type activities increased by \$731,853 from the prior fiscal year for an ending net position balance of \$14,983,558. Revenues remained comparable to prior year. Expenses increased in the current year due to improvements to the water and sewer infrastructure.

**City of Palos Heights, Illinois  
Management's Discussion and Analysis (Unaudited)  
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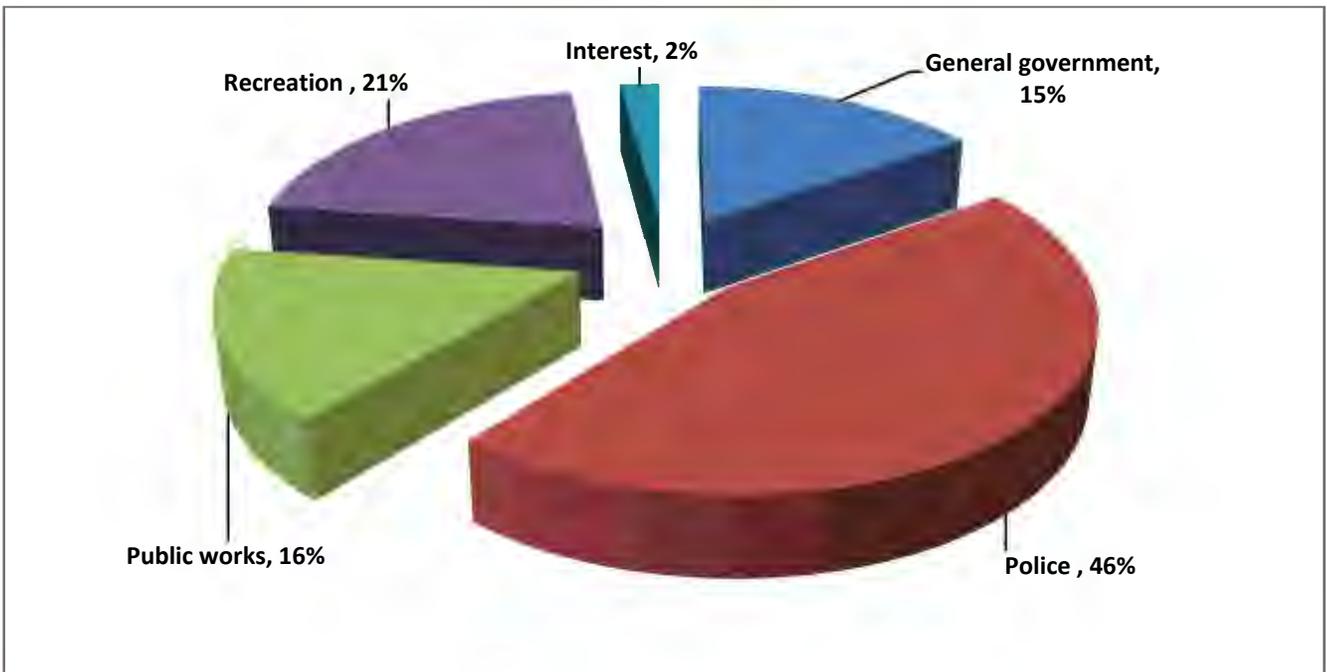
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The following graphs illustrate general governmental activity revenues by source as well as how funds are used by the governmental activities, based on the data shown in the above chart:

**General Revenues by Source - Governmental Activities**



**Expenses - Governmental Activities**



**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2022**

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**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, 2022 the City's governmental funds reported combined fund balances of \$15,822,790, an increase of \$3,437,957 over the prior fiscal year. As noted earlier, approximately 41% of this amount (\$6,433,518) 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 (\$3,973,980), 2) assigned for particular purposes (\$5,304,651), or 3) nonspendable because it has been used for prepaid items (\$110,641).

As of December 31, 2022, the City's General Fund, its chief operating fund, reported an ending balance of \$6,544,159. This is an increase of \$645,075 in comparison with the prior fiscal year. Intergovernmental revenues such as State Income Tax and Sales Tax increased in the current year. The fund balance in the General Fund was classified as unassigned (\$6,433,518) and nonspendable (\$110,641) at December 31, 2022.

As of December 31, 2022, the City's Capital Projects Fund reported an ending balance of \$4,990,374. This is an increase of \$2,001,507 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 \$726,277 increase in its net position in 2022. Operating revenues exceeded operating expenses for the year. This net increase was offset somewhat by an increase in 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, 2022, \$27,695,964 was held in trust for police pension benefits.

**City of Palos Heights, Illinois**  
**Management’s Discussion and Analysis (Unaudited)**  
**December 31, 2022**

**Budgetary Highlights**

The 2022 annual expenditure budget for the City’s General Fund identified the budgeted level of spending at \$13,745,772. Actual expenditures were less than budgeted expenditures by approximately \$904,622, or 6.6 percent.

Actual revenues were higher than budgeted revenues in the General Fund by \$1,933,408, or approximately 13.7 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	\$3,610,500	\$4,423,686	\$813,186
Grants	\$1,000	\$854,390	\$853,390

State sales tax and income 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	\$2,224,853	\$1,517,995	\$706,858
Public works – Corporate subfund	\$1,505,620	\$1,367,048	\$138,572

General government expenditures for hospital and medical insurance expenditures and full time salaries came in lower than expected. Several consulting projects were not completed in the fiscal year.

**Capital Asset Administration**

The City’s investment in capital assets as of December 31, 2022, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 10,276,260	\$ 9,822,391	\$ 45,849	\$ 45,849	\$ 10,322,109	\$ 9,868,240
Buildings and building improvements	11,605,356	12,053,350	1,168,921	1,238,883	12,774,277	13,292,233
Equipment	1,067,735	1,119,814	601,197	214,822	1,668,932	1,334,636
Water distribution, storm system and sanitary systems			2,770,452	3,320,726	2,770,452	3,320,726
Infrastructure	4,808,567	5,161,464			4,808,567	5,161,464
Construction in progress	142,523	228,116	341,429	-	483,952	228,116
Total	<u>\$ 27,900,441</u>	<u>\$ 28,385,135</u>	<u>\$ 4,927,848</u>	<u>\$ 4,820,280</u>	<u>\$ 32,828,289</u>	<u>\$ 33,205,415</u>

Major capital asset events during the current fiscal year included the purchase of 4 Chevy Tahoes, property at 12303 S 71<sup>st</sup> Court, new lighting at the Pony Ballfield, new decking at Lake Katherine, the new Dream Big Park and Ridgeland Avenue Median improvements.

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, 2022**

**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>	
	2022	2021	2022	2021	2022	2021
Compensated absences	\$ 1,727,023	\$ 1,650,464	\$ 198,209	\$ 187,305	\$ 1,925,232	\$ 1,837,769
Net pension liability	21,643,487	14,973,260	-	-	21,643,487	14,973,260
Post-employment benefits liability	1,429,477	1,738,397	431,579	473,304	1,861,056	2,211,701
IMRF liability	2,507,274	-	687,366	-	3,194,640	-
General obligation bond, including premium	4,591,378	4,910,126	-	-	4,591,378	4,910,126
Notes payable	3,085,670	3,435,820	-	-	3,085,670	3,435,820
Installment contract	91,426	27,839	-	-	91,426	27,839
Total	<u>\$ 35,075,735</u>	<u>\$ 26,735,906</u>	<u>\$ 1,317,154</u>	<u>\$ 660,609</u>	<u>\$ 36,392,889</u>	<u>\$ 27,396,515</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 2023 as the City continues the development of the property west of the senior living complex.
- During 2011, the City established the 127<sup>th</sup> 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 127<sup>th</sup> Street. These benefits will continue to be utilized during 2023 and it is the City’s intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2023, 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 2023, the City will continue with capital projects such as office improvements at City Hall, development Orchard park, the purchase of capital equipment for Public Works, Ridgeland Avenue Improvements, Lake Katherine Bike Path, engineering of the Lake Katherine parking lot, and renovations at the pool. The City will continue its Road Program in 2023 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, 2022**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,048,497	\$ 10,172,839	\$ 23,221,336	\$ 608,761
Receivables	9,461,395	1,289,152	10,750,547	2,187,636
Due from other governments	1,455,951	-	1,455,951	-
Other	1,046,482	-	1,046,482	-
Capital assets not being depreciated:				
Land	4,933,122	45,849	4,978,971	314,652
Construction in progress	142,523	341,429	483,952	721,818
Capital assets net of accumulated depreciation:				
Land improvements	5,343,138	-	5,343,138	-
Buildings and improvements	11,605,356	1,168,921	12,774,277	2,125,184
Equipment	1,067,735	601,197	1,668,932	395,744
Library collection	-	-	-	287,662
Water distribution, storm and sanitary system	-	2,770,452	2,770,452	-
Infrastructure	4,808,567	-	4,808,567	-
Total assets	<u>52,912,766</u>	<u>16,389,839</u>	<u>69,302,605</u>	<u>6,641,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	6,603,339	473,325	7,076,664	461,698
Deferred outflows of resources related to other post-employment benefits	<u>563,379</u>	<u>292,654</u>	<u>856,033</u>	<u>-</u>
Total deferred outflows of resources	<u>7,166,718</u>	<u>765,979</u>	<u>7,932,697</u>	<u>461,698</u>

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 1,004,038	\$ 702,084	\$ 1,706,122	\$ 116,811
Due to other governments	-	-	-	431,250
Unearned revenue	131,941	-	131,941	-
Deposits held	381,610	-	381,610	-
Due to fiduciary trust fund	460,463	-	460,463	-
Noncurrent liabilities:				
Due within one year	2,290,727	148,657	2,439,384	-
Due in more than one year	<u>32,785,008</u>	<u>1,168,497</u>	<u>33,953,505</u>	<u>686,589</u>
Total liabilities	<u>37,053,787</u>	<u>2,019,238</u>	<u>39,073,025</u>	<u>1,234,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	1,234,382	13,185	1,247,567	7,911
Deferred inflows of resources related to other post-employment benefits	534,712	139,837	674,549	-
Property taxes levied for future period	<u>7,382,092</u>	<u>-</u>	<u>7,382,092</u>	<u>1,872,132</u>
Total deferred inflows of resources	<u>9,151,186</u>	<u>153,022</u>	<u>9,304,208</u>	<u>1,880,043</u>
<b>NET POSITION</b>				
Net investment in capital assets	23,203,444	4,680,568	27,884,012	3,845,060
Restricted for:				
Community redevelopment	2,001,476	-	2,001,476	-
Road construction and maintenance	1,103,225	-	1,103,225	-
Law enforcement	686,416	-	686,416	-
Other purposes	124,204	-	124,204	17,134
Unrestricted	<u>(13,244,254)</u>	<u>10,302,990</u>	<u>(2,941,264)</u>	<u>126,268</u>
Total net position	<u>\$ 13,874,511</u>	<u>\$ 14,983,558</u>	<u>\$ 28,858,069</u>	<u>\$ 3,988,462</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	<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>Primary Government</u>			<u>Component Unit</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Functions/programs:								
Primary government:								
Governmental activities:								
General government	\$ 2,575,120	\$ 1,019,927	\$ -	\$ 3,864	\$ (1,551,329)	\$ -	\$ (1,551,329)	\$ -
Police and emergency services	7,631,698	416,311	1,500	-	(7,213,887)	-	(7,213,887)	-
Public works	2,711,535	-	-	59,641	(2,651,894)	-	(2,651,894)	-
Recreation and culture	3,461,525	1,340,851	-	-	(2,120,674)	-	(2,120,674)	-
Interest expense	350,497	-	-	-	(350,497)	-	(350,497)	-
Total governmental activities	<u>16,730,375</u>	<u>2,777,089</u>	<u>1,500</u>	<u>63,505</u>	<u>(13,888,281)</u>	<u>-</u>	<u>(13,888,281)</u>	<u>-</u>
Business-type activities:								
Waterworks and sewerage	6,784,355	7,378,384	-	-	-	594,029	594,029	-
Parking lot	5,779	11,355	-	-	-	5,576	5,576	-
Total business-type activities	<u>6,790,134</u>	<u>7,389,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>599,605</u>	<u>599,605</u>	<u>-</u>
Total primary government	<u>\$ 23,520,509</u>	<u>\$ 10,166,828</u>	<u>\$ 1,500</u>	<u>\$ 63,505</u>	<u>(13,888,281)</u>	<u>599,605</u>	<u>(13,288,676)</u>	<u>-</u>
Component unit	<u>\$ 2,066,709</u>	<u>\$ 5,355</u>	<u>\$ 17,800</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,043,554)</u>
		General revenues:						
		Taxes:						
			Property		8,312,534	-	8,312,534	1,730,844
			Utility		1,180,545	-	1,180,545	-
			Business district sales		143,814	-	143,814	-
			Intergovernmental - unrestricted		5,196,051	-	5,196,051	14,801
			Investment income		115,958	89,273	205,231	8,126
			Gain from sale of capital assets		32,748	-	32,748	-
			Other income		1,134,161	42,975	1,177,136	224,912
			Total general revenues		<u>16,115,811</u>	<u>132,248</u>	<u>16,248,059</u>	<u>1,978,683</u>
			Changes in net position		2,227,530	731,853	2,959,383	(64,871)
			Net position at beginning of year		<u>11,646,981</u>	<u>14,251,705</u>	<u>25,898,686</u>	<u>4,053,333</u>
			Net position at end of year		<u>\$ 13,874,511</u>	<u>\$ 14,983,558</u>	<u>\$ 28,858,069</u>	<u>\$ 3,988,462</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, 2022**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>				<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,193,557	\$ 4,841,930	\$ 4,013,010	\$ 13,048,497	\$ 11,980,849
Receivables:					
Property taxes	7,158,726	-	2,124,770	9,283,496	7,379,138
Accounts	172,346	-	5,553	177,899	163,803
Due from other funds	224,074	-	35,391	259,465	226,943
Due from other governments	1,089,664	293,962	72,325	1,455,951	1,958,617
Prepaid items	110,641	-	-	110,641	107,832
Other	<u>935,841</u>	<u>-</u>	<u>-</u>	<u>935,841</u>	<u>821,091</u>
Total assets	<u>\$ 13,884,849</u>	<u>\$ 5,135,892</u>	<u>\$ 6,251,049</u>	<u>\$ 25,271,790</u>	<u>\$ 22,638,273</u>
<b>LIABILITIES</b>					
Accounts payable	215,778	75,219	81,973	372,970	837,465
Other payable	-	-	335,259	335,259	335,259
Accrued expenditures	125,200	-	-	125,200	113,012
Unearned revenue	131,941	-	-	131,941	125,571
Deposits held	381,610	-	-	381,610	384,069
Due to other funds	-	70,299	189,166	259,465	226,943
Due to fiduciary trust fund	<u>460,463</u>	<u>-</u>	<u>-</u>	<u>460,463</u>	<u>-</u>
Total liabilities	<u>1,314,992</u>	<u>145,518</u>	<u>606,398</u>	<u>2,066,908</u>	<u>2,022,319</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for future period	6,025,698	-	1,356,394	7,382,092	7,379,231
Unavailable revenue - grant proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,890</u>
Total deferred inflows of resources	<u>6,025,698</u>	<u>-</u>	<u>1,356,394</u>	<u>7,382,092</u>	<u>8,231,121</u>
<b>FUND BALANCES</b>					
Nonspendable	110,641	-	-	110,641	107,832
Restricted	-	-	3,973,980	3,973,980	3,168,036
Assigned	-	4,990,374	314,277	5,304,651	3,317,713
Unassigned	<u>6,433,518</u>	<u>-</u>	<u>-</u>	<u>6,433,518</u>	<u>5,791,252</u>
Total fund balances	<u>6,544,159</u>	<u>4,990,374</u>	<u>4,288,257</u>	<u>15,822,790</u>	<u>12,384,833</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,884,849</u>	<u>\$ 5,135,892</u>	<u>\$ 6,251,049</u>	<u>\$ 25,271,790</u>	<u>\$ 22,638,273</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, 2022**

Fund balances - total governmental funds \$ 15,822,790

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. 27,900,441

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	\$	(4,465,000)
Unamortized issuance premium		(126,378)
Notes payable		(3,085,670)
Installment contract payable		(91,426)
Compensated absences payable		(1,727,023)
Net pension liabilities		(24,150,761)
Net other post-employment benefits liability		<u>(1,429,477)</u>

Total (35,075,735)

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

Deferred outflows related to pensions and other post-employment benefits	\$	7,166,718
Deferred inflows related to pensions and other post-employment benefits		<u>(1,769,094)</u>

Total 5,397,624

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. (170,609)

Net position of governmental activities \$ 13,874,511

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, 2022**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
				<u>2022</u>	<u>2021</u>
Revenues:					
Taxes:					
Property levies, net	\$ 5,970,116	\$ -	\$ 2,342,418	\$ 8,312,534	\$ 7,749,471
Utility	1,180,545	-	-	1,180,545	1,052,460
Business district sales	-	-	143,814	143,814	152,955
Intergovernmental	4,423,686	-	772,365	5,196,051	4,620,072
Charges for services	384,408	-	-	384,408	386,038
Fees by agreement	1,026,246	-	-	1,026,246	752,758
Fines, forfeitures and penalties	74,002	-	342,309	416,311	189,725
Grants	854,390	62,505	-	916,895	1,023,156
Investment income	80,810	-	35,148	115,958	29,004
Licenses, permits and inspections	476,146	-	-	476,146	431,979
Swimming pool	314,605	-	-	314,605	236,016
Vehicle tag income	159,373	-	-	159,373	166,464
Other income	1,054,091	54,364	25,706	1,134,161	1,211,006
	<u>15,998,418</u>	<u>116,869</u>	<u>3,661,760</u>	<u>19,777,047</u>	<u>18,001,104</u>
Total revenues					
Expenditures:					
Current:					
General government	1,604,850	-	651,309	2,256,159	2,607,935
Public safety	6,913,090	-	410,278	7,323,368	7,052,405
Public works	1,322,578	-	44,019	1,366,597	1,144,007
Recreational department	2,285,804	-	335,234	2,621,038	2,142,958
Roads and construction	494,751	-	-	494,751	449,064
Debt service:					
Principal	35,151	-	650,150	685,301	576,613
Interest	1,270	-	382,581	383,851	388,665
Capital outlay:					
General government	-	223,905	-	223,905	87,162
Public works	44,470	4,650	-	49,120	219,053
Recreational department	126,326	143,293	-	269,619	213,409
Roads and construction	12,860	287,395	503,814	804,069	948,234
	<u>12,841,150</u>	<u>659,243</u>	<u>2,977,385</u>	<u>16,477,778</u>	<u>15,829,505</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, 2022**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>	
				<b>2022</b>	<b>2021</b>
Excess (deficiency) of revenues over expenditures	3,157,268	(542,374)	684,375	3,299,269	2,171,599
Other financing sources (uses):					
Installment contract	98,738	-	-	98,738	41,758
Proceeds from sale of capital assets	2,950	-	37,000	39,950	92,850
Transfers in	-	2,543,881	70,000	2,613,881	829,515
Transfers out	(2,613,881)	-	-	(2,613,881)	(808,110)
Total other financing sources (uses)	(2,512,193)	2,543,881	107,000	138,688	156,013
Net change in fund balances	645,075	2,001,507	791,375	3,437,957	2,327,612
Fund balances at beginning of year	5,899,084	2,988,867	3,496,882	12,384,833	10,057,221
Fund balances at end of year	\$ 6,544,159	\$ 4,990,374	\$ 4,288,257	\$ 15,822,790	\$ 12,384,833

(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, 2022**

Net change in fund balance - total governmental funds \$ 3,437,957

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 (\$1,393,264) exceeded capitalized capital outlays (\$915,772) in the current period. (477,492)

The net effect of transactions involving dispositions of capital assets was to decrease net position. (7,202)

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	\$	300,000
Amortization of issuance premium		18,748
Principal repayments of notes payable		350,151
Installment contract issued		(98,738)
Principal repayments of installment contract		<u>35,150</u>

Total 605,311

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded City contributions. (363,584)  
(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, 2022**

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.	(53,617)
Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds.	(76,559)
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.	14,606
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 decreased from the corresponding amount at the end of the previous fiscal year.	<u>(851,890)</u>
Change in net position of governmental activities	<u>\$ 2,227,530</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, 2022**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 6,271,367	\$ 5,970,116	\$ (301,251)
Utility	1,060,000	1,180,545	120,545
Intergovernmental	3,610,500	4,423,686	813,186
Charges for services	366,500	384,408	17,908
Fees by agreement	837,060	1,026,246	189,186
Fines, forfeitures and penalties	170,000	74,002	(95,998)
Grants	1,000	854,390	853,390
Investment income	25,000	80,810	55,810
Licenses, permits and inspections	391,400	476,146	84,746
Swimming pool	308,400	314,605	6,205
Vehicle tag income	170,500	159,373	(11,127)
Other income	<u>853,283</u>	<u>1,054,091</u>	<u>200,808</u>
Total revenues	<u>14,065,010</u>	<u>15,998,418</u>	<u>1,933,408</u>
Expenditures:			
Current:			
Personnel	6,724,351	6,491,739	232,612
Retirement contributions	2,393,867	2,413,895	(20,028)
Hospital and medical insurance	1,113,000	858,243	254,757
Contractual	2,081,254	1,896,945	184,309
Commodities	607,200	664,720	(57,520)
Other	399,000	131,690	267,310
Legal department	107,600	91,194	16,406
Vehicle tag expense	75,000	72,647	2,353
Debt service:			
Principal	30,000	35,151	(5,151)
Interest	-	1,270	(1,270)
Capital outlay	<u>214,500</u>	<u>183,656</u>	<u>30,844</u>
Total expenditures	<u>13,745,772</u>	<u>12,841,150</u>	<u>904,622</u>
Excess of revenues over expenditures	<u>319,238</u>	<u>3,157,268</u>	<u>2,838,030</u>

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

	<b><u>Original and Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Final Budget</u></b>
Other financing sources (uses):			
Installment contract	-	98,738	98,738
Proceeds from sale of capital assets	10,000	2,950	(7,050)
Transfers out	<u>(356,338)</u>	<u>(2,613,881)</u>	<u>(2,257,543)</u>
Total other financing sources (uses)	<u>(346,338)</u>	<u>(2,512,193)</u>	<u>(2,165,855)</u>
Net change in fund balances	(27,100)	645,075	672,175
Fund balances at beginning of year	<u>5,899,084</u>	<u>5,899,084</u>	<u>-</u>
Fund balances at end of year	<u>\$ 5,871,984</u>	<u>\$ 6,544,159</u>	<u>\$ 672,175</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 10,066,621	\$ 106,218	\$ 10,172,839	\$ 9,161,398
Accounts receivable - water customers:				
Billed	391,525	-	391,525	412,072
Unbilled	897,627	-	897,627	909,048
Total current assets	<u>11,355,773</u>	<u>106,218</u>	<u>11,461,991</u>	<u>10,482,518</u>
Noncurrent assets:				
Net pension asset	-	-	-	261,656
Capital assets:				
Land	45,849	-	45,849	45,849
Construction in progress	341,429	-	341,429	-
Building and improvements	3,578,933	-	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,324,228	-	9,324,228	9,074,696
Equipment	2,487,847	-	2,487,847	2,487,847
Total	15,778,286	-	15,778,286	15,187,325
Less accumulated depreciation	<u>(10,850,438)</u>	<u>-</u>	<u>(10,850,438)</u>	<u>(10,367,045)</u>
Net capital assets	<u>4,927,848</u>	<u>-</u>	<u>4,927,848</u>	<u>4,820,280</u>
Total noncurrent assets	<u>4,927,848</u>	<u>-</u>	<u>4,927,848</u>	<u>5,081,936</u>
Total assets	<u>16,283,621</u>	<u>106,218</u>	<u>16,389,839</u>	<u>15,564,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	473,325	-	473,325	136,242
Deferred outflows of resources related to other post-employment benefits	<u>292,654</u>	<u>-</u>	<u>292,654</u>	<u>283,611</u>
Total deferred outflows of resources	<u>765,979</u>	<u>-</u>	<u>765,979</u>	<u>419,853</u>

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

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	676,198	224	676,422	436,540
Accrued payroll	25,662	-	25,662	21,118
Current portion of long-term liabilities:				
Compensated absences	<u>148,657</u>	<u>-</u>	<u>148,657</u>	<u>140,479</u>
Total current liabilities	<u>850,517</u>	<u>224</u>	<u>850,741</u>	<u>598,137</u>
Long-term liabilities:				
Compensated absences	49,552	-	49,552	46,826
Net pension liability	687,366	-	687,366	-
Net other post-employment benefits liability	<u>431,579</u>	<u>-</u>	<u>431,579</u>	<u>473,304</u>
Total long-term liabilities	<u>1,168,497</u>	<u>-</u>	<u>1,168,497</u>	<u>520,130</u>
Total liabilities	<u>2,019,014</u>	<u>224</u>	<u>2,019,238</u>	<u>1,118,267</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	13,185	-	13,185	550,215
Deferred inflows of resources related to other post-employment benefits	<u>139,837</u>	<u>-</u>	<u>139,837</u>	<u>64,120</u>
Total deferred inflows of resources	<u>153,022</u>	<u>-</u>	<u>153,022</u>	<u>614,335</u>
<b>NET POSITION</b>				
Net investment in capital assets Unrestricted	4,680,568	-	4,680,568	4,820,280
	<u>10,196,996</u>	<u>105,994</u>	<u>10,302,990</u>	<u>9,431,425</u>
Total net position	<u>\$ 14,877,564</u>	<u>\$ 105,994</u>	<u>\$ 14,983,558</u>	<u>\$ 14,251,705</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2022**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks</u>	<u>Nonmajor</u>	<u>Totals</u>	
	<u>and</u>		<u>Fund</u>	<u>2022</u>
	<u>Sewerage</u>			
Operating revenues:				
Charges for services	\$ 7,378,384	\$ 11,355	\$ 7,389,739	\$ 7,448,334
Sales of water meters	4,950	-	4,950	12,205
Other	38,025	-	38,025	30,216
	<u>7,421,359</u>	<u>11,355</u>	<u>7,432,714</u>	<u>7,490,755</u>
Total operating revenues				
Operating expenses:				
Personnel	1,485,398	-	1,485,398	1,218,157
Contractual	3,575,904	-	3,575,904	3,574,038
Commodities	756,118	5,779	761,897	881,391
Depreciation	483,393	-	483,393	465,866
Other	483,542	-	483,542	495,999
	<u>6,784,355</u>	<u>5,779</u>	<u>6,790,134</u>	<u>6,635,451</u>
Total operating expenses				
Operating income	<u>637,004</u>	<u>5,576</u>	<u>642,580</u>	<u>855,304</u>
Nonoperating revenue (expense):				
Gain on sale of capital assets	-	-	-	40,430
Investment income	89,273	-	89,273	14,707
Interest expense	-	-	-	(3,602)
	<u>89,273</u>	<u>-</u>	<u>89,273</u>	<u>51,535</u>
Total nonoperating revenue (expense)				
Income before transfers	726,277	5,576	731,853	906,839
Transfer out	-	-	-	(21,405)
Change in net position	726,277	5,576	731,853	885,434
Net position at beginning of year	<u>14,151,287</u>	<u>100,418</u>	<u>14,251,705</u>	<u>13,366,271</u>
Net position at end of year	<u>\$ 14,877,564</u>	<u>\$ 105,994</u>	<u>\$ 14,983,558</u>	<u>\$ 14,251,705</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, 2022**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,453,327	\$ 11,355	\$ 7,464,682	\$ 7,542,265
Payments to employees	(1,370,092)	-	(1,370,092)	(1,302,136)
Payments to suppliers	(4,575,906)	(5,555)	(4,581,461)	(5,247,582)
Net cash provided by operating activities	<u>1,507,329</u>	<u>5,800</u>	<u>1,513,129</u>	<u>992,547</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,405)</u>
Cash flows from capital and related financing activities:				
Payments for purchases of capital assets	(590,961)	-	(590,961)	(291,601)
Payment of accounts payable used to finance prior year purchases of				
Proceeds from sale of capital assets	-	-	-	40,430
Principal paid on capital debt	-	-	-	(90,368)
Interest paid on capital debt	-	-	-	(3,602)
Net cash used by capital and related financing activities	<u>(590,961)</u>	<u>-</u>	<u>(590,961)</u>	<u>(345,141)</u>
Cash flows from investing activities:				
Investment income received	<u>89,273</u>	<u>-</u>	<u>89,273</u>	<u>14,707</u>
Net change in cash and cash equivalents	1,005,641	5,800	1,011,441	640,708
Cash and cash equivalents at beginning of year	<u>9,060,980</u>	<u>100,418</u>	<u>9,161,398</u>	<u>8,520,690</u>
Cash and cash equivalents at end of year	<u>\$ 10,066,621</u>	<u>\$ 106,218</u>	<u>\$ 10,172,839</u>	<u>\$ 9,161,398</u>

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

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2022</b>	<b>2021</b>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 637,004	\$ 5,576	\$ 642,580	\$ 855,304
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	483,393	-	483,393	465,866
(Increase) decrease in:				
Accounts receivable	31,968	-	31,968	51,510
Deferred outflows of resources related to pensions	(337,083)	-	(337,083)	96,538
Deferred outflows of resources related to other post-employment benefits	(9,043)	-	(9,043)	(70,231)
Net pension asset	261,656	-	261,656	(261,656)
Increase (decrease) in:				
Accounts payable	239,658	224	239,882	(296,154)
Accrued payroll	4,544	-	4,544	4,922
Compensated absences	10,904	-	10,904	(6,755)
Net pension liability	687,366	-	687,366	(115,809)
Net other post-employment benefits liability	(41,725)	-	(41,725)	78,912
Deferred inflows of resources related to pensions	(537,030)	-	(537,030)	181,667
Deferred inflows of resources related to other post-employment benefits	75,717	-	75,717	8,433
	<u>75,717</u>	<u>-</u>	<u>75,717</u>	<u>8,433</u>
Net cash provided by operating activities	<u>\$ 1,507,329</u>	<u>\$ 5,800</u>	<u>\$ 1,513,129</u>	<u>\$ 992,547</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND - PENSION TRUST FUND**  
**DECEMBER 31, 2022**  
**WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash	\$ 7,830	\$ 9,965
Due from City	460,463	-
Accrued interest receivable	48,262	52,035
Prepaid expenses	5,945	5,528
Investments:		
Certificates of deposit	516,761	582,123
Debt issues:		
Corporate	1,652,724	1,836,458
Municipal	1,605,805	1,921,135
GNMA	28,243	37,624
Mutual funds:		
Equities	15,825,239	19,924,340
Mutual money market funds	1,023,749	334,765
U.S. government agency obligations	5,551,243	6,757,364
U.S. Treasury notes	985,984	1,219,414
Total assets	27,712,248	32,680,751
<b>LIABILITIES</b>		
Accounts payable	16,284	20,735
<b>NET POSITION</b>		
Restricted for pension benefits	\$ 27,695,964	\$ 32,660,016

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, 2022**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>2022</b>	<b>2021</b>
Additions:		
Contributions:		
Employees	\$ 312,089	\$ 297,453
Employer	2,413,895	2,297,394
Other	60,913	-
Total contributions	2,786,897	2,594,847
Investment income (loss)	(5,444,351)	3,528,715
Less investment expense	(64,506)	(70,957)
Net investment income (loss)	(5,508,857)	3,457,758
Total additions	(2,721,960)	6,052,605
Deductions:		
Benefit payments	2,118,823	2,044,962
Refunds of contributions	66,228	85,239
Administrative expenses	57,041	55,472
Total deductions	2,242,092	2,185,673
Change in net position	(4,964,052)	3,866,932
Net position at beginning of year	32,660,016	28,793,084
Net position at end of year	\$ 27,695,964	\$ 32,660,016

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, 2022**

**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, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022 was adopted through the passage of ordinance number O-03-22 on March 15, 2022.
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, 2022.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

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	\$ 13,783,991
Beautification Committee	54,810
Vehicle License	179,025
Special revenue funds:	
Seizure and Forfeiture	99,960
Motor Fuel Tax	629,475
Social Security and IMRF	785,000
Special Recreation	371,700
Police DUI Fine	10,500
Business District	212,625
PEG Capital	26,250
Capital projects funds:	
Capital Projects	2,299,500
127th and Harlem Tax Increment	488,670
Gateway Tax Increment	109,200
Debt service fund:	
Bond and Interest	484,510
Enterprise funds:	
Waterworks and Sewerage	12,459,312
Metra Station Parking	10,500

**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, 2022**

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.

**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, 2022**

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 assets that applies to 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 assets that applies to 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, 2022**

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, 2022**

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, 2022**

**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. Adoption of New Accounting Standard**

Effective January 1, 2022, the District implemented the provisions of GASB 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. Implementation of this guidance resulted in no changes in the reporting of the District's financial activities.

**K. New Accounting Standard - Subscription-Based Information Technology Arrangements**

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The most significant change in the new guidance is the requirement for a government end user to recognize a subscription liability and an intangible right-of-use asset. Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the effect the adoption of Statement No. 96 is expected to have on its financial statements and related disclosures.

**L. 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.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**M. Reclassifications**

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

**N. 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, 2023. 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, 2023.

**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, 2022 was comprised of the following:

	<u>Government- wide</u>	<u>Fiduciary</u>
Cash on hand	\$ 2,000	\$ -
Deposits with financial institutions	14,835,968	7,830
The Illinois Funds	<u>8,383,368</u>	<u>-</u>
Total	<u>\$ 23,221,336</u>	<u>\$ 7,830</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, 2022, \$14,269,114 of the City's bank balances of \$15,020,114 was in excess of FDIC limits and was collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

*Pension Trust Fund*

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

***Investments***

*Pension Trust Fund*

As of December 31, 2022, the Pension Trust Fund had the following investments:

Type of Investment	Fair Value	Average Credit Quality Ratings (1)	Weighted Average Years to Maturity (2)
Certificates of deposit	\$ 516,761	N/A	4.04
Debt issues:			
Corporate	1,652,724	Aaa - Baa1	4.79
Municipal (3)	1,605,805	Aaa - A1	3.91
GNMA	28,243	N/R	12.00
Mutual funds:			
Equities	15,825,239	N/A	N/A
Mutual money market funds	1,023,749	N/A	N/A
U.S. government agency obligations (3)	5,551,243	Aaa	5.04
U.S. Treasury notes	985,984	Aaa	4.68
Total investments	<u>\$ 27,189,748</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, and The Illinois Funds pool.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

*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, 2022:

Certificates of deposit, debt issues, GNMA, mutual money market funds, 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 516,761	\$ -	\$ 516,761
Debt issues:				
Corporate	-	1,652,724	-	1,652,724
Municipal	-	1,605,805	-	1,605,805
GNMA	-	28,243	-	28,243
Mutual funds:				
Equities	15,825,239	-	-	15,825,239
Mutual money market funds	-	1,023,749	-	1,023,749
U.S. government agency obligations	-	5,551,243	-	5,551,243
U.S. Treasury notes	-	985,984	-	985,984
	<u>\$ 15,825,239</u>	<u>\$ 11,364,509</u>	<u>\$ -</u>	<u>\$ 27,189,748</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2022 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	\$ 211,135	\$ -	\$ 4,933,122
Construction in progress	<u>228,116</u>	<u>38,139</u>	<u>(123,732)</u>	<u>142,523</u>
Total capital assets not being depreciated	<u>4,950,103</u>	<u>249,274</u>	<u>(123,732)</u>	<u>5,075,645</u>
Capital assets being depreciated:				
Land improvements	8,019,427	342,568	123,732	8,485,727
Buildings and improvements	19,910,794	16,674	-	19,927,468
Equipment	4,467,637	292,256	(92,271)	4,667,622
Infrastructure	<u>20,013,105</u>	<u>15,000</u>	<u>-</u>	<u>20,028,105</u>
Total capital assets being depreciated	<u>52,410,963</u>	<u>666,498</u>	<u>31,461</u>	<u>53,108,922</u>
Less accumulated depreciation for:				
Land improvements	(2,919,023)	(223,566)	-	(3,142,589)
Buildings and improvements	(7,857,444)	(464,668)	-	(8,322,112)
Equipment	(3,347,823)	(337,133)	85,069	(3,599,887)
Infrastructure	<u>(14,851,641)</u>	<u>(367,897)</u>	<u>-</u>	<u>(15,219,538)</u>
Total accumulated depreciation	<u>(28,975,931)</u>	<u>(1,393,264)</u>	<u>85,069</u>	<u>(30,284,126)</u>
Total capital assets being depreciated, net	<u>23,435,032</u>	<u>(726,766)</u>	<u>116,530</u>	<u>22,824,796</u>
Governmental activities capital assets, net	<u>\$ 28,385,135</u>	<u>\$ (477,492)</u>	<u>\$ (7,202)</u>	<u>\$ 27,900,441</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 45,849	\$ -	\$ -	\$ 45,849
Construction in progress	<u>-</u>	<u>341,429</u>	<u>-</u>	<u>341,429</u>
Total capital assets, not being depreciated	<u>45,849</u>	<u>341,429</u>	<u>-</u>	<u>387,278</u>
Capital assets being depreciated:				
Buildings and improvements	3,578,933	-	-	3,578,933
Equipment	2,487,847	-	-	2,487,847
Water distribution, storm and sanitary system	<u>9,074,696</u>	<u>249,532</u>	<u>-</u>	<u>9,324,228</u>
Total capital assets being depreciated	<u>15,141,476</u>	<u>249,532</u>	<u>-</u>	<u>15,391,008</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,340,050)	(69,962)	-	(2,410,012)
Equipment	(1,661,449)	(225,201)	-	(1,886,650)
Water distribution, storm and sanitary system	<u>(6,365,546)</u>	<u>(188,230)</u>	<u>-</u>	<u>(6,553,776)</u>
Total accumulated depreciation	<u>(10,367,045)</u>	<u>(483,393)</u>	<u>-</u>	<u>(10,850,438)</u>
Total capital assets being depreciated, net	<u>4,774,431</u>	<u>(233,861)</u>	<u>-</u>	<u>4,540,570</u>
Business-type activities capital assets, net	<u>\$ 4,820,280</u>	<u>\$ 107,568</u>	<u>\$ -</u>	<u>\$ 4,927,848</u>
Component unit:				
Palos Heights Public Library:				
Capital assets not being depreciated:				
Land	\$ 314,652	\$ -	\$ -	\$ 314,652
Construction in progress	<u>89,320</u>	<u>721,818</u>	<u>89,320</u>	<u>721,818</u>
Total capital assets not being depreciated	<u>403,972</u>	<u>721,818</u>	<u>-</u>	<u>1,036,470</u>
Capital assets being depreciated:				
Buildings and improvements	4,614,232	141,934	-	4,756,166
Equipment	504,275	298,593	-	802,868
Library collection	<u>536,403</u>	<u>117,104</u>	<u>(131,406)</u>	<u>522,101</u>
Total capital assets being depreciated	<u>5,654,910</u>	<u>557,631</u>	<u>(131,406)</u>	<u>6,081,135</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,515,826)	(115,156)	-	(2,630,982)
Furniture and equipment	(389,695)	(17,429)	-	(407,124)
Library collection	<u>(258,564)</u>	<u>(107,281)</u>	<u>131,406</u>	<u>(234,439)</u>
Total accumulated depreciation	<u>(3,164,085)</u>	<u>(239,866)</u>	<u>131,406</u>	<u>(3,272,545)</u>
Total capital assets being depreciated, net	<u>2,490,825</u>	<u>317,765</u>	<u>-</u>	<u>2,808,590</u>
Palos Heights Public Library capital assets, net	<u>\$ 2,894,797</u>	<u>\$ 1,039,583</u>	<u>\$ -</u>	<u>\$ 3,845,060</u> (concluded)

Depreciation expense was charged to functions/programs as follows:

Primary government:

City of Palos Heights, Illinois:

Governmental activities:

General government	\$ 435,425
Police and emergency services	279,838
Public works	128,047
Recreation and culture	<u>549,954</u>

Total depreciation expense - governmental activities \$ 1,393,264

Business-type activities:

Waterworks and sewerage \$ 483,393

Component unit:

Palos Heights Public Library:

Recreation and culture \$ 239,866

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**D. Interfund Receivables, Payables and Transfers**

The composition of interfund balances at December 31, 2022 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 224,074	\$ -
Capital Projects Fund	-	70,299
Nonmajor governmental funds:		
Seizure and Forfeiture Fund	-	106,195
Motor Fuel Tax Fund	-	10,312
Social Security and IMRF	-	4,176
Business District Fund	35,391	-
127th and Harlem Tax Increment Fund	-	35,391
Bond and Interest	<u>-</u>	<u>33,092</u>
 Total	 <u>\$ 259,465</u>	 <u>\$ 259,465</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, 2022 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 2,543,881
General Fund	Nonmajor governmental fund: Business District Fund	<u>70,000</u>
 Total		 <u>\$ 2,613,881</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. As such, authorized transfers were made from the General Fund to the Capital Projects Fund and Business District Fund during the year ended December 31, 2022.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**E. Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2022 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	\$ 4,765,000	\$ -	\$ (300,000)	\$ 4,465,000	\$ 310,000
Unamortized issuance premium	145,126	-	(18,748)	126,378	-
Notes payable	3,435,820	-	(350,150)	3,085,670	394,360
Installment contract payable	27,839	98,738	(35,151)	91,426	32,046
Compensated absences payable	1,650,464	1,561,977	(1,485,418)	1,727,023	1,554,321
Net pension liabilities:					
Police Pension	14,973,260	2,477,200	4,193,027	21,643,487	-
Illinois Municipal Retirement	-	585,459	1,921,815	2,507,274	-
Other post-employment benefits liability	<u>1,738,397</u>	<u>131,531</u>	<u>(440,451)</u>	<u>1,429,477</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 26,735,906</u>	<u>\$ 4,854,905</u>	<u>\$ 3,484,924</u>	<u>\$ 35,075,735</u>	<u>\$ 2,290,727</u>
Business-type activities:					
Compensated absences payable	\$ 187,305	\$ 151,383	\$ (140,479)	\$ 198,209	\$ 148,657
Net pension liability:					
Illinois Municipal Retirement	-	153,099	534,267	687,366	-
Other post-employment benefits liability	<u>473,304</u>	<u>32,883</u>	<u>(74,608)</u>	<u>431,579</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 660,609</u>	<u>\$ 337,365</u>	<u>\$ 319,180</u>	<u>\$ 1,317,154</u>	<u>\$ 148,657</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	<u>\$ -</u>	<u>\$ 157,419</u>	<u>\$ 529,170</u>	<u>\$ 686,589</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, 2022**

***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>
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>\$ 4,465,000</u>	<u>\$ 1,084,831</u>	<u>\$ 5,549,831</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

*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, 2022, the City paid \$3,143,226 in principal and interest on the notes payable. \$1,959,482 was paid from incremental property tax revenue, \$871,990 from business district sales tax revenue and \$311,754 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
2023	\$ 220,842	\$ 134,082	\$ 39,436	\$ 394,360	\$ 164,324	\$ 12,300	\$ 19,625	\$ 196,249
2024	247,914	150,520	44,271	442,705	151,571	2,480	17,117	171,168
2025	305,827	168,200	52,670	526,697	128,711	-	14,301	143,012
2026	338,574	172,400	56,775	567,749	98,564	-	10,951	109,515
2027	373,642	176,700	61,149	611,491	66,064	-	7,340	73,404
2028	307,201	181,200	54,267	542,668	31,063	-	3,451	34,514
Total	<u>\$ 1,794,000</u>	<u>\$ 983,102</u>	<u>\$ 308,568</u>	<u>\$ 3,085,670</u>	<u>\$ 640,297</u>	<u>\$ 14,780</u>	<u>\$ 72,785</u>	<u>\$ 727,862</u>

*Installment Contract Payable*

The City entered into an installment contract for fitness equipment on April 30, 2022. Payments under the contract, including interest at 5.00%, are due as follows:

Year	Principal	Interest	Total
2023	\$ 18,126	\$ 3,876	\$ 22,002
2024	19,033	2,969	22,002
2025	19,985	2,017	22,002
2026	<u>20,362</u>	<u>1,018</u>	<u>21,380</u>
Total	<u>\$ 77,506</u>	<u>\$ 9,880</u>	<u>\$ 87,386</u>

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
2023	<u>\$ 13,920</u>	<u>\$ -</u>	<u>\$ 13,920</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

***Legal Debt Margin***

The legal debt margin of the City as of December 31, 2022 is calculated as follows:

Assessed valuation - 2021 tax year (most recent information available)	<u>\$ 429,038,721</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 37,004,590</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	4,591,378
Installment contract	<u>91,426</u>
Total debt applicable to limit	<u>4,682,804</u>
Legal debt margin	<u>\$ 32,321,786</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

**F. Fund Balances**

As of December 31, 2022, 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	\$ 110,641	\$ -	\$ -	\$ 110,641
Restricted:				
Capital projects	\$ -	\$ -	\$ 1,791,286	\$ 1,791,286
Community redevelopment	-	-	210,190	210,190
Debt service	-	-	58,659	58,659
Law enforcement	-	-	686,416	686,416
PEG Capital	-	-	21,767	21,767
Road construction and maintenance	-	-	1,103,225	1,103,225
Social Security and IMRF	-	-	78,547	78,547
Special recreation programs	-	-	23,890	23,890
Total restricted	<u>-</u>	<u>-</u>	<u>3,973,980</u>	<u>3,973,980</u>
Assigned:				
Capital projects	-	4,990,374	-	4,990,374
Community redevelopment	-	-	110,111	110,111
Cal Sag Trail	-	-	8,249	8,249
Law enforcement	-	-	17,272	17,272
Social Security and IMRF	-	-	26,278	26,278
Special recreation programs	-	-	152,367	152,367
Total assigned	<u>-</u>	<u>4,990,374</u>	<u>314,277</u>	<u>5,304,651</u>
Unassigned	<u>6,433,518</u>	<u>-</u>	<u>-</u>	<u>6,433,518</u>
Total fund balances	<u>\$ 6,544,159</u>	<u>\$ 4,990,374</u>	<u>\$ 4,288,257</u>	<u>\$ 15,822,790</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, 2022.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

***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.

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*Employees Covered by Benefit Terms.* At December 31, 2022, the Police Pension Plan's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not receiving benefits	3
Active employees	<u>27</u>
 Total	 <u>54</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, 2022, the City's contribution was 79.5% 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

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*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 using the following actuarial assumptions. The total pension liability was rolled forward by the actuary using updating procedures to December 31, 2022.

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 follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis. Mortality rates for retirees were based on the L&A Assumptions Study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates. Mortality rates for disabled employees were based on the PubS-2010 Study for disabled participants. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

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, 2022 (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>	

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*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, 2022 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at December 31, 2021	\$ 47,633,276	\$ 32,660,016	\$ 14,973,260
Changes for the year:			
Service cost	669,897	-	669,897
Interest on the total pension liability	3,149,926	-	3,149,926
Changes in benefit terms	(29,017)	-	(29,017)
Differences between expected and Actuarial experience	100,420	-	100,420
Net investment income	-	(5,508,857)	5,508,857
Contributions - employees	-	312,089	(312,089)
Contributions - employer	-	2,413,895	(2,413,895)
Contributions - other	-	60,913	(60,913)
Benefit payments, including refunds of employee contributions	(2,185,051)	(2,185,051)	-
Administrative expense	-	(57,041)	57,041
Net changes	<u>1,706,175</u>	<u>(4,964,052)</u>	<u>6,670,227</u>
Balances at December 31, 2022	<u>\$ 49,339,451</u>	<u>\$ 27,695,964</u>	<u>\$ 21,643,487</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:

	<u>1% Lower (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Higher (7.75%)</u>
City's net pension liability	<u>\$ 28,732,863</u>	<u>\$ 21,643,487</u>	<u>\$ 15,862,746</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, 2022, the City recognized pension expense of \$2,477,200. At December 31, 2022, 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	\$ 591,013	\$ 1,178,744
Changes of assumptions	396,906	13,709
Net difference between projected and actual earnings on Plan investments	<u>3,924,351</u>	<u>-</u>
Total	<u>\$ 4,912,270</u>	<u>\$ 1,192,453</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:

2023	\$ 317,141
2024	807,097
2025	1,195,543
2026	1,478,616
2027	(87,008)
Thereafter	<u>8,428</u>
Total	<u>\$ 3,719,817</u>

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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](http://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.

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*Employees Covered by Benefit Terms.* As of December 31, 2022, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	84
Inactive plan members entitled to but not yet receiving benefits	61
Active plan members	<u>59</u>
 Total	 <u>204</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 2022 was 10.68%. For the year ended December 31, 2022, the City contributed \$441,175 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, 2022 are reported in the financial statements as follows:

Governmental activities	\$ 285,179
Business-type activities	78,192
Component unit	<u>78,104</u>
 Total contributions	 <u>\$ 441,475</u>

*Net Pension Liability (Asset).* The City's net pension liability (asset) was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability (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 liability (asset) at December 31, 2022:

- 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.

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- Mortality - Disabled Retirees: Pub-2010, Amount-Weighted, below-median income, General, 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, 2022:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35 %	6.50 %
International equity	18	7.60
Fixed income	25	4.90
Real estate	11	6.20
Alternative investments	10	6.25 - 9.90
Cash equivalents	<u>1</u>	4.00
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, 2022. 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 Liability (Asset).* Changes in the City's net pension liability (asset) for the year ended December 31, 2022 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balances at December 31, 2021	<u>\$ 25,366,125</u>	<u>\$ 26,933,863</u>	<u>\$ (1,567,738)</u>
Changes for the year:			
Service cost	366,518	-	366,518
Interest on the total pension liability	1,800,053	-	1,800,053
Differences between expected and actual experience	501,952	-	501,952
Net investment income	-	(3,519,499)	3,519,499
Contributions - employees	-	186,014	(186,014)
Contributions - employer	-	441,475	(441,475)
Benefit payments, including refunds of employee contributions	(1,442,132)	(1,442,132)	-
Other changes	<u>-</u>	<u>111,566</u>	<u>(111,566)</u>
Net changes	<u>1,226,391</u>	<u>(4,222,576)</u>	<u>5,448,967</u>
Balances at December 31, 2022	<u>\$ 26,592,516</u>	<u>\$ 22,711,287</u>	<u>\$ 3,881,229</u>

The net pension liability (asset) as of December 31, 2022 is reported on the financial statements as follows:

Governmental activities	\$ 2,507,274
Business-type activities	687,366
Component unit	<u>686,589</u>
Total net pension liability	<u>\$ 3,881,229</u>

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

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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	\$ 4,656,564	\$ 2,507,274	\$ 803,563
Business-type activities	1,276,591	687,366	220,296
Component unit:			
Palos Heights Public Library	1,275,148	686,589	220,047

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended December 31, 2022, the City recognized pension expense of \$895,977. Pension expense for the year ended December 31, 2022 is reported in the financial statements as follows:

Governmental activities	\$ 585,459
Business-type activities	153,099
Component unit	<u>157,419</u>
Total pension expense	<u>\$ 895,977</u>

At December 31, 2022, 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	\$ 527,786	\$ -
Changes of assumptions	-	37,554
Net difference between projected and actual earnings on Plan investments	1,619,407	-
Changes in proportionate share	<u>17,201</u>	<u>17,560</u>
Total	<u>\$ 2,164,394</u>	<u>\$ 55,114</u>
Governmental activities	\$ 1,691,069	\$ 41,929
Business-type activities	<u>473,325</u>	<u>13,185</u>
Total	<u>\$ 2,164,394</u>	<u>\$ 55,114</u>

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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	\$ 113,487	\$ -
Changes of assumptions	-	5,304
Net difference between projected and actual earnings on Plan investments	343,456	-
Changes in proportionate share	<u>4,755</u>	<u>2,607</u>
Total	<u>\$ 461,698</u>	<u>\$ 7,911</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>
2023	\$ 256,480	\$ 55,440
2024	417,202	90,181
2025	539,876	116,698
2026	<u>895,722</u>	<u>191,468</u>
Total	<u>\$ 2,109,280</u>	<u>\$ 453,787</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.

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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	\$ 4,912,270	\$ 2,164,394	\$ 7,076,664
Net pension liability	21,643,487	3,194,640	24,838,127
Deferred inflows of resources	1,192,453	55,114	1,247,567
Pension expense	2,477,200	738,558	3,215,758
Pension expenditures	2,413,895	363,371	2,777,266

**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, 2022, 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>75</u>

*Total OPEB Liability.* The City's total OPEB liability of \$1,861,056 was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

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*Actuarial Assumption and Other Inputs.* The total OPEB liability in the December 31, 2022 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 4.31% 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, 2022 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2021	\$ <u>2,211,701</u>
Changes for the year:	
Service cost	75,352
Interest expense	48,797
Changes of assumptions or other inputs	(388,916)
Benefit payments	(85,878)
Other changes	<u>-</u>
Net changes	<u>(350,645)</u>
Balance at December 31, 2022	\$ <u><u>1,861,056</u></u>

The change in assumptions amount of \$(388,916) was primarily the result of a change in the discount rate.

The total OPEB liability as of December 31, 2022 is reported in the financial statements as follows:

Governmental activities	\$ 1,429,477
Business-type activities	<u>431,579</u>
Total OPEB liability	<u><u>\$ 1,861,056</u></u>

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*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 (3.31%)	Current Discount Rate (4.31%)	1% Higher (5.31%)
Total OPEB liability	<u>\$ 1,700,873</u>	<u>\$ 1,861,056</u>	<u>\$ 2,039,352</u>

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

	1% Lower (4.0% to 5.5%)	Current Healthcare Cost Trend Rates (5.0% to 6.5%)	1% Higher (6.0% to 7.5%)
Total OPEB liability	<u>\$ 2,083,512</u>	<u>\$ 1,861,056</u>	<u>\$ 1,668,499</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended December 31, 2022, the City recognized OPEB expense of \$164,414. OPEB expense for the year ended December 31, 2022 is reported in the financial statements as follows:

Governmental activities	\$ 131,531
Business-type activities	<u>32,883</u>
Total OPEB expense	<u>\$ 164,414</u>

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

<u>Deferred Amounts Related to OPEB</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,304	\$ 51,079
Changes in assumptions and other inputs	661,107	478,848
Change in proportionate share	<u>144,622</u>	<u>144,622</u>
Total	<u>\$ 856,033</u>	<u>\$ 674,549</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities	\$ 563,379	\$ 534,712
Business-type activities	292,654	139,837
Total	\$ 856,033	\$ 674,549

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:

2023	\$ 40,264
2024	40,264
2025	40,264
2026	40,264
2027	40,264
Thereafter	(19,836)
Total	\$ 181,484

**H. Risk Management**

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022**

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 29, 2023, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	<u>2022</u>	<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	\$ 669,897	\$ 666,622	\$ 678,898	\$ 627,309	\$ 579,804	\$ 602,360	\$ 564,272	\$ 401,819	\$ 386,047
Interest on the total pension liability	3,149,926	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	(29,017)	-	-	277,862	-	-	-	-	-
Differences between expected and actual experience	100,420	(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>(2,185,051)</u>	<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	1,706,175	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>47,633,276</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>	<u>31,622,651</u>
Total pension liability at end of year	<u>\$ 49,339,451</u>	<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	\$ 312,089	\$ 297,453	\$ 304,570	\$ 281,434	\$ 268,587	\$ 331,562	\$ 257,628	\$ 249,211	\$ 232,255
Contributions - employer	2,413,895	2,297,394	2,071,195	2,081,050	1,791,557	1,533,870	1,431,455	1,325,572	1,332,537
Other	60,913	-	-	-	-	-	-	-	-
Net investment income (loss)	(5,508,857)	3,457,758	3,808,707	3,899,640	(956,338)	2,406,415	1,112,510	212,152	1,091,919
Benefit payments, including refunds of employee contributions	(2,185,051)	(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 expense	<u>(57,041)</u>	<u>(55,472)</u>	<u>(49,118)</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	(4,964,052)	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>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>	<u>15,918,274</u>
Plan fiduciary net position at end of year	<u>\$ 27,695,964</u>	<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>\$ 21,643,487</u>	<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>56.13 %</u>	<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>\$ 3,037,753</u>	<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>712.48 %</u>	<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  
POLICE PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN CALENDAR YEARS  
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<u>2022</u>	<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	\$ 2,393,867	\$ 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>2,413,895</u>	<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>\$ (20,028)</u>	<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>\$ 3,037,753</u>	<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>79.46 %</u>	<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, 2022.

*Methods and Assumptions used to Determine Contribution Rates.*

Actuarial cost method	Entry age
Amortization method	Level percentage of pay (closed)
Remaining amortization period	14 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>(16.81)%</u>	<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:**

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>2022</u>	<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	\$ 366,518	\$ 383,322	\$ 402,293	\$ 383,302	\$ 347,009	\$ 351,233	\$ 359,540	\$ 357,665
Interest on the total pension liability	1,800,053	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	501,952	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>(1,442,132)</u>	<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	1,226,391	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>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>	<u>17,724,200</u>
Total pension liability at end of year	<u>\$ 26,592,516</u>	<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	\$ 186,014	\$ 182,588	\$ 204,969	\$ 176,558	\$ 168,553	\$ 194,876	\$ 152,361	\$ 148,433
Contributions - employer	441,475	428,488	502,190	377,863	442,134	431,181	430,424	432,689
Net investment income (loss)	(3,519,499)	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	(1,442,132)	(1,348,711)	(1,238,883)	(992,960)	(892,596)	(865,831)	(805,145)	(776,400)
Other changes	<u>111,566</u>	<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	(4,222,576)	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>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>	<u>15,636,534</u>
Plan fiduciary net position at end of year	<u>\$ 22,711,287</u>	<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>\$ 3,881,229</u>	<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>85.40 %</u>	<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>\$ 4,133,656</u>	<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>93.89 %</u>	<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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 441,474	\$ 428,330	\$ 480,820	\$ 377,702	\$ 441,970	\$ 431,005	\$ 430,245	\$ 426,884
Contributions in relation to the actuarially determined contribution	<u>441,475</u>	<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>\$ (1)</u>	<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>\$ 4,133,656</u>	<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>10.68 %</u>	<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 2022 Contribution Rate\*:*

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21-year closed period.
Asset valuation method	5-year smoothed fair value with a 20% corridor
Wage growth	2.75%
Price inflation	2.25%.
Salary increases	2.85% to 13.75% 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 2020 valuation pursuant to an experience study of the period 2017-2019.

Mortality                                For non-disabled retirees, the 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. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

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

\* Based on valuation assumptions used in the December 31, 2020 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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:						
Service cost	\$ 75,352	\$ 76,075	\$ 70,914	\$ 51,899	\$ 63,880	\$ 61,434
Interest expense	48,797	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	(388,916)	69,757	256,936	57,041	(1,421)	38,747
Benefit payments	(85,878)	(98,505)	(89,418)	(105,165)	(116,224)	(107,443)
Other changes	<u>-</u>	<u>-</u>	<u>188</u>	<u>63,874</u>	<u>27,407</u>	<u>378,544</u>
Net change in total OPEB liability	(350,645)	148,982	294,797	92,989	31,200	354,923
Total OPEB liability at beginning 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>	<u>1,288,810</u>
Total OPEB liability at end of year	<u>\$ 1,861,056</u>	<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>\$ 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>31.20 %</u>	<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, 2022**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,612,625	\$ 74,429	\$ 506,503	\$ -	\$ 4,193,557
Receivables:					
Property taxes	7,158,726	-	-	-	7,158,726
Accounts	172,346	-	-	-	172,346
Due from other funds	282,804	-	-	(58,730)	224,074
Due from other governments	1,089,664	-	-	-	1,089,664
Prepaid items	110,641	-	-	-	110,641
Other	935,841	-	-	-	935,841
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 13,362,647</u>	<u>\$ 74,429</u>	<u>\$ 506,503</u>	<u>\$ (58,730)</u>	<u>\$ 13,884,849</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 214,416	\$ 1,362	\$ -	\$ -	\$ 215,778
Accrued expenditures	125,200	-	-	-	125,200
Unearned revenue	131,941	-	-	-	131,941
Deposits held	381,610	-	-	-	381,610
Due to other funds	-	-	58,730	(58,730)	-
Due to fiduciary trust fund	460,463	-	-	-	460,463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>1,313,630</u>	<u>1,362</u>	<u>58,730</u>	<u>(58,730)</u>	<u>1,314,992</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for future period	<u>6,025,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,025,698</u>
<b>FUND BALANCES</b>					
Nonspendable	110,641	-	-	-	110,641
Unassigned	<u>5,912,678</u>	<u>73,067</u>	<u>447,773</u>	<u>-</u>	<u>6,433,518</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>6,023,319</u>	<u>73,067</u>	<u>447,773</u>	<u>-</u>	<u>6,544,159</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,362,647</u>	<u>\$ 74,429</u>	<u>\$ 506,503</u>	<u>\$ (58,730)</u>	<u>\$ 13,884,849</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, 2022**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,970,116	\$ -	\$ -	\$ 5,970,116
Utility	1,180,545	-	-	1,180,545
Intergovernmental	4,423,686	-	-	4,423,686
Charges for services	384,408	-	-	384,408
Fees by agreement	1,026,246	-	-	1,026,246
Fines, forfeitures and penalties	74,002	-	-	74,002
Grants	854,390	-	-	854,390
Investment income	80,810	-	-	80,810
Licenses, permits and inspections	476,146	-	-	476,146
Swimming pool	314,605	-	-	314,605
Vehicle tag income	-	-	159,373	159,373
Other income	1,028,612	25,479	-	1,054,091
	<u>15,813,566</u>	<u>25,479</u>	<u>159,373</u>	<u>15,998,418</u>
Total revenues				
Expenditures:				
Current:				
Personnel	6,491,739	-	-	6,491,739
Retirement contributions	2,413,895	-	-	2,413,895
Hospital and medical insurance	858,243	-	-	858,243
Contractual	1,896,945	-	-	1,896,945
Commodities	664,720	-	-	664,720
Other	117,482	14,208	-	131,690
Legal department	91,194	-	-	91,194
Vehicle tag expense	-	-	72,647	72,647
Debt service:				
Principal	31,151	4,000	-	35,151
Interest	1,270	-	-	1,270
Capital outlay	174,906	-	8,750	183,656
	<u>12,741,545</u>	<u>18,208</u>	<u>81,397</u>	<u>12,841,150</u>
Total expenditures				
Excess of revenues over expenditures	<u>3,072,021</u>	<u>7,271</u>	<u>77,976</u>	<u>3,157,268</u>
Other financing sources (uses):				
Installment contract	98,738	-	-	98,738
Proceeds from sale of capital assets	2,950	-	-	2,950
Transfers out	<u>(2,613,881)</u>	<u>-</u>	<u>-</u>	<u>(2,613,881)</u>
Total other financing sources (uses)	<u>(2,512,193)</u>	<u>-</u>	<u>-</u>	<u>(2,512,193)</u>
Net change in fund balances	559,828	7,271	77,976	645,075
Fund balances at beginning of year	<u>5,463,491</u>	<u>65,796</u>	<u>369,797</u>	<u>5,899,084</u>
Fund balances at end of year	<u>\$ 6,023,319</u>	<u>\$ 73,067</u>	<u>\$ 447,773</u>	<u>\$ 6,544,159</u>

See independent auditor's report.

**CORPORATE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
CORPORATE FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,612,625	\$ 4,386,639
Receivables:		
Property taxes	7,158,726	6,098,907
Accounts	172,346	157,770
Due from other funds	282,804	250,282
Due from other governments	1,089,664	1,491,694
Prepaid items	110,641	107,832
Other	935,841	821,091
Total assets	\$ 13,362,647	\$ 13,314,215
<b>LIABILITIES</b>		
Accounts payable	\$ 214,416	\$ 277,198
Accrued expenditures	125,200	113,012
Unearned revenue	131,941	125,571
Deposits held	381,610	384,069
Due to fiduciary trust fund	460,463	-
Total liabilities	1,313,630	899,850
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	6,025,698	6,098,984
Unavailable revenue - grant proceeds	-	851,890
Total deferred inflows of resources	6,025,698	6,950,874
<b>FUND BALANCES</b>		
Nonspendable	110,641	107,832
Unassigned	5,912,678	5,355,659
Total fund balances	6,023,319	5,463,491
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,362,647	\$ 13,314,215

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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>		<u>2021</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 6,271,367	\$ 5,970,116	\$ (301,251)	\$ 5,867,655
Utility	1,060,000	1,180,545	120,545	1,052,460
Intergovernmental	3,610,500	4,423,686	813,186	3,836,550
Charges for services	366,500	384,408	17,908	386,038
Fees by agreement	837,060	1,026,246	189,186	752,758
Fines, forfeitures and penalties	170,000	74,002	(95,998)	108,009
Grants	1,000	854,390	853,390	852,890
Investment income	25,000	80,810	55,810	22,568
Licenses, permits and inspections	391,400	476,146	84,746	431,979
Swimming pool	308,400	314,605	6,205	236,016
Other	828,183	1,028,612	200,429	1,061,104
Total revenues	<u>13,869,410</u>	<u>15,813,566</u>	<u>1,944,156</u>	<u>14,608,027</u>
Expenditures:				
Current:				
Personnel	6,724,351	6,491,739	232,612	6,227,616
Retirement contributions	2,393,867	2,413,895	(20,028)	2,297,394
Hospital and medical insurance	1,113,000	858,243	254,757	998,827
Contractual	2,081,254	1,896,945	184,309	1,654,390
Commodities	607,200	664,720	(57,520)	483,024
Other	346,800	117,482	229,318	182,541
Legal department	107,600	91,194	16,406	107,984
Debt service:				
Principal	30,000	31,151	(1,151)	33,242
Interest	-	1,270	(1,270)	242
Capital outlay	119,000	174,906	(55,906)	44,167
Total expenditures	<u>13,523,072</u>	<u>12,741,545</u>	<u>781,527</u>	<u>12,029,427</u>
Excess of revenues over expenditures	<u>346,338</u>	<u>3,072,021</u>	<u>2,725,683</u>	<u>2,578,600</u>
Other financing sources (uses):				
Installment contract	-	98,738	98,738	41,758
Proceeds from sale of capital assets	10,000	2,950	(7,050)	36,850
Transfers in	-	-	-	21,405
Transfers out	(356,338)	(2,613,881)	(2,257,543)	(808,110)
Total other financing sources (uses)	<u>(346,338)</u>	<u>(2,512,193)</u>	<u>(2,165,855)</u>	<u>(708,097)</u>
Net change in fund balances	-	559,828	559,828	1,870,503
Fund balances at beginning of year	<u>5,463,491</u>	<u>5,463,491</u>	<u>-</u>	<u>3,592,988</u>
Fund balances at end of year	<u>\$ 5,463,491</u>	<u>\$ 6,023,319</u>	<u>\$ 559,828</u>	<u>\$ 5,463,491</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, 2022**

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

	<b>2022</b>			<b>2021</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>General government:</b>				
Administration:				
Current:				
Personnel	\$ 154,732	\$ 104,321	\$ 50,411	\$ 184,319
Hospital and medical insurance	1,113,000	858,243	254,757	998,827
Contractual:				
Deductible insurance	20,000	20,951	(951)	11,680
Employee training and travel	5,000	5,020	(20)	551
Insurance - liability premium, IRMA	198,221	197,980	241	236,531
Maintenance and replacement of equipment	7,000	6,005	995	4,894
Memberships, dues and subscriptions	13,000	14,352	(1,352)	11,501
Postage	2,500	1,709	791	2,501
Printing, publishing and legal notices	3,000	3,275	(275)	3,303
Professional fees	253,000	94,237	158,763	95,564
Telephone	25,000	12,950	12,050	15,167
Commodities:				
Codifications	4,000	2,320	1,680	2,487
Office and departmental supplies	20,000	13,202	6,798	16,163
Other:				
Expense account - City officials	27,300	19,254	8,046	16,643
Other	271,500	72,982	198,518	148,436
Total administration	2,117,253	1,426,801	690,452	1,748,567
Legal department:				
Current:				
City attorney retainer	21,600	21,600	-	15,000
City prosecutor's retainer	36,000	36,000	-	36,000
Legal	50,000	33,594	16,406	56,984
Total legal department	107,600	91,194	16,406	107,984
Total general government	\$ 2,224,853	\$ 1,517,995	\$ 706,858	\$ 1,856,551

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

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

	<b>2022</b>			<b>2021</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Public safety:</b>				
Police department:				
Current:				
Personnel	\$ 3,609,712	\$ 3,623,618	\$ (13,906)	\$ 3,429,344
Retirement contributions	2,393,867	2,413,895	(20,028)	2,297,394
Contractual:				
Dispatching	355,165	353,432	1,733	345,366
Employee training and travel	41,600	41,632	(32)	38,575
Maintenance and replacement of equipment	204,823	198,979	5,844	184,167
Memberships, dues and subscriptions	2,000	3,254	(1,254)	1,706
Postage	2,000	1,309	691	1,141
Telephone	42,500	21,389	21,111	34,163
Utilities	179,195	179,854	(659)	153,575
Commodities:				
Investigation and operation supplies	53,200	52,733	467	42,374
Office and departmental supplies	20,000	15,662	4,338	11,846
Total police department	6,904,062	6,905,757	(1,695)	6,539,651
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	2,500	2,958	(458)	-
Legal expense	1,500	-	1,500	-
Memberships, dues and subscriptions	500	375	125	375
Total commissions	8,500	7,333	1,167	4,375
Total public safety	\$ 6,912,562	\$ 6,913,090	\$ (528)	\$ 6,544,026

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

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

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b>Public works:</b>				
Building department:				
Current:				
Personnel	\$ 280,000	\$ 208,979	\$ 71,021	\$ 194,659
Contractual:				
Employee training and travel	2,500	-	2,500	260
Maintenance and replacement of equipment	500	-	500	-
Membership, dues, and subscriptions	420	-	420	175
Professional fees	13,000	8,901	4,099	10,012
Telephone	3,000	1,672	1,328	1,923
Commodities:				
Office and departmental supplies	9,000	3,505	5,495	4,491
Capital outlay:				
Purchase of equipment	10,000	11,667	(1,667)	9,536
Total building department	<u>318,420</u>	<u>234,724</u>	<u>83,696</u>	<u>221,056</u>
Building and grounds:				
Current:				
Personnel	418,300	369,804	48,496	311,469
Contractual:				
Employee training and travel	3,100	2,170	930	96
Maintenance and replacement of equipment	243,000	252,139	(9,139)	186,454
Membership, dues, and subscriptions	300	234	66	25
Professional fees	20,500	3,145	17,355	11,528
Commodities:				
Maintenance supplies	52,000	37,294	14,706	33,449
Office and departmental supplies	13,000	14,106	(1,106)	11,771
Total building and grounds	<u>750,200</u>	<u>678,892</u>	<u>71,308</u>	<u>554,792</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

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

	2022			2021
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Motor vehicle maintenance:				
Current:				
Personnel	170,000	164,950	5,050	160,629
Contractual:				
Employee training and travel	4,000	320	3,680	692
Maintenance and replacement of equipment	107,000	104,309	2,691	67,020
Membership, dues, and subscriptions	200	-	200	-
Commodities:				
Maintenance supplies	96,000	134,085	(38,085)	98,461
Office and departmental supplies	19,800	16,965	2,835	16,667
Capital outlay:				
Purchase of equipment	40,000	32,803	7,197	9,193
	437,000	453,432	(16,432)	352,662
Total motor vehicle maintenance				
	\$ 1,505,620	\$ 1,367,048	\$ 138,572	\$ 1,128,510
<b>Lake Katherine:</b>				
Current:				
Personnel	\$ 351,820	\$ 374,378	\$ (22,558)	\$ 352,135
Contractual:				
Insurance	5,000	4,500	500	4,525
Maintenance and replacement of equipment	54,800	51,651	3,149	32,725
Telephone	11,830	17,169	(5,339)	15,221
Utilities	27,500	32,143	(4,643)	36,871
Commodities:				
Office and departmental supplies	-	-	-	1,211
Capital outlay:				
Purchase of equipment	3,500	1,631	1,869	4,925
	454,450	481,472	(27,022)	447,613
Total Lake Katherine				

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

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

	<b>2022</b>			<b>2021</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Recreation department:</b>				
Current:				
Personnel	\$ 1,086,915	\$ 1,018,047	\$ 68,868	\$ 968,230
Contractual:				
Employee training and travel	12,000	8,043	3,957	3,949
Maintenance and replacement of equipment	20,000	20,596	(596)	17,943
Membership, dues and subscriptions	5,500	6,208	(708)	20,060
Postage	6,000	7,037	(1,037)	2,021
Professional fees	94,000	86,964	7,036	56,471
Publicity and advertisement	15,000	12,579	2,421	13,128
Telephone	25,000	25,382	(382)	23,878
Utilities	12,000	12,312	(312)	11,557
Commodities:				
Maintenance supplies	12,000	11,807	193	11,416
Office and departmental supplies	8,000	7,268	732	4,970
Program supplies	245,000	291,318	(46,318)	175,795
Other:				
Other	48,000	25,246	22,754	17,462
Debt service:				
Principal	30,000	31,151	(1,151)	33,242
Interest	-	1,270	(1,270)	242
Capital outlay:				
Purchase of equipment	23,000	111,458	(88,458)	10,368
<b>Total recreation department</b>	<b>\$ 1,642,415</b>	<b>\$ 1,676,686</b>	<b>\$ (34,271)</b>	<b>\$ 1,370,732</b>
<b>Swimming pool:</b>				
Current:				
Personnel	\$ 182,102	\$ 180,591	\$ 1,511	\$ 149,288
Contractual:				
Employee training and travel	4,500	6,400	(1,900)	1,464
Maintenance and replacement of equipment	5,000	3,816	1,184	6,048
Utilities	22,000	25,684	(3,684)	32,548
Commodities:				
Office and departmental supplies	42,500	56,665	(14,165)	43,648
Capital outlay:				
Purchase of equipment	17,500	13,237	4,263	10,145
<b>Total swimming pool</b>	<b>\$ 273,602</b>	<b>\$ 286,393</b>	<b>\$ (12,791)</b>	<b>\$ 243,141</b>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

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

	<b>2022</b>			<b>2021</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Roads and construction:</b>				
Current:				
Personnel	\$ 466,770	\$ 443,051	\$ 23,719	\$ 473,543
Contractual:				
Employee training and travel	1,100	90	1,010	799
Maintenance and replacement of equipment	(52,500)	(1,934)	(50,566)	(85,436)
Membership, dues, and subscriptions	500	721	(221)	2,100
Professional fees	21,000	12,801	8,199	13,373
Utilities	35,000	32,232	2,768	26,200
Commodities:				
Office and departmental supplies	12,700	7,790	4,910	8,275
Capital outlay:				
Purchase of equipment	25,000	4,110	20,890	-
Total roads and construction	\$ 509,570	\$ 498,861	\$ 10,709	\$ 438,854
Total corporate fund expenditures	\$ 13,523,072	\$ 12,741,545	\$ 781,527	\$ 12,029,427

See independent auditor's report.

**BEAUTIFICATION COMMITTEE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 BEAUTIFICATION COMMITTEE FUND  
 BALANCE SHEET  
 DECEMBER 31, 2022  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 74,429</u>	<u>\$ 67,206</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,362	\$ 1,410
<b>FUND BALANCES</b>		
Unassigned	<u>73,067</u>	<u>65,796</u>
Total liabilities and fund balances	<u>\$ 74,429</u>	<u>\$ 67,206</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, 2022  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 25,100	\$ 25,479	\$ 379	\$ 37,435
Expenditures:				
Current:				
Other	52,200	14,208	37,992	37,185
Debt service:				
Principal	-	4,000	(4,000)	4,000
Capital outlay	-	-	-	450
Total expenditures	<u>52,200</u>	<u>18,208</u>	<u>33,992</u>	<u>41,635</u>
Net change in fund balances	(27,100)	7,271	34,371	(4,200)
Fund balances at beginning of year	<u>65,796</u>	<u>65,796</u>	-	<u>69,996</u>
Fund balances at end of year	<u>\$ 38,696</u>	<u>\$ 73,067</u>	<u>\$ 34,371</u>	<u>\$ 65,796</u>

See independent auditor's report.

**VEHICLE LICENSE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
VEHICLE LICENSE FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 506,503</u>	<u>\$ 452,521</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 23,994
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	58,730	82,724
<b>FUND BALANCES</b>		
Unassigned	<u>447,773</u>	<u>369,797</u>
Total liabilities and fund balances	<u>\$ 506,503</u>	<u>\$ 452,521</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Vehicle tag income	\$ 170,500	\$ 159,373	\$ (11,127)	\$ 166,464
Expenditures:				
Current:				
Other:				
Vehicle tag expense	75,000	72,647	2,353	60,355
Capital outlay	<u>95,500</u>	<u>8,750</u>	<u>86,750</u>	<u>43,925</u>
Total expenditures	<u>170,500</u>	<u>81,397</u>	<u>89,103</u>	<u>104,280</u>
Net change in fund balances	-	77,976	77,976	62,184
Fund balances at beginning of year	<u>369,797</u>	<u>369,797</u>	<u>-</u>	<u>307,613</u>
Fund balances at end of year	<u>\$ 369,797</u>	<u>\$ 447,773</u>	<u>\$ 77,976</u>	<u>\$ 369,797</u>

See independent auditor's report.

**CAPITAL PROJECTS FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
CAPITAL PROJECTS FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,841,930	\$ 3,031,501
Due from other governments	<u>293,962</u>	<u>394,936</u>
Total assets	<u>\$ 5,135,892</u>	<u>\$ 3,426,437</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 75,219	\$ 334,118
Due to other funds	<u>70,299</u>	<u>103,452</u>
Total liabilities	145,518	437,570
<b>FUND BALANCES</b>		
Assigned	<u>4,990,374</u>	<u>2,988,867</u>
Total liabilities and fund balances	<u>\$ 5,135,892</u>	<u>\$ 3,426,437</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Grants	\$ 655,000	\$ 62,505	\$ (592,495)	\$ 170,266
Other income	<u>160,000</u>	<u>54,364</u>	<u>(105,636)</u>	<u>68,729</u>
Total revenues	815,000	116,869	(698,131)	238,995
Expenditures:				
Capital outlay	<u>2,190,000</u>	<u>659,243</u>	<u>1,530,757</u>	<u>723,945</u>
Deficiency of revenues over expenditures	<u>(1,375,000)</u>	<u>(542,374)</u>	<u>832,626</u>	<u>(484,950)</u>
Other financing sources:				
Proceeds from sale of capital assets	-	-	-	15,500
Transfers in	<u>286,338</u>	<u>2,543,881</u>	<u>2,257,543</u>	<u>758,110</u>
Total other financing sources	<u>286,338</u>	<u>2,543,881</u>	<u>2,257,543</u>	<u>773,610</u>
Net change in fund balances	(1,088,662)	2,001,507	3,090,169	288,660
Fund balances at beginning of year	<u>2,988,867</u>	<u>2,988,867</u>	<u>-</u>	<u>2,700,207</u>
Fund balances at end of year	<u>\$ 1,900,205</u>	<u>\$ 4,990,374</u>	<u>\$ 3,090,169</u>	<u>\$ 2,988,867</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, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 10,066,621	\$ 9,060,980
Accounts receivable - water customers:		
Billed	391,525	412,072
Unbilled	<u>897,627</u>	<u>909,048</u>
Total current assets	<u>11,355,773</u>	<u>10,382,100</u>
Noncurrent assets:		
Net pension asset	<u>-</u>	<u>261,656</u>
Capital assets:		
Land	45,849	45,849
Construction in progress	341,429	-
Building and improvements	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,324,228	9,074,696
Equipment	<u>2,487,847</u>	<u>2,487,847</u>
Total	15,778,286	15,187,325
Less accumulated depreciation	<u>(10,850,438)</u>	<u>(10,367,045)</u>
Net capital assets	<u>4,927,848</u>	<u>4,820,280</u>
Total noncurrent assets	<u>4,927,848</u>	<u>5,081,936</u>
Total assets	<u>16,283,621</u>	<u>15,464,036</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b> 		
Deferred outflows of resources related to pensions	473,325	136,242
Deferred outflows of resources related to other post-employment benefits	<u>292,654</u>	<u>283,611</u>
Total deferred outflows of resources	<u>765,979</u>	<u>419,853</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	676,198	436,540
Accrued payroll	25,662	21,118
Current portion of long-term liabilities:		
Compensated absences	<u>148,657</u>	<u>140,479</u>
Total current liabilities	<u>850,517</u>	<u>598,137</u>
Long-term liabilities:		
Compensated absences	49,552	46,826
Net pension liability	687,366	-
Net other post-employment benefits liability	<u>431,579</u>	<u>473,304</u>
Total long-term liabilities	<u>1,168,497</u>	<u>520,130</u>
Total liabilities	<u>2,019,014</u>	<u>1,118,267</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	13,185	550,215
Deferred inflows of resources related to other post-employment benefits	<u>139,837</u>	<u>64,120</u>
Total deferred inflows of resources	<u>153,022</u>	<u>614,335</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,680,568	4,820,280
Unrestricted	<u>10,196,996</u>	<u>9,331,007</u>
Total net position	<u>\$ 14,877,564</u>	<u>\$ 14,151,287</u>

See independent auditor's report.

**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, 2022**

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

	<u>2022</u>			<u>2021</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	\$ 6,173,697	\$ (101,303)	\$ 6,238,743
Sewer charges	1,108,000	1,113,563	5,563	1,120,696
User fees	500	2,620	2,120	1,870
Penalties	60,000	88,504	28,504	81,732
Sales of water meters	7,000	4,950	(2,050)	12,205
Other	40,400	38,025	(2,375)	30,216
	<u>7,490,900</u>	<u>7,421,359</u>	<u>(69,541)</u>	<u>7,485,462</u>
Total operating revenues				
Operating expenses:				
Personnel	1,419,770	1,485,398	(65,628)	1,218,157
Contractual	3,976,750	3,575,904	400,846	3,574,038
Commodities	975,000	756,118	218,882	875,728
Depreciation	-	483,393	(483,393)	465,866
Other	796,700	483,542	313,158	495,999
	<u>7,168,220</u>	<u>6,784,355</u>	<u>383,865</u>	<u>6,629,788</u>
Total operating expenses				
Operating income	<u>322,680</u>	<u>637,004</u>	<u>314,324</u>	<u>855,674</u>
Nonoperating revenue (expense):				
Gain on sale of capital assets	-	-	-	40,430
Investment income	5,000	89,273	84,273	14,707
Interest expense	-	-	-	(3,602)
	<u>5,000</u>	<u>89,273</u>	<u>84,273</u>	<u>51,535</u>
Total nonoperating revenue (expense)				
Income before transfers	327,680	726,277	398,597	907,209
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,405)</u>
Change in net position	327,680	726,277	398,597	885,804
Net position at beginning of year	<u>14,151,287</u>	<u>14,151,287</u>	<u>-</u>	<u>13,265,483</u>
Net position at end of year	<u>\$ 14,478,967</u>	<u>\$ 14,877,564</u>	<u>\$ 398,597</u>	<u>\$ 14,151,287</u>
Other budgeted expenditure:				
Capital outlay	<u>\$ 3,948,000</u>	<u>\$ 590,961</u>	<u>\$ 3,357,039</u>	<u>\$ 291,601</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Personnel:				
Salaries	\$ 965,770	\$ 934,647	\$ 31,123	\$ 859,725
Hospital and medical insurance	317,000	341,949	(24,949)	334,114
IMRF, Social Security and Medicare	<u>137,000</u>	<u>208,802</u>	<u>(71,802)</u>	<u>24,318</u>
Total personnel	<u>1,419,770</u>	<u>1,485,398</u>	<u>(65,628)</u>	<u>1,218,157</u>
Contractual:				
General insurance	102,000	101,692	308	101,631
Maintenance service	26,000	24,908	1,092	23,246
Other	253,750	247,580	6,170	245,309
Postage	20,000	24,186	(4,186)	14,870
Professional fees	65,000	36,328	28,672	28,726
Purchase of water	3,400,000	3,049,831	350,169	3,054,017
Telephone	22,000	21,185	815	23,274
Utilities	<u>88,000</u>	<u>70,194</u>	<u>17,806</u>	<u>82,965</u>
Total contractual	<u>3,976,750</u>	<u>3,575,904</u>	<u>400,846</u>	<u>3,574,038</u>
Commodities:				
Gas and oil	64,000	64,000	-	56,000
Supplies:				
Departmental and office	25,000	9,763	15,237	11,055
Maintenance	<u>886,000</u>	<u>682,355</u>	<u>203,645</u>	<u>808,673</u>
Total commodities	<u>975,000</u>	<u>756,118</u>	<u>218,882</u>	<u>875,728</u>
Depreciation	<u>-</u>	<u>483,393</u>	<u>(483,393)</u>	<u>465,866</u>
Other:				
Administrative charges	406,700	406,700	-	431,556
Bad debt expense	300,000	1,551	298,449	(2,302)
Equipment purchases	<u>90,000</u>	<u>75,291</u>	<u>14,709</u>	<u>66,745</u>
Total other	<u>796,700</u>	<u>483,542</u>	<u>313,158</u>	<u>495,999</u>
Total operating expenses	<u>\$ 7,168,220</u>	<u>\$ 6,784,355</u>	<u>\$ 383,865</u>	<u>\$ 6,629,788</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,453,327	\$ 7,536,972
Payments to employees	(1,370,092)	(1,302,136)
Payments to suppliers	<u>(4,575,906)</u>	<u>(5,241,906)</u>
Net cash provided by operating activities	<u>1,507,329</u>	<u>992,930</u>
Cash flows from noncapital financing activities:		
Transfers to other funds	<u>-</u>	<u>(21,405)</u>
Cash flows from capital and related financing activities:		
Payments for purchases of capital assets	(590,961)	(291,601)
Payment of accounts payable used to finance prior year		
Proceeds from sale of capital assets	-	40,430
Principal paid on capital debt	-	(90,368)
Interest paid on capital debt	<u>-</u>	<u>(3,602)</u>
Net cash used by capital and related financing activities	<u>(590,961)</u>	<u>(345,141)</u>
Cash flows from investing activities:		
Investment income received	<u>89,273</u>	<u>14,707</u>
Net increase in cash and cash equivalents	1,005,641	641,091
Cash and cash equivalents at beginning of year	<u>9,060,980</u>	<u>8,419,889</u>
Cash and cash equivalents at end of year	<u><u>\$ 10,066,621</u></u>	<u><u>\$ 9,060,980</u></u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 637,004	\$ 855,674
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	483,393	465,866
(Increase) decrease in:		
Accounts receivable	31,968	51,510
Net pension asset	261,656	(261,656)
Deferred outflows of resources related to pensions	(337,083)	96,538
Deferred outflows of resources related to other post-employment benefits	(9,043)	(70,231)
Increase (decrease) in:		
Accounts payable	239,658	(296,141)
Accrued payroll	4,544	4,922
Compensated absences	10,904	(6,755)
Net pension liability	687,366	(115,809)
Net other post-employments benefits liability	(41,725)	78,912
Deferred inflows of resources related to pensions	(537,030)	181,667
Deferred inflows of resources related to other post-employment benefits	<u>75,717</u>	<u>8,433</u>
Net cash provided by operating activities	<u>\$ 1,507,329</u>	<u>\$ 992,930</u>

See independent auditor's report.

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF PALOS HEIGHTS, ILLINOIS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<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>	
<b>ASSETS</b>												
Cash and cash equivalents	\$ 773,969	\$ 1,142,371	\$ 155	\$ 144,173	\$ 39,791	\$ 8,249	\$ 260,973	\$ 16,643	\$ 646,789	\$ 979,897	\$ -	\$ 4,013,010
Receivables:												
Property taxes	-	-	895,446	198,589	-	-	-	-	212,737	322,513	495,485	2,124,770
Accounts	-	-	-	-	-	-	5,553	-	-	-	-	5,553
Due from other funds	-	-	-	-	-	-	35,391	-	-	-	-	35,391
Due from other governments	-	47,102	-	-	-	-	25,223	-	-	-	-	72,325
<b>Total assets</b>	<b>\$ 773,969</b>	<b>\$ 1,189,473</b>	<b>\$ 895,601</b>	<b>\$ 342,762</b>	<b>\$ 39,791</b>	<b>\$ 8,249</b>	<b>\$ 321,587</b>	<b>\$ 22,196</b>	<b>\$ 859,526</b>	<b>\$ 1,302,410</b>	<b>\$ 495,485</b>	<b>\$ 6,251,049</b>
<b>LIABILITIES</b>												
Accounts payable	\$ 3,877	\$ 75,936	\$ -	\$ 445	\$ -	\$ -	\$ 1,286	\$ 429	\$ -	\$ -	\$ -	\$ 81,973
Other payable	-	-	-	-	-	-	-	-	335,259	-	-	335,259
Due to other funds	106,195	10,312	4,176	-	-	-	-	-	35,391	-	33,092	189,166
<b>Total liabilities</b>	<b>110,072</b>	<b>86,248</b>	<b>4,176</b>	<b>445</b>	<b>-</b>	<b>-</b>	<b>1,286</b>	<b>429</b>	<b>35,391</b>	<b>335,259</b>	<b>33,092</b>	<b>606,398</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Property taxes levied for future period	-	-	786,600	166,060	-	-	-	-	-	-	403,734	1,356,394
<b>FUND BALANCES</b>												
Restricted	663,897	1,103,225	78,547	23,890	22,519	-	210,190	21,767	824,135	967,151	58,659	3,973,980
Assigned	-	-	26,278	152,367	17,272	8,249	110,111	-	-	-	-	314,277
<b>Total fund balances</b>	<b>663,897</b>	<b>1,103,225</b>	<b>104,825</b>	<b>176,257</b>	<b>39,791</b>	<b>8,249</b>	<b>320,301</b>	<b>21,767</b>	<b>824,135</b>	<b>967,151</b>	<b>58,659</b>	<b>4,288,257</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 773,969</b>	<b>\$ 1,189,473</b>	<b>\$ 895,601</b>	<b>\$ 342,762</b>	<b>\$ 39,791</b>	<b>\$ 8,249</b>	<b>\$ 321,587</b>	<b>\$ 22,196</b>	<b>\$ 859,526</b>	<b>\$ 1,302,410</b>	<b>\$ 495,485</b>	<b>\$ 6,251,049</b>

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, 2022**

	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	\$ -	\$ -	\$ 568,116	\$ 169,793	\$ -	\$ -	\$ -	\$ -	\$ 476,908	\$ 648,583	\$ 479,018	\$ 2,342,418
Business district sales	-	-	-	-	-	-	143,814	-	-	-	-	143,814
Intergovernmental	-	772,365	-	-	-	-	-	-	-	-	-	772,365
Fines, forfeitures and penalties	342,309	-	-	-	-	-	-	-	-	-	-	342,309
Investment income	4,802	17,885	-	-	-	-	2,568	-	4,320	5,573	-	35,148
Other income	2,871	-	-	-	140	-	-	22,695	-	-	-	25,706
Total revenues	<u>349,982</u>	<u>790,250</u>	<u>568,116</u>	<u>169,793</u>	<u>140</u>	<u>-</u>	<u>146,382</u>	<u>22,695</u>	<u>481,228</u>	<u>654,156</u>	<u>479,018</u>	<u>3,661,760</u>
Expenditures:												
Current:												
Personnel	82,008	-	-	-	-	-	-	-	4,097	8,035	-	94,140
Payroll taxes and retirement contributions	-	-	598,410	-	-	-	-	-	-	-	-	598,410
Contractual	-	-	-	-	-	-	14,217	-	4,936	11,282	-	30,435
Commodities	-	44,019	-	-	-	-	-	-	175	103	-	44,297
Other	327,473	-	-	335,234	797	-	-	10,054	-	-	-	673,558
Debt service:												
Principal	-	-	-	-	-	-	188,411	-	161,739	-	300,000	650,150
Interest	-	-	-	-	-	-	-	-	221,169	-	161,412	382,581
Capital outlay	-	503,814	-	-	-	-	-	-	-	-	-	503,814
Total expenditures	<u>409,481</u>	<u>547,833</u>	<u>598,410</u>	<u>335,234</u>	<u>797</u>	<u>-</u>	<u>202,628</u>	<u>10,054</u>	<u>392,116</u>	<u>19,420</u>	<u>461,412</u>	<u>2,977,385</u>
Excess (deficiency) of revenues over expenditures	<u>(59,499)</u>	<u>242,417</u>	<u>(30,294)</u>	<u>(165,441)</u>	<u>(657)</u>	<u>-</u>	<u>(56,246)</u>	<u>12,641</u>	<u>89,112</u>	<u>634,736</u>	<u>17,606</u>	<u>684,375</u>
Other financing sources:												
Proceeds from sale of capital assets	37,000	-	-	-	-	-	-	-	-	-	-	37,000
Transfers in	-	-	-	-	-	-	70,000	-	-	-	-	70,000
Total other financing sources	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,000</u>
Net change in fund balances	(22,499)	242,417	(30,294)	(165,441)	(657)	-	13,754	12,641	89,112	634,736	17,606	791,375
Fund balances at beginning 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>
Fund balances at end of year	<u>\$ 663,897</u>	<u>\$ 1,103,225</u>	<u>\$ 104,825</u>	<u>\$ 176,257</u>	<u>\$ 39,791</u>	<u>\$ 8,249</u>	<u>\$ 320,301</u>	<u>\$ 21,767</u>	<u>\$ 824,135</u>	<u>\$ 967,151</u>	<u>\$ 58,659</u>	<u>\$ 4,288,257</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, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 773,969</u>	<u>\$ 767,527</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,877	\$ 3,343
Due to other funds	<u>106,195</u>	<u>77,788</u>
Total liabilities	110,072	81,131
<b>FUND BALANCES</b>		
Restricted	<u>663,897</u>	<u>686,396</u>
Total liabilities and fund balances	<u>\$ 773,969</u>	<u>\$ 767,527</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</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	\$ 342,309	\$ 247,109	\$ 81,716
Investment income	-	4,802	4,802	3,135
Other income	-	2,871	2,871	13,013
Total revenues	<u>95,200</u>	<u>349,982</u>	<u>254,782</u>	<u>97,864</u>
Expenditures:				
Current:				
Personnel	71,700	82,008	(10,308)	71,657
Other	<u>23,500</u>	<u>327,473</u>	<u>(303,973)</u>	<u>418,750</u>
Total expenditures	<u>95,200</u>	<u>409,481</u>	<u>(314,281)</u>	<u>490,407</u>
Deficiency of revenues over expenditures	-	(59,499)	(59,499)	(392,543)
Other financing sources:				
Proceeds from sale of capital assets	-	<u>37,000</u>	<u>37,000</u>	<u>40,500</u>
Net change in fund balances	-	(22,499)	(22,499)	(352,043)
Fund balances at beginning of year	<u>686,396</u>	<u>686,396</u>	<u>-</u>	<u>1,038,439</u>
Fund balances at end of year	<u>\$ 686,396</u>	<u>\$ 663,897</u>	<u>\$ (22,499)</u>	<u>\$ 686,396</u>

See independent auditor's report.

**MOTOR FUEL TAX FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
MOTOR FUEL TAX FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,142,371	\$ 1,020,936
Due from other governments	<u>47,102</u>	<u>46,539</u>
Total assets	<u>\$ 1,189,473</u>	<u>\$ 1,067,475</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 75,936	\$ 196,355
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	86,248	206,667
<b>FUND BALANCES</b>		
Restricted	<u>1,103,225</u>	<u>860,808</u>
Total liabilities and fund balances	<u>\$ 1,189,473</u>	<u>\$ 1,067,475</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 490,000	\$ 772,365	\$ 282,365	\$ 783,522
Investment income	500	17,885	17,385	378
Total revenues	<u>490,500</u>	<u>790,250</u>	<u>299,750</u>	<u>783,900</u>
Expenditures:				
Current:				
Commodities:				
Maintenance supplies	60,000	44,019	15,981	37,393
Capital outlay	<u>539,500</u>	<u>503,814</u>	<u>35,686</u>	<u>662,349</u>
Total expenditures	<u>599,500</u>	<u>547,833</u>	<u>51,667</u>	<u>699,742</u>
Net change in fund balances	(109,000)	242,417	351,417	84,158
Fund balances at beginning of year	<u>860,808</u>	<u>860,808</u>	-	<u>776,650</u>
Fund balances at end of year	<u>\$ 751,808</u>	<u>\$ 1,103,225</u>	<u>\$ 351,417</u>	<u>\$ 860,808</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, 2022**  
**WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 155	\$ 135,127
Property taxes receivable	<u>895,446</u>	<u>700,831</u>
Total assets	<u>\$ 895,601</u>	<u>\$ 835,958</u>
<b>LIABILITIES</b>		
Due to other funds	<u>\$ 4,176</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	<u>786,600</u>	<u>700,839</u>
<b>FUND BALANCES</b>		
Restricted	78,547	73,617
Assigned	<u>26,278</u>	<u>61,502</u>
Total fund balances	<u>104,825</u>	<u>135,119</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 895,601</u>	<u>\$ 835,958</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	2022			2021
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 600,000	\$ 568,116	\$ (31,884)	\$ 536,735
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>628,000</u>	<u>598,410</u>	<u>29,590</u>	<u>591,798</u>
Net change in fund balances	(28,000)	(30,294)	(2,294)	(55,063)
Fund balances at beginning of year	<u>135,119</u>	<u>135,119</u>	<u>-</u>	<u>190,182</u>
Fund balances at end of year	<u>\$ 107,119</u>	<u>\$ 104,825</u>	<u>\$ (2,294)</u>	<u>\$ 135,119</u>

See independent auditor's report.

**SPECIAL RECREATION FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
SPECIAL RECREATION FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 144,173	\$ 341,737
Property taxes receivable	<u>198,589</u>	<u>176,546</u>
Total assets	<u>\$ 342,762</u>	<u>\$ 518,283</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 445</u>	<u>\$ 37</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	<u>166,060</u>	<u>176,548</u>
<b>FUND BALANCES</b>		
Restricted	23,890	189,331
Assigned	<u>152,367</u>	<u>152,367</u>
Total fund balances	<u>176,257</u>	<u>341,698</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 342,762</u>	<u>\$ 518,283</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	2022			2021
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 176,000	\$ 169,793	\$ (6,207)	\$ 169,535
Expenditures:				
Current:				
Other:				
Special recreation association	<u>354,000</u>	<u>335,234</u>	<u>18,766</u>	<u>130,249</u>
Net change in fund balances	(178,000)	(165,441)	12,559	39,286
Fund balances at beginning of year	<u>341,698</u>	<u>341,698</u>	<u>-</u>	<u>302,412</u>
Fund balances at end of year	<u>\$ 163,698</u>	<u>\$ 176,257</u>	<u>\$ 12,559</u>	<u>\$ 341,698</u>

See independent auditor's report.

**POLICE DUI FINE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
POLICE DUI FINE FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,791	\$ 40,448
<b>FUND BALANCES</b>		
Restricted	\$ 22,519	\$ 23,176
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>\$ 39,791</u>	<u>\$ 40,448</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	2022			2021
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 10,000	\$ 140	\$ (9,860)	\$ 7,710
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>797</u>	<u>9,203</u>	<u>17,972</u>
Net change in fund balances	-	(657)	(657)	(10,262)
Fund balances at beginning of year	<u>40,448</u>	<u>40,448</u>	<u>-</u>	<u>50,710</u>
Fund balances at end of year	<u>\$ 40,448</u>	<u>\$ 39,791</u>	<u>\$ (657)</u>	<u>\$ 40,448</u>

See independent auditor's report.

**CAL SAG TRAIL FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 CAL SAG TRAIL FUND  
 BALANCE SHEET  
 DECEMBER 31, 2022  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 8,249</u>	<u>\$ 8,249</u>
<b>FUND BALANCES</b>		
Assigned	<u>\$ 8,249</u>	<u>\$ 8,249</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
CAL SAG TRAIL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ -	\$ -	\$ -	\$ 1,896
Expenditures:				
Current:				
Other:				
Bike trail maintenance	-	-	-	10,210
Net change in fund balances	-	-	-	(8,314)
Fund balances at beginning of year	<u>8,249</u>	<u>8,249</u>	<u>-</u>	<u>16,563</u>
Fund balances at end of year	<u>\$ 8,249</u>	<u>\$ 8,249</u>	<u>\$ -</u>	<u>\$ 8,249</u>

See independent auditor's report.

**BUSINESS DISTRICT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
BUSINESS DISTRICT FUND  
BALANCE SHEET  
DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 260,973	\$ 245,708
Due from other funds	35,391	35,391
Due from other governments	<u>25,223</u>	<u>25,448</u>
 Total assets	 <u>\$ 321,587</u>	 <u>\$ 306,547</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 1,286</u>	<u>\$ -</u>
<b>FUND BALANCES</b>		
Restricted	210,190	217,091
Assigned	<u>110,111</u>	<u>89,456</u>
 Total fund balances	 <u>320,301</u>	 <u>306,547</u>
 Total liabilities and fund balances	 <u>\$ 321,587</u>	 <u>\$ 306,547</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Business district sales tax	\$ 130,000	\$ 143,814	\$ 13,814	\$ 152,955
Investment income	200	2,568	2,368	72
Total revenues	<u>130,200</u>	<u>146,382</u>	<u>16,182</u>	<u>153,027</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	37,500	14,217	23,283	7,630
Debt service:				
Principal	65,000	188,411	(123,411)	158,088
Interest	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Total expenditures	<u>202,500</u>	<u>202,628</u>	<u>(128)</u>	<u>165,718</u>
Deficiency of revenues over expenditures	(72,300)	(56,246)	16,054	(12,691)
Other financing sources:				
Transfers in	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	(2,300)	13,754	16,054	37,309
Fund balances at beginning of year	<u>306,547</u>	<u>306,547</u>	<u>-</u>	<u>269,238</u>
Fund balances at end of year	<u>\$ 304,247</u>	<u>\$ 320,301</u>	<u>\$ 16,054</u>	<u>\$ 306,547</u>

See independent auditor's report.

**PEG CAPITAL FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 PEG CAPITAL FUND  
 BALANCE SHEET  
 DECEMBER 31, 2022  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,643	\$ 4,103
Accounts receivable	<u>5,553</u>	<u>6,033</u>
 Total assets	 <u>\$ 22,196</u>	 <u>\$ 10,136</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 429	\$ 1,010
 <b>FUND BALANCES</b>		
Restricted	<u>21,767</u>	<u>9,126</u>
 Total liabilities and fund balances	 <u>\$ 22,196</u>	 <u>\$ 10,136</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	2022			2021
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 25,000	\$ 22,695	\$ (2,305)	\$ 21,119
Expenditures:				
Current:				
Other:				
Supplies	<u>25,000</u>	<u>10,054</u>	<u>14,946</u>	<u>22,398</u>
Net change in fund balances	-	12,641	12,641	(1,279)
Fund balances at beginning of year	<u>9,126</u>	<u>9,126</u>	<u>-</u>	<u>10,405</u>
Fund balances at end of year	<u>\$ 9,126</u>	<u>\$ 21,767</u>	<u>\$ 12,641</u>	<u>\$ 9,126</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, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 646,789	\$ 770,414
Property taxes receivable	<u>212,737</u>	<u>-</u>
Total assets	<u>\$ 859,526</u>	<u>\$ 770,414</u>
<b>LIABILITIES</b>		
Due to other funds	\$ 35,391	\$ 35,391
<b>FUND BALANCES</b>		
Restricted	<u>824,135</u>	<u>735,023</u>
Total liabilities and fund balances	<u>\$ 859,526</u>	<u>\$ 770,414</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 495,000	\$ 476,908	\$ (18,092)	\$ 485,341
Investment income	1,500	4,320	2,820	2,089
Total revenues	<u>496,500</u>	<u>481,228</u>	<u>(15,272)</u>	<u>487,430</u>
Expenditures:				
Current:				
Personnel	15,000	4,097	10,903	8,377
Contractual:				
Professional fees	60,000	4,936	55,064	6,122
Commodities:				
Supplies:				
Departmental and office	400	175	225	243
Debt service:				
Principal	-	161,739	(161,739)	86,283
Interest	390,000	221,169	168,831	218,160
Total expenditures	<u>465,400</u>	<u>392,116</u>	<u>73,284</u>	<u>319,185</u>
Net change in fund balances	31,100	89,112	58,012	168,245
Fund balances at beginning of year	<u>735,023</u>	<u>735,023</u>	<u>-</u>	<u>566,778</u>
Fund balances at end of year	<u>\$ 766,123</u>	<u>\$ 824,135</u>	<u>\$ 58,012</u>	<u>\$ 735,023</u>

See independent auditor's report.

**GATEWAY TAX INCREMENT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 GATEWAY TAX INCREMENT FUND  
 BALANCE SHEET  
 DECEMBER 31, 2022  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 979,897	\$ 667,674
Property tax receivable	<u>322,513</u>	<u>-</u>
Total assets	<u>\$ 1,302,410</u>	<u>\$ 667,674</u>
<b>LIABILITIES</b>		
Other payable	\$ 335,259	\$ 335,259
<b>FUND BALANCES</b>		
Restricted	<u>967,151</u>	<u>332,415</u>
Total liabilities and fund balances	<u>\$ 1,302,410</u>	<u>\$ 667,674</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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 1,100,000	\$ 648,583	\$ (451,417)	\$ 217,307
Investment income	<u>500</u>	<u>5,573</u>	<u>5,073</u>	<u>762</u>
Total revenues	<u>1,100,500</u>	<u>654,156</u>	<u>(446,344)</u>	<u>218,069</u>
Expenditures:				
Current:				
Personnel	25,000	8,035	16,965	8,158
Contractual:				
Professional fees	78,000	11,282	66,718	8,971
Commodities:				
Supplies:				
Departmental and office	<u>1,000</u>	<u>103</u>	<u>897</u>	<u>147</u>
Total expenditures	<u>104,000</u>	<u>19,420</u>	<u>84,580</u>	<u>17,276</u>
Net change in fund balances	996,500	634,736	(361,764)	200,793
Fund balances at beginning of year	<u>332,415</u>	<u>332,415</u>	<u>-</u>	<u>131,622</u>
Fund balances at end of year	<u>\$ 1,328,915</u>	<u>\$ 967,151</u>	<u>\$ (361,764)</u>	<u>\$ 332,415</u>

See independent auditor's report.

**DEBT SERVICE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 BOND AND INTEREST FUND  
 BALANCE SHEET  
 DECEMBER 31, 2022  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 41,059
Property taxes receivable	<u>495,485</u>	<u>402,854</u>
Total assets	<u>\$ 495,485</u>	<u>\$ 443,913</u>
<b>LIABILITIES</b>		
Due to other funds	\$ 33,092	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	403,734	402,860
<b>FUND BALANCES</b>		
Restricted	<u>58,659</u>	<u>41,053</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 495,485</u>	<u>\$ 443,913</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, 2022**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property tax levies, net	\$ 461,438	\$ 479,018	\$ 17,580	\$ 472,898
Expenditures:				
Debt service:				
Principal	300,000	300,000	-	295,000
Interest	161,438	161,412	26	170,263
Total expenditures	461,438	461,412	26	465,263
Net change in fund balances	-	17,606	17,606	7,635
Fund balances at beginning of year	41,053	41,053	-	33,418
Fund balances at end of year	\$ 41,053	\$ 58,659	\$ 17,606	\$ 41,053

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, 2022  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 106,218	\$ 100,418
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	224	-
<b>NET POSITION</b>		
Unrestricted	\$ 105,994	\$ 100,418

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, 2022  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>			<u>2021</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	\$ 10,000	\$ 11,355	\$ 1,355	\$ 5,293
Operating expenses:				
Personnel	6,000	-	6,000	-
Commodities:				
Supplies:				
Departmental and office	4,000	5,779	(1,779)	5,663
Total operating expenses	10,000	5,779	4,221	5,663
Operating income (loss)	-	5,576	5,576	(370)
Net position at beginning of year	100,418	100,418	-	100,788
Net position at end of year	\$ 100,418	\$ 105,994	\$ 5,576	\$ 100,418

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
METRA STATION PARKING FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from users	\$ 11,355	\$ 5,293
Payments to suppliers	<u>(5,555)</u>	<u>(5,676)</u>
Net cash provided (used) by operating activities	5,800	(383)
Cash and cash equivalents at beginning of year	<u>100,418</u>	<u>100,801</u>
Cash and cash equivalents at end of year	<u>\$ 106,218</u>	<u>\$ 100,418</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 5,576	\$ (370)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Decrease in accounts payable	<u>224</u>	<u>(13)</u>
Net cash provided (used) by operating activities	<u>\$ 5,800</u>	<u>\$ (383)</u>

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, 2022**

CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
494-00-0967	High-Growth Cities Program	-	-	-	-
494-00-2356	Local REBUILD ILLINOIS Bond Program	15,700			15,700
494-10-0343	State and Community Highway Safety / National Priority Safety Program	-	22,368	-	22,368
494-42-0495	Local Surface Transportation Program	-	59,641	-	59,641
	Other grant programs and activities	-	409,482	-	409,482
	All other costs not allocated	-	-	22,760,721	22,760,721
Totals:		15,700	491,491	22,760,721	23,267,912

See independent auditor's report.

**STATISTICAL SECTION**

**CITY OF PALOS HEIGHTS, ILLINOIS  
STATISTICAL SECTION  
YEAR ENDED DECEMBER 31, 2022**

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>2022</u>	<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>
Governmental activities:										
Net investment in capital assets	\$ 23,203,444	\$ 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
Restricted	3,915,321	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
Unrestricted	<u>(13,244,254)</u>	<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>
Total governmental activities net position	<u>13,874,511</u>	<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>
Business-type activities:										
Net investment in capital assets	4,680,568	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
Unrestricted	<u>10,302,990</u>	<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>
Total business-type activities net position	<u>14,983,558</u>	<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>
Primary government:										
Net investment in capital assets	27,884,012	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
Restricted	3,915,321	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
Unrestricted	<u>(2,941,264)</u>	<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>
Total primary government net position	<u>\$ 28,858,069</u>	<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>

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>2022</u>	<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>
Expenses:											
Governmental activities:											
General government	\$ 2,575,120	\$ 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
Police and emergency services	7,631,698	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
Public works	2,711,535	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
Recreation and culture	3,461,525	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
Interest	<u>350,497</u>	<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>
Total governmental activities expenses	<u>16,730,375</u>	<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>
Business-type activities:											
Waterworks and sewerage	6,784,355	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
Parking lot	<u>5,779</u>	<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>
Total business-type activities expenses	<u>6,790,134</u>	<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>
Total primary government expenses	<u>\$ 23,520,509</u>	<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>
Program revenues:											
Governmental activities:											
Charges for services:											
General government	\$ 1,019,927	\$ 984,481	\$ 983,080	\$ 988,306		\$ 959,010	\$ 1,322,879	\$ 888,883	\$ 1,355,366	\$ 1,058,746	\$ 1,202,625
Police and emergency services	416,311	189,725	613,297	678,823		732,105	410,973	387,605	440,247	881,261	590,298
Recreation and culture	1,340,851	988,774	342,514	1,232,649		1,268,539	1,162,422	916,804	819,044	706,382	704,767
Operating grants and contributions	1,500	1,703,780	-	-		-	-	-	14,598	93,533	-
Capital grants and contributions	<u>63,505</u>	<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>
Total governmental activities program revenues	<u>2,842,094</u>	<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>
Business-type activities:											
Charges for services:											
Waterworks and sewerage	7,378,384	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
Parking lot	11,355	5,293	11,752	46,107		50,731	51,038	52,292	55,607	56,376	57,362
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>5,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>7,389,739</u>	<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>
Total primary government program revenues	<u>\$ 10,231,833</u>	<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>

See independent auditor's report.

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

	<u>2022</u>	<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>
Net (expense) revenue:											
Governmental activities	\$ (13,888,281)	\$ (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)
Business-type activities	<u>599,605</u>	<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>
Total primary government net expense	<u>\$ (13,288,676)</u>	<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>
General revenues and other changes in net position:											
Governmental activities:											
General revenues:											
Taxes:											
Property	\$ 8,312,534	\$ 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
Utility	1,180,545	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
Business district sales	143,814	152,955	115,916	106,094		108,926	110,569	113,327	106,958	79,793	60,289
Intergovernmental	5,196,051	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
Gain from sale of capital assets	32,748	73,412	-	-		-	23,184	1,132	55,856	18,488	32,821
Investment income (loss)	115,958	29,004	90,649	262,187		183,623	19,302	117,066	(88,666)	22,916	15,342
Other income	1,134,161	1,211,006	907,509	1,061,857		915,909	974,165	1,172,394	704,405	717,635	1,118,347
Transfers	<u>-</u>	<u>21,405</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,115,811</u>	<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>
Business-type activities:											
General revenues:											
Investment income	89,273	14,707	100,641	165,410		100,501	45,510	26,674	2,212	6,205	3,290
Gain from sale of capital assets	-	40,430	-	-		-	-	-	-	-	-
Other income	42,975	42,421	39,116	35,410		43,170	9,700	5,061	4,984	7,091	31,744
Transfers	<u>-</u>	<u>(21,405)</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>132,248</u>	<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>
Total primary government	<u>\$ 16,248,059</u>	<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>
Changes in net position:											
Governmental activities	\$ 2,227,530	\$ 4,152,779	\$ 1,597,992	\$ (921,940)		\$ (619,285)	\$ (703,351)	\$ (952,414)	\$ 2,525,625	\$ (3,579,051)	\$ 635,003
Business-type activities	<u>731,853</u>	<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>
Total primary government	<u>\$ 2,959,383</u>	<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>

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  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Utility Taxes</b>	<b>Business District Sales Taxes</b>	<b>Total</b>
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
2022	8,312,534	1,180,545	143,814	9,636,893

See independent auditor's report.

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

	<u>2022</u>	<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>
General Fund:										
Nonspendable	\$ 110,641	\$ 107,832	\$ -	\$ 195,793	\$ 108,908	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>6,433,518</u>	<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>
Total General Fund	<u>\$ 6,544,159</u>	<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>
All other governmental funds:										
Restricted	\$ 3,973,980	\$ 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
Assigned	<u>5,304,651</u>	<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>
Total all other governmental funds	<u>\$ 9,278,631</u>	<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>

See independent auditor's report.

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

	<u>2022</u>	<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>
Revenues:										
Taxes	\$ 9,636,893	\$ 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
Intergovernmental	5,196,051	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
Charges for services	384,408	386,038	328,131	416,024	411,831	411,883	408,175	475,846	472,623	440,352
Fees by agreement	1,026,246	752,758	311,029	959,110	979,796	880,689	634,863	555,699	459,016	415,314
Fines, forfeitures and penalties	416,311	189,725	613,297	678,823	732,105	410,973	381,864	440,247	840,207	535,115
Grants	916,895	1,023,156	795,303	8,987	86,662	101,420	83,511	197,542	136,801	800,241
Investment income (loss)	115,958	29,004	90,649	262,187	183,623	19,302	117,066	(88,666)	22,916	15,342
Licenses, permits and inspections	635,519	598,443	654,949	572,282	547,179	910,996	480,708	879,520	534,551	714,897
Swimming pool	314,605	236,016	31,485	273,539	288,743	281,733	281,941	263,345	247,366	289,453
Other	1,134,161	1,211,006	907,509	1,061,857	915,909	974,165	1,178,135	702,014	739,870	1,109,157
<b>Total revenues</b>	<b><u>19,777,047</u></b>	<b><u>18,001,104</u></b>	<b><u>16,043,492</u></b>	<b><u>16,196,120</u></b>	<b><u>15,362,482</u></b>	<b><u>14,586,444</u></b>	<b><u>13,886,824</u></b>	<b><u>13,372,838</u></b>	<b><u>13,000,353</u></b>	<b><u>13,259,738</u></b>
Expenditures:										
Current:										
General government	2,256,159	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
Public safety	7,323,368	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
Public works	1,366,597	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
Recreational department	2,621,038	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
Roads and construction	494,751	449,064	471,474	446,459	493,191	502,641	548,192	595,813	437,385	393,819
Debt service:										
Principal retirement	685,301	576,613	539,161	424,149	416,911	413,754	211,109	20,818	7,003	-
Interest charges and fees	383,851	388,665	413,112	429,611	446,740	462,724	579,268	452,854	61,335	-
Capital outlay	1,346,713	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
<b>Total expenditures</b>	<b><u>16,477,778</u></b>	<b><u>15,829,505</u></b>	<b><u>15,447,353</u></b>	<b><u>15,209,784</u></b>	<b><u>15,014,008</u></b>	<b><u>15,086,985</u></b>	<b><u>18,207,962</u></b>	<b><u>15,484,128</u></b>	<b><u>12,367,132</u></b>	<b><u>12,231,983</u></b>
Excess (deficiency) of revenues over expenditures	<u>3,299,269</u>	<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>
Other financing sources (uses):										
Installment contract	98,738	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	39,950	92,850	93,937	57,500	34,500	31,000	89,900	84,151	34,000	55,183
Transfers in	2,613,881	829,515	1,444,568	741,228	715,794	1,274,147	1,289,093	983,639	721,105	916,250
Transfers out	(2,613,881)	(808,110)	(1,444,568)	(741,228)	(715,794)	(1,274,147)	(1,289,093)	(983,639)	(721,105)	(916,250)
<b>Total other financing sources (uses)</b>	<b><u>138,688</u></b>	<b><u>156,013</u></b>	<b><u>93,937</u></b>	<b><u>57,500</u></b>	<b><u>34,500</u></b>	<b><u>31,000</u></b>	<b><u>271,319</u></b>	<b><u>6,682,173</u></b>	<b><u>98,500</u></b>	<b><u>55,183</u></b>
<b>Net change in fund balances</b>	<b><u>\$ 3,437,957</u></b>	<b><u>\$ 2,327,612</u></b>	<b><u>\$ 690,076</u></b>	<b><u>\$ 1,043,836</u></b>	<b><u>\$ 382,974</u></b>	<b><u>\$ (469,541)</u></b>	<b><u>\$ (4,049,819)</u></b>	<b><u>\$ 4,570,883</u></b>	<b><u>\$ 731,721</u></b>	<b><u>\$ 1,082,938</u></b>
Debt service as a percentage of non-capital expenditures	<u>6.870%</u>	<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>

See independent auditor's report.

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

<b>Levy Year</b>	<b>Real Property</b>	<b>Less Tax-exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Total Direct Tax Rate</b>
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
2021	429,038,721	N/A	429,038,721	1,287,116,163	1.706

(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>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>
City of Palos Heights:										
Corporate	0.455	0.405	0.438	0.438	0.379	0.421	0.438	0.438	0.438	0.438
Bond and interest	0.113	0.103	0.111	0.109	0.106	0.122	0.128	0.000	0.000	0.000
Police pension	0.575	0.501	0.488	0.481	0.403	0.358	0.339	0.288	0.232	0.129
IMRF	0.068	0.058	0.065	0.066	0.069	0.084	0.079	0.074	0.064	0.062
Recreation	0.139	0.131	0.140	0.144	0.142	0.168	0.178	0.185	0.184	0.165
Police protection	0.250	0.232	0.247	0.251	0.263	0.294	0.290	0.241	0.214	0.164
Social security	0.066	0.059	0.061	0.060	0.062	0.082	0.070	0.060	0.064	0.062
Special recreation	0.040	0.037	0.040	0.040	0.035	0.039	0.040	0.040	0.040	0.040
Total City of Palos Heights	1.706	1.526	1.590	1.589	1.459	1.568	1.562	1.326	1.236	1.060
Overlapping governments:										
City of Palos Heights Library Fund	0.416	0.357	0.379	0.287	0.279	0.350	0.375	0.403	0.364	0.498
Cook County	0.446	0.453	0.454	0.489	0.496	0.533	0.552	0.568	0.560	0.531
Cook County Forest Preserve District	0.058	0.058	0.059	0.060	0.062	0.063	0.069	0.069	0.069	0.063
Consolidated Elections	0.019	0.000	0.030	0.000	0.031	0.000	0.034	0.000	0.031	0.000
So. Cook Co. Mosquito Abatement District	0.019	0.017	0.018	0.017	0.016	0.017	0.017	0.017	0.016	0.014
Metropolitan Water Reclamation Dist. of Chicago	0.382	0.378	0.389	0.396	0.402	0.406	0.426	0.430	0.417	0.370
Palos Township	0.072	0.062	0.067	0.064	0.060	0.068	0.070	0.066	0.063	0.057
Palos Twp General Assistance	0.008	0.007	0.010	0.009	0.008	0.008	0.088	0.007	0.006	0.005
Palos Twp Road and Bridge	0.055	0.049	0.053	0.051	0.047	0.054	0.055	0.052	0.049	0.046
Worth Township	0.058	0.060	0.069	0.070	0.067	0.078	0.078	0.076	0.073	0.068
Worth Township General Assistance	0.016	0.015	0.017	0.017	0.017	0.019	0.020	0.020	0.018	0.017
Worth Township Road and Bridge	0.033	0.029	0.033	0.034	0.033	0.037	0.039	0.037	0.035	0.033
North Palos Fire Protection District	1.377	1.220	1.320	1.106	1.032	1.161	1.198	1.134	1.076	0.974
Palos Fire Protection District	1.269	1.116	1.183	1.134	1.058	1.215	1.255	1.201	1.153	1.047
Palos Heights Fire Protection District	1.077	0.999	1.074	1.025	0.829	0.934	0.934	0.927	0.891	0.814
Worth Park District	0.461	0.406	0.486	0.474	0.455	0.506	0.520	0.503	0.461	0.420
South Palos Sanitary District	0.388	0.347	0.377	0.366	0.345	0.409	0.421	0.406	0.392	0.361
School District 118	3.147	2.794	2.988	2.882	2.714	3.106	3.212	3.133	2.989	2.743
School District 127	5.423	4.841	5.868	6.268	5.915	6.781	6.994	6.702	6.096	5.533
School District 128	3.229	2.842	3.035	2.949	2.803	3.146	3.284	3.136	3.001	2.755
Community High School District 218	3.619	3.407	3.821	3.458	3.719	4.164	4.247	4.049	3.775	3.442
Consolidated High School District 230	2.570	2.295	2.488	2.425	2.287	2.778	2.879	2.770	2.641	2.438
Community College District 524	0.394	0.351	0.393	0.384	0.365	0.406	0.419	0.403	0.375	0.346
Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation	<u>26.242</u>	<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>

Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
PRINCIPAL PROPERTY TAXPAYERS  
DECEMBER 31, 2022**

<b>Taxpayer</b>	<b>2021</b>			<b>2012</b>		
	<b>Taxable Assessed Value *</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value **</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
Manor Care Health Service	\$ 9,688,779	1	2.26 %	\$ 10,833,193	1	2.53 %
Albertsons	6,800,593	2	1.59	-	-	-
JD Real Estate Inc	6,005,400	3	1.40	-	-	-
Ridgeland Nursing	5,709,805	4	1.33	2,304,335	7	0.54
Everest College	4,856,864	5	1.13	-	-	-
S-K Palos Heights Opp	4,697,000	6	1.09	-	-	-
Costa Construction	2,864,007	7	0.67	2,097,368	10	0.49
Palos Community Hospital	2,726,338	8	0.64	-	-	-
Reagan Corp	2,585,333	9	0.60	2,171,403	8	0.51
Advocate Healthcare	2,019,466	10	0.47	2,131,412	9	0.50
Palos Heights Properties	-	-	-	5,790,663	2	1.35
James Lambert	-	-	-	4,358,166	3	1.02
St. George Corp.	-	-	-	3,903,224	4	0.90
Jetco Properties	-	-	-	3,860,991	5	0.90
First Midwest Bank	-	-	-	2,673,594	6	0.62
<b>Total</b>	<b>\$ 47,953,585</b>		<b>11.18 %</b>	<b>\$ 40,124,349</b>		<b>9.36 %</b>

\* Includes only those parcels with 2021 equalized assessed valuation of approximately \$100,000 and over.

\*\* Includes only those parcels with 2012 equalized assessed valuation of approximately \$101,000 and over.

Source: Office of the Cook County Clerk

See independent auditor's report.

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

Tax levy year	<u>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>
Equalized assessed valuation	<u>\$ 429,038,721</u>	<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>
Tax rates (per \$100 of equalized assessed valuation):										
Park and recreation	0.1390	0.1312	0.1398	0.1439	0.1423	0.1678	0.1782	0.1845	0.1845	0.1646
Police pension	0.5747	0.5009	0.4884	0.4813	0.4028	0.3575	0.3390	0.2879	0.2319	0.1286
Social security and I.M.R.F.	0.1338	0.1173	0.1255	0.1256	0.1304	0.1657	0.1486	0.1348	0.1282	0.1243
Corporate	0.4548	0.4053	0.4375	0.4375	0.3785	0.4212	0.4375	0.4375	0.4375	0.4375
Police protection	0.2504	0.2315	0.2471	0.2509	0.2634	0.2946	0.2900	0.2414	0.2139	0.1646
Special recreation	0.0400	0.0371	0.0400	0.0400	0.0346	0.0385	0.0400	0.0400	0.0400	0.0400
Bond and interest	<u>0.1128</u>	<u>0.1033</u>	<u>0.1113</u>	<u>0.1094</u>	<u>0.1065</u>	<u>0.1226</u>	<u>0.1279</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Total tax rates	<u>1.7055</u>	<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>
Rate difference	<u>0.1789</u>	<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>
Tax extensions:										
Park and recreation	\$ 596,364	\$ 619,664	\$ 610,921	\$ 637,243	\$ 652,043	\$ 664,757	\$ 677,054	\$ 726,186	\$ 737,375	\$ 705,550
Police pension	2,465,686	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
Social security and I.M.R.F.	574,054	554,014	548,430	556,552	597,400	656,438	564,549	526,802	512,710	532,768
Corporate	1,951,268	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
Police protection	1,074,313	1,093,386	1,079,818	1,111,250	1,207,058	1,167,089	1,101,556	950,220	854,988	705,550
Handicapped fund	171,615	175,225	174,799	177,195	158,573	152,522	151,938	157,431	159,896	171,444
Bond and interest	<u>483,956</u>	<u>487,891</u>	<u>486,377</u>	<u>484,667</u>	<u>487,922</u>	<u>485,693</u>	<u>485,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax extensions	<u>\$ 7,317,256</u>	<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>
Collections:										
Current	\$ 7,056,715	\$ 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
Subsequent	<u>-</u>	<u>75,630</u>	<u>56,549</u>	<u>(9,749)</u>	<u>14,639</u>	<u>4,662</u>	<u>35,523</u>	<u>20,204</u>	<u>59,088</u>	<u>84,660</u>
Total collections	<u>\$ 7,056,715</u>	<u>\$ 7,013,055</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>
Percent collected:										
Current	96.44	96.22 %	97.22 %	97.26 %	96.21 %	97.97 %	97.69 %	99.04 %	96.34 %	96.28
Subsequent	<u>-</u>	<u>1.05</u>	<u>0.81</u>	<u>(0.14)</u>	<u>0.22</u>	<u>0.08</u>	<u>0.60</u>	<u>0.39</u>	<u>1.20</u>	<u>1.86</u>
Total percent collected	<u>96.44</u>	<u>97.27 %</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>

See independent auditor's report.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds (1)</b>	<b>Alternate Revenue Bonds</b>	<b>Installment Contracts</b>	<b>Notes Payable</b>	<b>Installment Contract</b>			
2022	\$ 4,591,378	\$ -	\$ 91,426	\$ 3,085,670	\$ -	\$ 7,768,474	1.44 %	\$ 644
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	-	-	-	-	-	-	-	-

(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**

<b>Fiscal Year</b>	<b>General Obligation Debt (1)</b>	<b>Less Amount Available in Debt Service Fund (2)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (3)</b>	<b>Per Capita (4)</b>
2022	\$ 4,591,378	\$ -	\$ 4,591,378	0.36 %	\$ 380
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	-	-	-	-	-

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, 2022**

<u>Overlapping Agencies</u>	<u>2021 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	\$ 429,038,721	\$ 7,768,474 (1)	100.000 %	<u>\$ 7,768,474</u>
Overlapping agencies:				
Cook County	175,004,077,298	2,251,061,750	0.245	5,515,101
Cook County Forest Preserve District	175,004,077,298	98,005,000	0.245	240,112
Metropolitan Water Reclamation District	172,305,038,003	2,637,381,349 (2)	0.249	6,567,080
South Palos Twp. Sanitary District	59,417,071	82,000 (2)	11.879	9,741
Park District:				
Worth Park District	193,601,059	204,000	0.072	147
Schools:				
School District #118	805,454,656	3,300,000	25.599	844,767
School District #127	190,463,941	448,613 (3)	0.414	1,857
School District #128	309,142,475	3,715,000	71.800	2,667,370
High School District #218	2,497,138,879	30,275,000 (4)	892.000	2,700,530
High School District #230	4,932,194,753	31,665,000	4.180	1,323,597
Community College #524	10,652,092,811	29,765,000 (4)	4.027	<u>1,198,637</u>
Total overlapping agencies				<u>21,068,939</u>
Total overlapping general obligation bonded debt				<u>\$ 28,837,413</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>2022</u>	<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>
Debt limit	\$ 37,004,590	\$ 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
Total net debt applicable to limit	<u>4,682,804</u>	<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>
Legal debt margin	<u>\$ 32,321,786</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>12.65%</u>	<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>

**Legal Debt Margin Calculation for Fiscal Year 2022:**

Equalized assessed valuation of taxable property	\$ 429,038,721
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	37,004,590
Less debt applicable to limit	<u>4,682,804</u>
Legal debt margin	<u>\$ 32,321,786</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, 2022**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$ 568,669	\$ 350,151	\$ 218,518	1.00
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 2013 that was secured by pledged revenue.

See independent auditor's report.

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Metro Area Unemployment Rate</b>	<b>Median Age</b>	<b>Education Level Age 25 and Older</b>		
						<b>Four Years High School</b>	<b>One Year or More of College</b>	<b>Elementary Enrollment</b>
2022	12,068	\$ 539,693	\$ 44,721	4.80 %	52.1	9,591	5,213	2,477
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

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>2022</u>	<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>
Function:										
Public safety - Police:										
Officers	28	29	29	29	27	28	27	29	28	26
Civilians	4	3	3	3	3	3	3	3	3	3
Public works	16	16	16	18	16	16	16	16	16	15
Recreation	8	8	8	7	7	6	7	6	6	6
Lake Katherine	4	4	4	4	4	4	3	3	3	3
General government	9	8	9	9	9	9	8	9	8	7
Motor vehicle maintenance	<u>2</u>									
Total	<u>71</u>	<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>

Source: City records

See independent auditor's report.

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

	<u>2022</u>	<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>
<b>Function:</b>										
Public safety:										
Police department:										
Arrests	248	152	193	295	534	439	564	625	763	1,268
Traffic violations	4,020	398	308	1,100	1,310	1,415	1,536	1,562	918	2,449
Compliance violations	566	573	376	1,250	1,661	1,687	1,036	1,465	1,811	1,803
Public works:										
Streets resurfaced (in miles)	1.32	1.65	1.10	1.90	2.81	1.89	1.10	1.90	1.92	1.26
Building and community development:										
Building permits issued:										
Commercial	150	161	143	148	135	202	149	196	182	181
Residential	692	847	810	742	700	652	642	694	643	574
Building value	\$ 19,276,096	\$ 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
Number of dwelling units	5,059	5,058	5,058	5,058	5,057	5,057	5,057	5,057	5,057	5,057
Number of registered voters	9,817	9,745	9,745	9,423	9,174	9,174	9,174	9,174	9,174	11,611
Waterworks and sewerage:										
Number of properties served by the combined waterworks and sewerage system	5,178	5,177	5,177	5,177	5,176	5,176	5,176	5,176	5,176	5,176
Number of metered customers served by the combined waterworks and sewerage system	5,609	5,608	5,608	5,608	5,607	5,607	5,607	5,607	5,607	5,607
Number of metered customers served by the waterworks system only	2	2	2	2	2	2	2	2	2	2
Water main breaks	44	45	67	40	48	51	37	47	46	67
Average daily consumption (in 000's)	1,334	1,440	1,461	1,232	1,460	1,502	1,514	1,573	1,531	1,660
Gallons per customer	87	94	95	80	95	98	99	102	100	108
Gallons per capita	39	42	43	36	43	44	44	46	45	47
Total gallons purchased and pumped by the City (in 000's)	486,745	525,437	533,164	496,417	532,985	548,360	552,593	574,074	558,843	606,030
Total gallons billed (in 000's)	464,240	474,232	471,396	449,535	469,438	490,571	497,801	492,153	493,491	549,313

Source: City records

See independent auditor's report.

**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, 2022, 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 29, 2023.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described below, that we consider to be a material weakness.

2022-001: Segregation of Duties

- Criteria: In a strong system of internal control, it is desirable to have access to assets segregated from record-keeping as much as possible.
- Condition: Employees of the City have access to both the assets and the record-keeping function of the City.
- Cause: Funding shortages prevent the addition of more staff that could alleviate this condition.
- Effect: As a result, there is a lack of segregation of duties at the City.
- Recommendation: Access to assets should be segregated from the record-keeping function as much as possible.

Management's response:

*Due to cost/benefit constraints of adding additional staff to the finance department, complete segregation of duties cannot be achieved. The City's management currently oversees all accounting activities.*

**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*.

**City of Palos Heights, Illinois' Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Palos Heights, Illinois' response to the finding identified in our audit and described above. City of Palos Heights, Illinois' response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Orland Park, Illinois  
June 29, 2023

*PKF Mueller*