

CITY OF PALOS HEIGHTS
STATE OF ILLINOIS

Comprehensive Annual Financial Report

Fiscal Year:

January 1, 2017 - December 31, 2017



CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017

Report issued by:
City of Palos Heights
Finance Department

**CITY OF PALOS HEIGHTS, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017**

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INTRODUCTORY SECTION



Mayor

Robert S. Straz

City Clerk

Thomas Kantas

City Treasurer

James Daemicke, CPA

Aldermen

WARD 1

Jeffrey Key
Donald Bylut

WARD 2

Jack Clifford
Robert Basso

WARD 3

Dolores Kramarski
Alan Fulkerson

WARD 4

Michael McGrogan
Jerry McGovern

June 29, 2018

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

The comprehensive annual financial report for the City of Palos Heights, Illinois, for the fiscal year ended December 31, 2017, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Palos Heights. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

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

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

The City and its Services

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

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

The City of Palos Heights provides the following municipal services:

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

Major Initiatives

ECONOMIC CONDITION AND OUTLOOK

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

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

FOR THE YEAR

The City of Palos Heights continues major infrastructure improvements in such areas as road resurfacing, drainage improvements, new and replaced sidewalks, bike path resurfacing, and flood control. A few of the projects completed this year were improvements to City Hall Council Chambers, replacement of the Police Department roof, improvements to the Police Department HVAC, replacement of the City Pool roof, the purchase of capital equipment for Public Works, renovation of the Recreation Center, new sidewalks throughout the City, resurfacing of a portion of the bike trail, sewer lining and repairs, new water main at 127th Street, purchase of a property on Harlem Avenue to expand the Municipal Lot, and purchase of capital equipment for Police Department. We maintain one of the lowest water and sewer rates in the area.

The City of Palos Heights provides Park and Recreations services to its residents. The City of Palos Heights recently installed a new roof at the pool, installed a new server at the Recreation Center, new deck chairs at the pool, new doors at the pool, improvements at Meyers Park and improvements at Community Park.

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

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.

FOR THE FUTURE

The City of Palos Heights enters fiscal year 2018 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2018 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2018 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 a new entrance sign at City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks throughout the City, resurfacing of a portion of the bike trail, improvements to the municipal lot, preliminary engineering on the Lake Katherine parking lot expansion, reconstruction of the Ridgeland Corridor, Meyers Park renovation project and the Community Park Sports Plaza.

LONG-TERM FINANCIAL PLANNING

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

Accounting System and Budgetary Control

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

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

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

Financial Highlights

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

Debt Administration

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

Independent Audit

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

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

Acknowledgements

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Janice E. Colvin". The signature is written in a cursive style with a large, looped initial "J".

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



Government Finance Officers Association

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for Excellence
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**City of Palos Heights
Illinois**

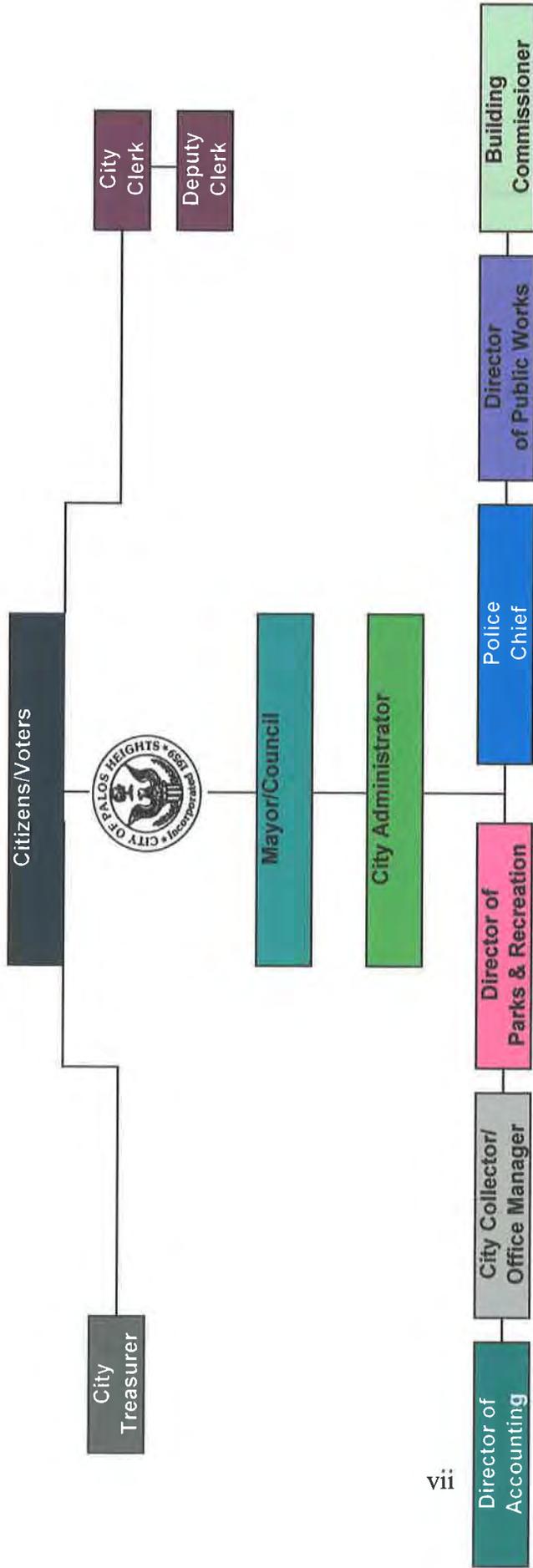
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS
OFFICERS AND OFFICIALS
DECEMBER 31, 2017**

MAYOR

ROBERT S. STRAZ

ALDERMEN

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

CLERK

THOMAS KANTAS

TREASURER

JAMES DAEMICKE

ADMINISTRATOR

DANIEL NISAVIC

ATTORNEY

THOMAS BROWN

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Palos Heights, Illinois, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund of the City of Palos Heights, Illinois, as of December 31, 2017, 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.

Change in Accounting Principle

As described in Note II to the basic financial statements, the City of Palos Heights, Illinois changed its method of accounting and financial reporting for post-employment benefits other than pensions as required by the provisions of GASB Statement No. 75. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xii through xxi and employee retirement and post-employment benefit plan information on pages 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Palos Heights, Illinois for the year ended December 31, 2016, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Palos Heights, Illinois as a whole. The individual fund financial statements and schedules for the year ended December 31, 2016 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 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Muller & Co., LLP

Orland Park, Illinois
June 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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, 2017. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

During the year ended December 31, 2017, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in the restatement of beginning net position in the government-wide financial statements and the fund financial statements of the Waterworks and Sewerage enterprise fund. It is impracticable to determine the effects of implementing GASB 75 on the government-wide financial statements and the fund financial statements of the Waterworks and Sewerage enterprise fund for the year ended December 31, 2016. Consequently, the management's discussion and analysis of the government-wide financial statements and the fund financial statements of the Waterworks and Sewerage enterprise fund only covers information for the year ended December 31, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2017 by \$17,869,146 (*net position*). Of this amount, \$28,181,152 is invested in capital assets and \$1,461,591 is restricted; (\$11,773,597) is a deficit.
- The total net position of the City increased by \$396,025 during the year ended December 31, 2017.
- As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$7,940,335. Approximately 46% of this amount (\$3,674,664) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2017, total governmental funds expenditures and other financing uses exceeded revenues and other financing sources by \$469,541.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of *fund balance*) for the general fund was \$3,674,664, or approximately 33.08% of total general fund expenditures.
- The City's long-term liabilities at December 31, 2017 totaled \$33,318,058. The City's long-term liabilities include a liability of \$20,148,788 related to the police pension, a liability of \$637,474 related to the Illinois Municipal Retirement Fund, and a liability of \$1,643,733 related to other post-employment benefits as of December 31, 2017.

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.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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.

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*.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 22-62 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. This information is provided on pages 63-69 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 70-119 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 \$17,869,146 at the close of the most recent fiscal year.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 15,856,229	\$ 7,533,223	\$ 23,389,452
Capital assets	30,511,017	4,512,484	35,023,501
Total assets	<u>46,367,246</u>	<u>12,045,707</u>	<u>58,412,953</u>
Deferred outflows of resources	<u>4,393,071</u>	<u>211,344</u>	<u>4,604,415</u>
Current and other liabilities	1,534,893	642,868	2,177,761
Long-term liabilities outstanding	<u>32,572,185</u>	<u>745,873</u>	<u>33,318,058</u>
Total liabilities	<u>34,107,078</u>	<u>1,388,741</u>	<u>35,495,819</u>
Deferred inflows of resources	<u>9,215,804</u>	<u>436,599</u>	<u>9,652,403</u>
Net position:			
Net investment in capital assets	24,257,020	3,924,132	28,181,152
Restricted	1,461,591	-	1,461,591
Unrestricted	<u>(18,281,176)</u>	<u>6,507,579</u>	<u>(11,773,597)</u>
Total net position	<u>\$ 7,437,435</u>	<u>\$ 10,431,711</u>	<u>\$ 17,869,146</u>

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

An additional portion of the City's net position (8.18%) 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 \$18,281,176 related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$396,205 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 2017 and its effects on net position.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

	Governmental Activities	Business-type Activities	Total Primary Government
Program revenues:			
Charges for services	\$ 2,896,274	\$ 7,259,311	\$ 10,155,585
Capital grants and contributions	101,420	-	101,420
General revenues:			-
Property taxes	6,336,789	-	6,336,789
Utility taxes	1,131,427	-	1,131,427
Business district taxes	110,569	-	110,569
Intergovernmental	3,016,498	-	3,016,498
Investment income (loss)	19,302	45,510	64,812
Gain on sale of assets	23,184	-	23,184
Other income	974,165	9,700	983,865
Total revenues	<u>14,609,628</u>	<u>7,314,521</u>	<u>21,924,149</u>
Expenses:			
General government	2,833,267	-	2,833,267
Police and emergency services	6,532,287	-	6,532,287
Public works	2,757,154	-	2,757,154
Recreation and culture	2,757,104	-	2,757,104
Interest	433,167	-	433,167
Waterworks and sewerage	-	6,143,184	6,143,184
Parking lot	-	71,961	71,961
Total expenses	<u>15,312,979</u>	<u>6,215,145</u>	<u>21,528,124</u>
Change in net position	(703,351)	1,099,376	396,025
Net position at beginning of year, as restated	<u>8,140,786</u>	<u>9,332,335</u>	<u>17,473,121</u>
Net position at end of year	<u>\$ 7,437,435</u>	<u>\$ 10,431,711</u>	<u>\$ 17,869,146</u>

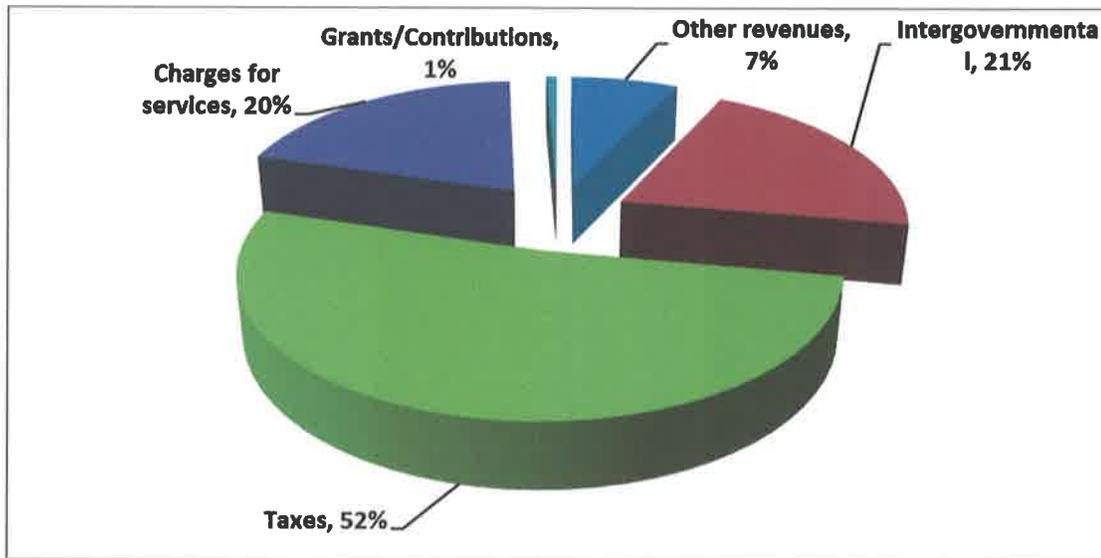
Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$703,351 from the prior fiscal year for an ending net position balance of \$7,437,435. This was mainly related to pension benefits and other personnel costs, as well as maintenance projects throughout the City.

Business-type Activities. During the current fiscal year, net position for the business-type activities increased by \$1,099,376 from the prior fiscal year for an ending net position balance of \$10,431,711. This increase was mainly due to an increase in charges for services.

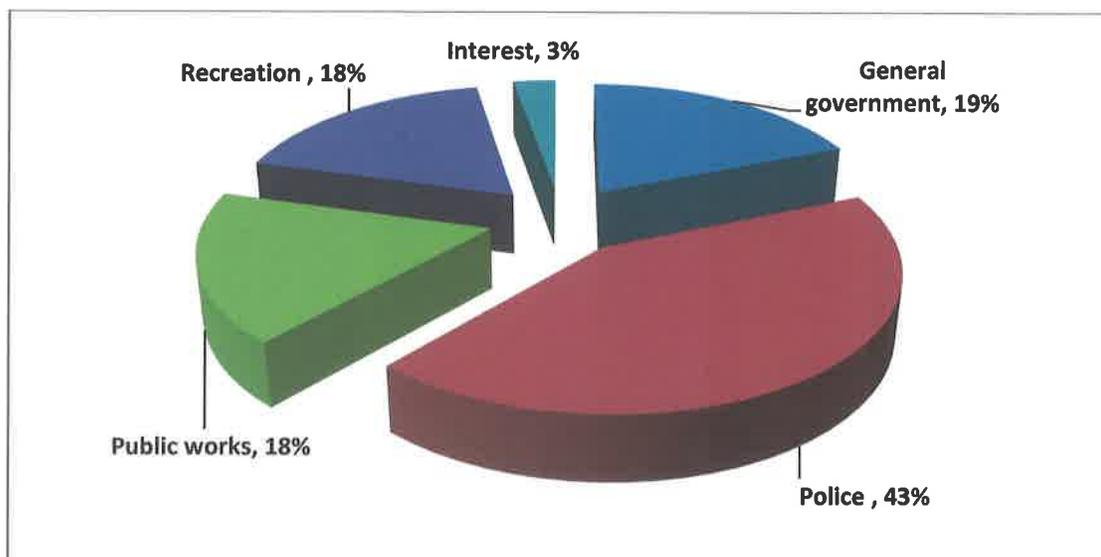
**City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017**

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, 2017

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, 2017 the City's governmental funds reported combined fund balances of \$7,940,335, a decrease of \$469,541 over the prior fiscal year. As noted earlier, approximately 46% of this amount (\$3,674,664) 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 (\$1,473,002) or 2) assigned for particular purposes (\$2,792,669).

As of December 31, 2017, the City's General Fund, its chief operating fund, reported an ending balance of \$3,674,664. This is a decrease of \$142,481 in comparison with the prior fiscal year. The decrease in fund balance was due to a transfer to the Capital Projects Fund. All of this fund balance was unassigned at December 31, 2017.

As of December 31, 2017, the City's Capital Projects Fund reported an ending balance of \$2,181,664. This is a decrease of \$258,895 in comparison to the prior year. The change in fund balance was due to capital improvements relating to City Hall, recreation improvements and street and roof repairs.

As of December 31, 2017, the City's Capital Projects Fund – Recreation Center reported an ending balance of \$0. This is a decrease of \$201,734 from the prior year. The City spent bond proceeds received in a prior year to make planned capital improvements at the recreation center.

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

The waterworks and sewerage fund saw a \$1,099,376 increase in its net position in 2017. The increase in charges for services was a contributor to this increase.

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, 2017, \$20,732,076 was held in trust for police pension benefits.

Budgetary Highlights

The 2017 annual expenditure budget for the City's General Fund identified the budgeted level of spending at \$11,305,207. Actual expenditures were lower than budgeted expenditures by approximately 1.73 percent or \$195,702.

**City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017**

Actual revenues were greater than budgeted revenues in the General Fund by \$1,358,452 or approximately 12.48 percent.

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

<u>Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Property levies, net	\$3,528,500	\$4,828,273	\$1,299,773

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

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

<u>Expenditure function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government - Corporate subfund	\$2,552,579	\$1,772,002	\$780,577
Public safety – Corporate subfund	4,228,850	5,534,989	(1,306,139)

General government expenditures for salary and benefit costs came in lower than expected. The budgetary amount for public safety does not include the amount transferred to the Police Pension Fund for property taxes levied and received, as noted above.

Capital Asset Administration

The City's investment in capital assets as of December 31, 2017, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land and land improvements	\$ 9,036,679	\$ 45,849	\$ 9,082,528
Buildings and building improvements	13,558,980	1,518,468	15,077,448
Equipment	997,554	166,065	1,163,619
Water distribution, storm system and sanitary systems		2,626,191	2,626,191
Infrastructure	6,829,144		6,829,144
Construction in progress	88,660	155,911	244,571
Total	<u>\$ 30,511,017</u>	<u>\$ 4,512,484</u>	<u>\$ 35,023,501</u>

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

City Hall renovations, land purchase, police squad cars, 4 Chevy Tahoes, Recreation Center expansion and renovations, and Meyer Park renovations.

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

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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>
Compensated absences	\$ 407,904	\$ 112,558	\$ 520,462
Net pension liability	20,148,788	-	20,148,788
Post-employment benefits liability	1,406,707	237,026	1,643,733
IMRF liability	484,954	152,520	637,474
General obligation bond, including premium	6,120,097	-	6,120,097
Notes payable	3,869,835	-	3,869,835
Installment contract	133,900	243,769	377,669
Total	<u>\$ 32,572,185</u>	<u>\$ 745,873</u>	<u>\$ 33,318,058</u>

Additional information on the City's long-term liabilities can be found in note II E on pages 41 – 45 of this report.

Economic Factors and Next Year's Budget

- During 2005, the City established the Gateway Tax Increment Financing (TIF) project, which will provide economic development benefits to the area around Harlem Avenue and College Drive. These benefits will continue to be utilized during FY 2018 as the City oversees the development of a new senior living complex.
- During 2011, the City established the 127th and Harlem Avenue Tax Increment Financing (TIF) project and Harlem Avenue Business District, which will provide economic development benefits to the area around Harlem Avenue and 127th Street. These benefits will continue to be utilized during 2018 and it is the City's intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2018, 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 2018, the City will continue with capital projects such as a new entrance sign at City Hall, improvements to the City Pool, the purchase of capital equipment for Public Works, new sidewalks throughout the City, resurfacing of a portion of the bike trail, improvements to the municipal lot, preliminary engineering on the Lake Katherine parking lot, reconstruction of the Ridgeland Corridor, Meyers Park renovation project and the Community Park Sports Plaza. The City will continue its Road Program in 2018 at various locations throughout the City.

City of Palos Heights, Illinois
Management's Discussion and Analysis (Unaudited)
December 31, 2017

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, 2017

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Cash	\$ 8,295,821	\$ 6,119,542	\$ 14,415,363	\$ 1,498,154
Receivables	7,311,485	1,413,681	8,725,166	1,518,309
Due from other governments	-	-	-	8,347
Other	248,923	-	248,923	44,265
Capital assets not being depreciated:				
Land	4,357,099	45,849	4,402,948	314,652
Construction in progress	88,660	155,911	244,571	-
Capital assets net of accumulated depreciation:				
Land improvements	4,679,580	-	4,679,580	63,765
Buildings and improvements	13,558,980	1,518,468	15,077,448	3,388,374
Equipment	997,554	166,065	1,163,619	478,363
Water distribution, storm and sanitary system	-	2,626,191	2,626,191	-
Infrastructure	6,829,144	-	6,829,144	-
Total assets	<u>46,367,246</u>	<u>12,045,707</u>	<u>58,412,953</u>	<u>7,314,229</u>
 DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	4,045,850	153,874	4,199,724	104,905
Deferred outflows of resources related to other post-employment benefits	<u>347,221</u>	<u>57,470</u>	<u>404,691</u>	<u>-</u>
Total deferred outflows of resources	<u>4,393,071</u>	<u>211,344</u>	<u>4,604,415</u>	<u>104,905</u>

See notes to basic financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and other current liabilities	1,123,887	642,868	1,766,755	43,171
Deposits held	289,890	-	289,890	-
Unearned revenue - other	121,116	-	121,116	-
Noncurrent liabilities:				
Due within one year	784,308	274,139	1,058,447	-
Due in more than one year	<u>31,787,877</u>	<u>471,734</u>	<u>32,259,611</u>	<u>121,333</u>
Total liabilities	<u>34,107,078</u>	<u>1,388,741</u>	<u>35,495,819</u>	<u>164,504</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,562,636	420,089	2,982,725	339,272
Deferred inflows of resources related to other post-employment benefits	61,484	16,510	77,994	-
Property taxes levied for future periods	<u>6,591,684</u>	<u>-</u>	<u>6,591,684</u>	<u>-</u>
Total deferred inflows of resources	<u>9,215,804</u>	<u>436,599</u>	<u>9,652,403</u>	<u>339,272</u>
NET POSITION				
Net investment in capital assets	24,257,020	3,924,132	28,181,152	4,245,153
Restricted for:				
Law enforcement	498,231	-	498,231	-
Community redevelopment	439,282	-	439,282	-
Road construction and maintenance	324,003	-	324,003	-
Other purposes	200,075	-	200,075	20,229
Unrestricted	<u>(18,281,176)</u>	<u>6,507,579</u>	<u>(11,773,597)</u>	<u>2,649,976</u>
Total net position	<u>\$ 7,437,435</u>	<u>\$ 10,431,711</u>	<u>\$ 17,869,146</u>	<u>\$ 6,915,358</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/programs:				
Primary government:				
Governmental activities:				
General government	\$ 2,833,267	\$ 1,322,879	\$ -	\$ -
Police and emergency services	6,532,287	410,973	-	-
Public works	2,757,154	-	-	101,420
Recreation and culture	2,757,104	1,162,422	-	-
Interest expense	433,167	-	-	-
Total governmental activities	<u>15,312,979</u>	<u>2,896,274</u>	<u>-</u>	<u>101,420</u>
Business-type activities:				
Waterworks and sewerage	6,143,184	7,208,273	-	-
Parking lot	71,961	51,038	-	-
Total business-type activities	<u>6,215,145</u>	<u>7,259,311</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,528,124</u>	<u>\$ 10,155,585</u>	<u>\$ -</u>	<u>\$ 101,420</u>
Component unit	<u>\$ 1,691,953</u>	<u>\$ 39,603</u>	<u>\$ 13,537</u>	<u>\$ -</u>

General revenues:

Taxes:

Property

Utility

Business district sales

Intergovernmental

Gain on dispositions of capital assets

Investment income

Other income

Total general revenues

Changes in net position

Net position at beginning of year, as restated

Net position at end of year

See notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (1,510,388)	\$ -	\$ (1,510,388)	\$ -
(6,121,314)	-	(6,121,314)	-
(2,655,734)	-	(2,655,734)	-
(1,594,682)	-	(1,594,682)	-
(433,167)	-	(433,167)	-
<u>(12,315,285)</u>	<u>-</u>	<u>(12,315,285)</u>	<u>-</u>
-	1,065,089	1,065,089	-
-	(20,923)	(20,923)	-
-	<u>1,044,166</u>	<u>1,044,166</u>	<u>-</u>
<u>(12,315,285)</u>	<u>1,044,166</u>	<u>(11,271,119)</u>	<u>-</u>
-	-	-	<u>(1,638,813)</u>
6,336,789	-	6,336,789	1,273,325
1,131,427	-	1,131,427	-
110,569	-	110,569	8,347
3,016,498	-	3,016,498	-
23,184	-	23,184	-
19,302	45,510	64,812	5,001
<u>974,165</u>	<u>9,700</u>	<u>983,865</u>	<u>2,906</u>
<u>11,611,934</u>	<u>55,210</u>	<u>11,667,144</u>	<u>1,289,579</u>
(703,351)	1,099,376	396,025	(349,234)
<u>8,140,786</u>	<u>9,332,335</u>	<u>17,473,121</u>	<u>7,264,592</u>
<u>\$ 7,437,435</u>	<u>\$ 10,431,711</u>	<u>\$ 17,869,146</u>	<u>\$ 6,915,358</u>

FUND FINANCIAL STATEMENTS

CITY OF PALOS HEIGHTS, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016

	General	Capital Projects	Capital Projects - Recreation Center	Total Nonmajor Funds
ASSETS				
Cash	\$ 3,624,889	\$ 2,465,414	\$ -	\$ 2,205,518
Receivables:				
Property taxes	5,421,988	-	-	1,157,935
Accounts, net of allowance for uncollectible accounts	145,488	-	-	-
Due from other funds	121,318	-	-	80,391
Due from other governments	447,643	90,729	-	47,702
Other	248,923	-	-	-
	<u>\$ 10,010,249</u>	<u>\$ 2,556,143</u>	<u>\$ -</u>	<u>\$ 3,491,546</u>
LIABILITIES				
Accounts payable	\$ 230,233	\$ 271,027	\$ -	\$ 193,172
Accrued expenditures	218,772	-	-	-
Deposits held	289,890	-	-	-
Due to other funds	45,000	103,452	-	53,257
Unearned revenue - other	121,116	-	-	-
	<u>905,011</u>	<u>374,479</u>	<u>-</u>	<u>246,429</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	5,430,574	-	-	1,161,110
FUND BALANCES				
Restricted	-	-	-	1,473,002
Assigned	-	2,181,664	-	611,005
Unassigned	3,674,664	-	-	-
	<u>3,674,664</u>	<u>2,181,664</u>	<u>-</u>	<u>2,084,007</u>
Total fund balances	<u>3,674,664</u>	<u>2,181,664</u>	<u>-</u>	<u>2,084,007</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,010,249</u>	<u>\$ 2,556,143</u>	<u>\$ -</u>	<u>\$ 3,491,546</u>

See notes to basic financial statements.

Total Governmental Funds	
2017	2016

\$ 8,295,821	\$ 8,844,965
6,579,923	6,567,414
145,488	152,711
201,709	308,068
586,074	650,889
<u>248,923</u>	<u>268,946</u>
<u>\$ 16,057,938</u>	<u>\$ 16,792,993</u>

\$ 694,432	\$ 823,913
218,772	210,176
289,890	272,829
201,709	308,068
<u>121,116</u>	<u>121,643</u>
<u>1,525,919</u>	<u>1,736,629</u>

<u>6,591,684</u>	<u>6,646,488</u>
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1,473,002	1,559,973
2,792,669	3,032,758
<u>3,674,664</u>	<u>3,817,145</u>
<u>7,940,335</u>	<u>8,409,876</u>

<u>\$ 16,057,938</u>	<u>\$ 16,792,993</u>
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**CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds		\$ 7,940,335
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.		30,511,017
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
General obligation bonds	\$ (5,890,000)	
Unamortized issuance premium	(230,097)	
Notes payable	(3,869,835)	
Installment contract payable	(133,900)	
Compensated absences payable	(407,904)	
Net pension liabilities	(20,633,742)	
Other post-employment benefits liability	<u>(1,406,707)</u>	
Total		(32,572,185)
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	\$ 4,393,071	
Deferred inflows related to pensions and other post-employment benefits	<u>(2,624,120)</u>	
Total		1,768,951
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.		<u>(210,683)</u>
Net position of governmental activities		<u>\$ 7,437,435</u>

See notes to basic financial statements.

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects - Recreation Center</u>	<u>Total Nonmajor Funds</u>
Revenues:				
Taxes:				
Property levies, net	\$ 4,828,273	\$ -	\$ -	\$ 1,508,516
Utility	1,131,427	-	-	-
Business district sales	-	-	-	110,569
Intergovernmental	2,691,786	-	-	324,712
Charges for services	411,883	-	-	-
Fees by agreement	880,689	-	-	-
Fines, forfeitures and penalties	216,411	-	-	194,562
Grants	-	101,420	-	-
Investment income	8,431	-	320	10,551
Licenses, permits and inspections	728,801	-	-	-
Swimming pool	281,733	-	-	-
Vehicle tag income	182,195	-	-	-
Other income	879,542	-	20,942	73,681
	<u>12,241,171</u>	<u>101,420</u>	<u>21,262</u>	<u>2,222,591</u>
Total revenues				
Expenditures:				
Current:				
General government	1,868,093	-	-	573,962
Public safety	5,534,989	-	-	342,557
Public works	925,327	-	-	29,102
Recreational department	2,037,029	-	-	106,738
Roads and construction	502,641	-	-	-
Debt service:				
Principal	33,841	22,027	-	357,386
Interest	6,541	1,406	-	455,277
Capital outlay:				
General government	-	748,082	-	-
Public works	16,720	-	-	-
Recreational department	62,286	609,443	222,996	-
Roads and construction	122,038	208,504	-	300,000
	<u>11,109,505</u>	<u>1,589,462</u>	<u>222,996</u>	<u>2,165,022</u>
Total expenditures				

See notes to basic financial statements.

Total Governmental Funds

<u>2017</u>	<u>2016</u>
\$ 6,336,789	\$ 6,022,995
1,131,427	1,164,686
110,569	113,327
3,016,498	3,019,553
411,883	408,175
880,689	634,863
410,973	381,864
101,420	83,511
19,302	117,066
728,801	298,296
281,733	281,941
182,195	182,412
<u>974,165</u>	<u>1,178,135</u>
<u>14,586,444</u>	<u>13,886,824</u>
2,442,055	2,261,309
5,877,546	6,043,242
954,429	1,035,369
2,143,767	2,141,026
502,641	548,192
413,254	211,109
463,224	579,268
748,082	412,112
16,720	35,547
894,725	4,411,852
<u>630,542</u>	<u>528,936</u>
<u>15,086,985</u>	<u>18,207,962</u>
	(continued)

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects - Recreation Center</u>	<u>Total Nonmajor Funds</u>
Excess (deficiency) of revenues over expenditures	<u>1,131,666</u>	<u>(1,488,042)</u>	<u>(201,734)</u>	<u>57,569</u>
Other financing sources (uses):				
Installment contract	-	-	-	-
Proceeds from sale of capital assets	-	-	-	31,000
Transfers in	-	1,229,147	-	45,000
Transfers out	<u>(1,274,147)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,274,147)</u>	<u>1,229,147</u>	<u>-</u>	<u>76,000</u>
Net change in fund balances	(142,481)	(258,895)	(201,734)	133,569
Fund balances at beginning of year	<u>3,817,145</u>	<u>2,440,559</u>	<u>201,734</u>	<u>1,950,438</u>
Fund balances at end of year	<u>\$ 3,674,664</u>	<u>\$ 2,181,664</u>	<u>\$ -</u>	<u>\$ 2,084,007</u>

See notes to basic financial statements.

Total Governmental Funds	
<u>2017</u>	<u>2016</u>
<u>(500,541)</u>	<u>(4,321,138)</u>
-	181,419
31,000	89,900
1,274,147	1,289,093
<u>(1,274,147)</u>	<u>(1,289,093)</u>
<u>31,000</u>	<u>271,319</u>
(469,541)	(4,049,819)
<u>8,409,876</u>	<u>12,459,695</u>
<u>\$ 7,940,335</u>	<u>\$ 8,409,876</u>
	(concluded)

**CITY OF PALOS HEIGHTS, ILLINOIS
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET
POSITION OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds \$ (469,541)

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 capitalized capital outlays (\$1,702,157) exceeded depreciation expense (\$1,484,145) in the current period. 218,012

The net effect of transactions involving dispositions of capital assets was to decrease net position. (7,816)

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

Amortization of issuance premium	\$	23,589
Principal repayments of installment contract		55,868
Principal repayments of long-term debt		<u>357,386</u>

Total 436,843

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded City contributions in the current period. (866,748)

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. (24,708)

Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds. 4,139

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in the accrued interest balance results in a decrease in interest expense reported in the statement of activities. 6,468

Change in net position of governmental activities \$ (703,351)

See notes to basic financial statements.

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 3,528,500	\$ 4,828,273	\$ 1,299,773
Utility	1,190,000	1,131,427	(58,573)
Intergovernmental	2,733,300	2,691,786	(41,514)
Charges for services	402,700	411,883	9,183
Fees by agreement	848,859	880,689	31,830
Fines, forfeitures and penalties	192,000	216,411	24,411
Investment income	25,000	8,431	(16,569)
Licenses, permits and inspections	703,000	728,801	25,801
Swimming pool	286,900	281,733	(5,167)
Vehicle tag income	180,800	182,195	1,395
Other income	791,660	879,542	87,882
	<u>10,882,719</u>	<u>12,241,171</u>	<u>1,358,452</u>
Total revenues			
Expenditures:			
Current:			
Personnel	6,289,575	5,725,045	564,530
Retirement contributions	162,000	1,533,870	(1,371,870)
Hospital and medical insurance	1,114,000	887,622	226,378
Contractual	2,323,372	1,926,844	396,528
Commodities	557,100	459,350	97,750
Other	302,160	195,777	106,383
Legal department	63,500	76,029	(12,529)
Vehicle tag expense	38,000	63,542	(25,542)
Capital outlay	410,500	201,044	209,456
Debt service:			
Principal	45,000	33,841	11,159
Interest	-	6,541	(6,541)
	<u>11,305,207</u>	<u>11,109,505</u>	<u>195,702</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(422,488)</u>	<u>1,131,666</u>	<u>1,554,154</u>

See notes to basic financial statements.

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Transfers in	835,204	-	(835,204)
Transfers out	<u>(514,171)</u>	<u>(1,274,147)</u>	<u>(759,976)</u>
Total other financing sources (uses)	<u>321,033</u>	<u>(1,274,147)</u>	<u>(1,595,180)</u>
Net change in fund balances	(101,455)	(142,481)	(41,026)
Fund balances at beginning of year	<u>3,817,145</u>	<u>3,817,145</u>	<u>-</u>
Fund balances at end of year	<u>\$ 3,715,690</u>	<u>\$ 3,674,664</u>	<u>\$ (41,026)</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

ASSETS	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>
Current assets:			
Cash	\$ 6,030,029	\$ 89,513	\$ 6,119,542
Accounts receivable - water customers:			
Billed	541,198	-	541,198
Unbilled	<u>872,483</u>	<u>-</u>	<u>872,483</u>
Total current assets	<u>7,443,710</u>	<u>89,513</u>	<u>7,533,223</u>
Noncurrent assets:			
Capital assets:			
Land	45,849	-	45,849
Construction in progress	155,911	-	155,911
Building and structures	3,578,933	-	3,578,933
Distribution system	8,274,891	-	8,274,891
Equipment	<u>1,573,157</u>	<u>-</u>	<u>1,573,157</u>
Total	13,628,741	-	13,628,741
Less accumulated depreciation	<u>(9,116,257)</u>	<u>-</u>	<u>(9,116,257)</u>
Net capital assets	<u>4,512,484</u>	<u>-</u>	<u>4,512,484</u>
Total assets	<u>11,956,194</u>	<u>89,513</u>	<u>12,045,707</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	153,874	-	153,874
Deferred outflows of resources related to other post-employment benefits	<u>57,470</u>	<u>-</u>	<u>57,470</u>
Total deferred outflows of resources	<u>211,344</u>	<u>-</u>	<u>211,344</u>

See notes to basic financial statements.

	Business-type Activities - Enterprise Funds		
	Waterworks and Sewerage	Nonmajor Fund	Totals
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 596,626	\$ 10,989	\$ 607,615
Accrued payroll	35,253	-	35,253
Current portion of long-term liabilities:			
Compensated absences	84,419	-	84,419
Installment contract	<u>189,720</u>	<u>-</u>	<u>189,720</u>
Total current liabilities	<u>906,018</u>	<u>10,989</u>	<u>917,007</u>
Long-term liabilities:			
Compensated absences	28,139	-	28,139
Installment contract	54,049	-	54,049
Net pension liability	152,520	-	152,520
Net other post-employment benefits liability	<u>237,026</u>	<u>-</u>	<u>237,026</u>
Total long-term liabilities	<u>471,734</u>	<u>-</u>	<u>471,734</u>
Total liabilities	<u>1,377,752</u>	<u>10,989</u>	<u>1,388,741</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	420,089	-	420,089
Deferred inflows of resources related to other post-employment benefits	<u>16,510</u>	<u>-</u>	<u>16,510</u>
Total deferred inflows of resources	<u>436,599</u>	<u>-</u>	<u>436,599</u>
NET POSITION			
Net investment in capital assets	3,924,132	-	3,924,132
Unrestricted	<u>6,429,055</u>	<u>78,524</u>	<u>6,507,579</u>
Total net position	<u>\$ 10,353,187</u>	<u>\$ 78,524</u>	<u>\$ 10,431,711</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 7,208,273	\$ 51,038	\$ 7,259,311
Sales of water meters	4,520	-	4,520
Other	5,180	-	5,180
Total operating revenues	<u>7,217,973</u>	<u>51,038</u>	<u>7,269,011</u>
Operating expenses:			
Personnel	1,212,576	30,000	1,242,576
Contractual	3,431,907	36,497	3,468,404
Commodities	908,785	5,464	914,249
Depreciation	277,457	-	277,457
Other	312,459	-	312,459
Total operating expenses	<u>6,143,184</u>	<u>71,961</u>	<u>6,215,145</u>
Operating income (loss)	1,074,789	(20,923)	1,053,866
Nonoperating revenues:			
Investment income	45,510	-	45,510
Net increase (decrease) in net position	1,120,299	(20,923)	1,099,376
Net position at beginning of year, as restated	<u>9,232,888</u>	<u>99,447</u>	<u>9,332,335</u>
Net position at end of year	<u>\$ 10,353,187</u>	<u>\$ 78,524</u>	<u>\$ 10,431,711</u>

See notes to basic financial statements.

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 6,965,551	\$ 51,038	\$ 7,016,589
Payments to employees	(1,168,487)	(30,000)	(1,198,487)
Payments to suppliers	<u>(4,520,072)</u>	<u>(31,391)</u>	<u>(4,551,463)</u>
Net cash provided (used) by operating activities	<u>1,276,992</u>	<u>(10,353)</u>	<u>1,266,639</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(214,895)	-	(214,895)
Principal paid on capital debt	<u>(189,719)</u>	<u>-</u>	<u>(189,719)</u>
Net cash used by capital and related financing activities	<u>(404,614)</u>	<u>-</u>	<u>(404,614)</u>
Cash flows from investing activities:			
Investment income received	<u>45,510</u>	<u>-</u>	<u>45,510</u>
Net increase (decrease) in cash	917,888	(10,353)	907,535
Cash at beginning of year	<u>5,112,141</u>	<u>99,866</u>	<u>5,212,007</u>
Cash at end of year	<u>\$ 6,030,029</u>	<u>\$ 89,513</u>	<u>6,119,542</u>

See notes to basic financial statements.

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Waterworks and Sewerage</u>	<u>Nonmajor Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,074,789	\$ (20,923)	\$ 1,053,866
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	277,457	-	277,457
(Increase) decrease in:			
Accounts receivable	(252,422)	-	(252,422)
Deferred outflows of resources related to pensions	26,643	-	26,643
Deferred outflows of resources related to other post-employment benefits	(57,470)	-	(57,470)
Increase (decrease) in:			
Accounts payable	133,079	10,570	143,649
Accrued payroll	(2,017)	-	(2,017)
Compensated absences	5,966	-	5,966
Net pension liability	(335,902)	-	(335,902)
Other post-employments benefits liability	44,478	-	44,478
Deferred inflows of resources related to pensions	345,881	-	345,881
Deferred inflows of resources related to other post-employment benefits	16,510	-	16,510
Net cash provided (used) by operating activities	<u>\$ 1,276,992</u>	<u>\$ (10,353)</u>	<u>\$ 1,266,639</u>

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash	\$ 10,010	\$ 10,759
Accrued interest receivable	46,557	42,948
Investments:		
Certificates of deposit	121,310	118,811
Debt issues:		
Corporate	832,778	972,592
Municipal	1,051,510	953,174
GNMA	90,178	127,795
Mutual funds:		
Equities	11,644,304	10,165,665
Mutual money market funds	337,708	300,218
U.S. government agency obligations	5,689,198	4,832,324
U.S. Treasury notes	<u>908,523</u>	<u>716,805</u>
Total assets	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>

See notes to basic financial statements.

CITY OF PALOS HEIGHTS, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
Additions:		
Contributions:		
Employees	\$ 331,562	\$ 257,628
Employer	<u>1,533,870</u>	<u>1,431,455</u>
Total contributions	<u>1,865,432</u>	<u>1,689,083</u>
Investment income	2,452,587	1,155,313
Less investment expense	<u>(46,172)</u>	<u>(42,803)</u>
Net investment income	<u>2,406,415</u>	<u>1,112,510</u>
Total additions	<u>4,271,847</u>	<u>2,801,593</u>
Deductions:		
Benefit payments	1,696,249	1,611,364
Refunds of contributions	48,776	-
Administrative expenses	<u>35,837</u>	<u>29,905</u>
Total deductions	<u>1,780,862</u>	<u>1,641,269</u>
Increase in net position	2,490,985	1,160,324
Net position at beginning of year	<u>18,241,091</u>	<u>17,080,767</u>
Net position at end of year	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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

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

The City reports the following nonmajor governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

The City reports the following nonmajor enterprise fund:

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

Additionally, the City reports the following fiduciary fund type:

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

1. The administration submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance. The budget for the year ended December 31, 2017 was adopted through the passage of ordinance number O-06-17 on March 7, 2017.
4. The City Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgets are adopted on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds. The level of control (level at which expenditures may not exceed budget/appropriations) is the fund.
6. Formal budgetary integration is employed as a management control device during the year for the budgeted funds. Formal budgetary integration was not employed for the Pension Trust Fund because effective budgetary control was achieved through other means.

**CITY OF PALOS HEIGHTS, ILLINOIS
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YEAR ENDED DECEMBER 31, 2017**

7. The budget was not amended during the year ended December 31, 2017.
8. Budgeted amounts reported in the financial statements represent the working budget as adopted. The appropriation as adopted for each fund is as follows:

General subfunds:	
Corporate	\$ 12,424,570
Beautification Committee	41,435
Vehicle License	302,400
Special revenue funds:	
Seizure and Forfeiture	149,100
Motor Fuel Tax	367,500
Social Security and IMRF	705,263
Special Recreation	158,550
Police DUI Fine	10,500
Cal Sag Trail	31,500
Business District	161,712
Capital projects funds:	
Capital Projects	1,822,800
Recreation Center	210,268
127th and Harlem Tax Increment	229,530
Gateway Tax Increment	66,150
Debt service fund:	
Bond and Interest	485,612
Enterprise funds:	
Waterworks and Sewerage	9,669,431
Metra Station Parking	90,300

2. Excess of Expenditures/Expenses over Working Budget Amounts

For the year ended December 31, 2017, expenditures/expenses exceeded working budget amounts in the following funds:

Fund	Budget	Actual	Variance
Capital Projects Fund - Recreation Center	\$ 200,255	\$ 222,996	\$ (22,741)
Nonmajor governmental funds:			
Special revenue funds:			
Seizure and Forfeiture	142,000	268,043	(126,043)
Police DUI Fine	10,000	74,514	(64,514)
Debt service fund:			
Bond and Interest	462,488	462,962	(474)

**CITY OF PALOS HEIGHTS, ILLINOIS
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The overexpenditures in the Capital Projects Fund - Recreation Center and the Police DUI Fine Fund were funded by greater than anticipated revenues and available fund balance. The overexpenditures in the Seizure and Forfeiture Fund and Bond and Interest Fund were funded by greater than anticipated revenues.

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

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

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

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category in the government-wide statement of net position. They are *deferred outflows of resources related to pensions* (see Notes II.G.1 and 2 for further discussion of deferred outflows of resources related to pensions) and *deferred outflows of resources related to other post-employment benefits* (see Note II.G.4 for further discussion of deferred outflows of resources related to other post-employment benefits).

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenues) until that time. The City has three types of items that qualify for reporting in this category. One item, *unearned/unavailable revenue*, is reported in the government-wide statement of net position and governmental funds balance sheet. The City reports unearned/unavailable revenue from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned or become available. The other items, *deferred inflows of resources related to pensions* and *deferred inflows of resources related to other post-employment benefits*, are reported in the government-wide statement of net position (see Notes II.G.1 and 2 for further discussion of deferred inflows of resources related to pensions and Note II.G.4 for further discussion of deferred inflows of resources related to other post-employment benefits).

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

6. *Long-term Obligations*

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

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

7. *Net Position Flow Assumption*

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

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).

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

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

H. Revenues and Expenditures/Expenses

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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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3. *Compensated Absences*

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the waterworks and sewerage enterprise fund is charges to customers for sales and services. The waterworks and sewerage enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets, liabilities, deferred outflows/inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues and expenses/expenditures. Actual results could differ from those estimates.

J. *Comparative Data*

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

K. *Reclassifications*

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

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

City of Palos Heights, Illinois

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's investment policy protects the City from custodial credit risk by requiring funds on deposit (checking accounts, certificates of deposit, etc.), in excess of FDIC limits, to be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City of Palos Heights, Illinois. As of December 31, 2017, \$2,103,391 of the City's bank balances of \$2,604,391 was in excess of FDIC limits and was collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

Pension Trust Fund

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

Palos Heights Public Library

At year end, the Library's bank balances of \$1,450,636 were covered by federal depository insurance or collateralized with securities held by the pledging financial institutions' trust departments or agents in the Library's name.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Investments

City of Palos Heights, Illinois

As of December 31, 2017, the City had the following investments:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Credit Quality Ratings (1)</u>	<u>Weighted Average Years to Maturity (2)</u>
Pooled investments:			
Certificates of deposit	\$ 7,361,119	N/A	<1
External investment pools:			
Illinois Funds	4,435,370	AAAm	<1
Illinois Metropolitan Investment Fund: Liquidating Trust (3)	<u>116,522</u>	N/A	Not available
Total investments	<u>\$ 11,913,011</u>		

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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Pension Trust Fund

As of December 31, 2017, 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	\$ 121,310	N/A	7.64
Debt issues:			
Corporate	832,778	Aaa - A3	5.10
Municipal (3)	1,051,510	Aa1	5.53
GNMA	90,178	N/R	15.99
Mutual funds:			
Equities	11,644,304	N/A	N/A
Mutual money market funds	337,708	N/A	N/A
U.S. government agency obligations	5,689,198	Aaa	6.55
U.S. Treasury notes	<u>908,523</u>	N/A	2.87
 Total investments	 <u>\$ 20,675,509</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.

Palos Heights Public Library

As of December 31, 2017, the Library had the following investments:

Type of Investment	Fair Value
External investment pools:	
Illinois Funds	\$ 3,899
Illinois Metropolitan Investment Fund	<u>65,089</u>
 Total investments	 <u>\$ 68,988</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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Investment Policies

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

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

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

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

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

B. Fair Value Measurements

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

The City and Pension Trust Fund had the following recurring fair value measurements as of December 31, 2017:

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

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

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

The following table summarizes the investments of the City and Police Pension Fund for which fair values are determined on a recurring basis as of December 31, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
City of Palos Heights:				
Certificates of deposit	\$ -	\$ 7,361,119	\$ -	\$ 7,361,119
External investment pools	-	4,551,892	-	4,551,892
Total investments at fair value	\$ -	\$ 11,913,011	\$ -	\$ 11,913,011
Pension Trust Fund:				
Certificates of deposit	\$ -	\$ 121,310	\$ -	\$ 121,310
Debt issues:				
Corporate	-	832,778	-	832,778
Municipal	-	1,051,510	-	1,051,510
GNMA	-	90,178	-	90,178
Mutual funds:				
Equities	11,644,304	-	-	11,644,304
Mutual money market funds	-	337,708	-	337,708
U.S. government agency obligations	-	5,689,198	-	5,689,198
U.S. Treasury notes	-	908,523	-	908,523
Total investments at fair value	\$ 11,644,304	\$ 9,031,205	\$ -	\$ 20,675,509

Fair value measurement information for the Library is not available.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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C. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Primary government:				
City of Palos Heights, Illinois:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,110,099	\$ 247,000	\$ -	\$ 4,357,099
Construction in progress	500,684	215,442	(627,466)	88,660
Total capital assets, not being depreciated	<u>4,610,783</u>	<u>462,442</u>	<u>(627,466)</u>	<u>4,445,759</u>
Capital assets, being depreciated:				
Land improvements	6,382,660	468,227	-	6,850,887
Buildings and improvements	18,399,932	551,020	627,466	19,578,418
Equipment	4,689,255	220,468	(262,591)	4,647,132
Infrastructure	20,013,105	-	-	20,013,105
Total capital assets, being depreciated	<u>49,484,952</u>	<u>1,239,715</u>	<u>364,875</u>	<u>51,089,542</u>
Less accumulated depreciation for:				
Land improvements	(2,025,041)	(146,266)	-	(2,171,307)
Buildings and improvements	(5,555,925)	(463,513)	-	(6,019,438)
Equipment	(3,498,948)	(405,405)	254,775	(3,649,578)
Infrastructure	(12,715,000)	(468,961)	-	(13,183,961)
Total accumulated depreciation	<u>(23,794,914)</u>	<u>(1,484,145)</u>	<u>254,775</u>	<u>(25,024,284)</u>
Total capital assets, being depreciated, net	<u>25,690,038</u>	<u>(244,430)</u>	<u>619,650</u>	<u>26,065,258</u>
Governmental activities capital assets, net	<u>\$ 30,300,821</u>	<u>\$ 218,012</u>	<u>\$ (7,816)</u>	<u>\$ 30,511,017</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 45,849	\$ -	\$ -	\$ 45,849
Construction in progress	85,875	167,471	(97,435)	155,911
Total capital assets, not being depreciated	<u>131,724</u>	<u>167,471</u>	<u>(97,435)</u>	<u>201,760</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
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	Beginning Balance	Increases	Adjustments/ Decreases/ Transfers	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	3,481,498	-	97,435	3,578,933
Equipment	1,140,498	47,424	385,235	1,573,157
Water distribution, storm and sanitary system	<u>8,274,891</u>	<u>-</u>	<u>-</u>	<u>8,274,891</u>
Total capital assets, being depreciated	<u>12,896,887</u>	<u>47,424</u>	<u>482,670</u>	<u>13,426,981</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,985,227)	(75,238)	-	(2,060,465)
Equipment	(964,022)	(57,835)	(385,235)	(1,407,092)
Water distribution, storm and sanitary system	<u>(5,504,316)</u>	<u>(144,384)</u>	<u>-</u>	<u>(5,648,700)</u>
Total accumulated depreciation	<u>(8,453,565)</u>	<u>(277,457)</u>	<u>(385,235)</u>	<u>(9,116,257)</u>
Total capital assets, being depreciated, net	<u>4,443,322</u>	<u>(230,033)</u>	<u>97,435</u>	<u>4,310,724</u>
Business-type activities capital assets, net	<u>\$ 4,575,046</u>	<u>\$ (62,562)</u>	<u>\$ -</u>	<u>\$ 4,512,484</u>
Component unit:				
Palos Heights Public Library:				
Capital assets, not being depreciated:				
Land	<u>\$ 314,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,652</u>
Capital assets, being depreciated:				
Land improvements	200,577	-	-	200,577
Buildings and improvements	5,375,936	12,953	-	5,388,889
Furniture and equipment	688,221	52,019	-	740,240
Library collection	<u>583,007</u>	<u>96,663</u>	<u>(145,565)</u>	<u>534,105</u>
Total capital assets, being depreciated	<u>6,847,741</u>	<u>161,635</u>	<u>(145,565)</u>	<u>6,863,811</u>
Less accumulated depreciation for:				
Land improvements	(128,767)	(8,045)	-	(136,812)
Buildings and improvements	(1,842,178)	(158,337)	-	(2,000,515)
Furniture and equipment	(529,820)	(42,429)	-	(572,249)
Library collection	<u>(252,698)</u>	<u>(116,600)</u>	<u>145,565</u>	<u>(223,733)</u>
Total accumulated depreciation	<u>(2,753,463)</u>	<u>(325,411)</u>	<u>145,565</u>	<u>(2,933,309)</u>
Total capital assets, being depreciated, net	<u>4,094,278</u>	<u>(163,776)</u>	<u>-</u>	<u>3,930,502</u>
Palos Heights Public Library capital assets, net	<u>\$ 4,408,930</u>	<u>\$ (163,776)</u>	<u>\$ -</u>	<u>\$ 4,245,154</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Depreciation expense was charged to functions/programs as follows:

Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General government	\$ 16,477
Police and emergency services	284,363
Public works	638,466
Recreation and culture	<u>544,839</u>
Total depreciation expense - governmental activities	<u>\$ 1,484,145</u>
Business-type activities:	
Waterworks and sewerage	<u>\$ 277,457</u>
Component unit:	
Palos Heights Public Library:	
Recreation and culture	<u>\$ 325,411</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2017 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 121,318	\$ 45,000
Capital Projects Fund	-	103,452
Capital Projects - Recreation Center Fund	-	-
Nonmajor governmental funds:		
Seizure and Forfeiture Fund	-	7,554
Motor Fuel Tax Fund	-	10,312
Business District Fund	80,391	-
127th and Harlem Tax Increment Fund	<u>-</u>	<u>35,391</u>
Total	<u>\$ 201,709</u>	<u>\$ 201,709</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.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Interfund transfers during the year ended December 31, 2017 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,229,147
General Fund	Nonmajor governmental fund: Business District Fund	<u>45,000</u>
Total		<u>\$ 1,274,147</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.

E. Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government:					
City of Palos Heights, Illinois:					
Governmental activities:					
General obligation bonds	\$ 6,150,000	\$ -	\$ (260,000)	\$ 5,890,000	\$ 270,000
Issuance premium	253,686	-	(23,589)	230,097	-
Notes payable	3,967,221	-	(97,386)	3,869,835	111,970
Installment contract payable	189,768	-	(55,868)	133,900	35,223
Compensated absences payable	412,043	366,700	(370,839)	407,904	367,115
Net pension liabilities:					
Police Pension	21,061,205	2,272,565	(3,184,982)	20,148,788	-
Illinois Municipal Retirement	1,778,670	403,581	(1,697,297)	484,954	-
Other post-employment benefits liability	<u>1,096,262</u>	<u>132,151</u>	<u>178,294</u>	<u>1,406,707</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 34,908,855</u>	<u>\$ 3,174,997</u>	<u>\$ (5,511,667)</u>	<u>\$ 32,572,185</u>	<u>\$ 784,308</u>
Business-type activities:					
Installment contract payable	\$ 433,488	\$ -	\$ (189,719)	\$ 243,769	\$ 189,720
Compensated absences payable	106,592	85,910	(79,944)	112,558	84,419
Net pension liability:					
Illinois Municipal Retirement	488,422	123,308	(459,210)	152,520	-
Other post-employment benefits liability	<u>192,548</u>	<u>3,517</u>	<u>40,961</u>	<u>237,026</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,221,050</u>	<u>\$ 212,735</u>	<u>\$ (687,912)</u>	<u>\$ 745,873</u>	<u>\$ 274,139</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	\$ 446,364	\$ 104,905	\$ (429,936)	\$ 121,333	\$ -

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.

Primary Government - Governmental Activities

General Obligation Bonds

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 270,000	\$ 194,688	\$ 464,688
2019	275,000	186,588	461,588
2020	285,000	178,338	463,338
2021	295,000	169,788	464,788
2022	300,000	160,938	460,938
2023	310,000	151,938	461,938
2024	320,000	142,638	462,638
2025	330,000	133,038	463,038
2026	340,000	123,138	463,138
2027	350,000	112,088	462,088

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028	360,000	100,713	460,713
2029	375,000	88,113	463,113
2030	390,000	74,988	464,988
2031	400,000	61,338	461,338
2032	415,000	47,338	462,338
2033	430,000	32,813	462,813
2034	<u>445,000</u>	<u>16,688</u>	<u>461,688</u>
Total	<u>\$ 5,890,000</u>	<u>\$ 1,975,171</u>	<u>\$ 7,865,171</u>

Notes Payable

The City has pledged certain future revenues to repay notes payable of \$4,000,000 that were issued in 2014. The notes are payable from 80% of the incremental property tax in the 127th and Harlem TIF Fund, 100% of business district sales tax, and 35% of the incremental sales tax. The notes are payable in annual installments, which include interest at 6.36%, with the final payment due in December, 2033. As of December 31, 2017, the City paid \$952,419 in principal and interest on the notes payable. \$569,619 was paid from incremental property tax revenue, \$305,786 from business district sales tax revenue and \$77,014 from incremental sales tax. Future payments of principal and interest have been estimated by management to be as follows:

<u>Year</u>	<u>Principal</u>				<u>Interest</u>			
	<u>Incremental Property Tax</u>	<u>Business District Sales Tax</u>	<u>Incremental Sales Tax</u>	<u>Total</u>	<u>Incremental Property Tax</u>	<u>Business District Sales Tax</u>	<u>Incremental Sales Tax</u>	<u>Total</u>
2018	\$ 62,704	\$ 38,069	\$ 11,197	\$ 111,970	\$ 148,010	\$ 73,513	\$ 24,615	\$ 246,138
2019	76,319	46,337	13,628	136,284	150,053	65,063	23,902	239,018
2020	74,483	45,222	13,301	133,006	138,017	68,978	23,356	230,351
2021	82,431	50,048	14,720	147,199	130,069	67,052	24,770	221,891
2022	90,871	55,171	16,227	162,269	121,630	64,828	26,072	212,530
2023	115,962	70,406	20,708	207,076	125,138	52,594	24,477	202,209
2024	126,730	76,943	22,630	226,303	114,370	49,156	25,513	189,039
2025	138,224	83,922	24,683	246,829	102,876	45,278	26,493	174,647
2026	167,849	101,909	29,973	299,731	104,051	30,591	24,306	158,948
2027	182,094	110,557	32,517	325,168	89,806	25,243	24,837	139,886
2028	197,395	119,847	35,249	352,491	74,505	19,353	25,348	119,206
2029	232,355	141,073	41,492	414,920	72,745	1,627	22,414	96,786
2030	257,076	146,200	44,808	448,084	48,024	-	22,373	70,397
2031	270,884	149,900	62,937	483,721	34,216	-	7,683	41,899
2032	<u>97,878</u>	<u>59,427</u>	<u>17,479</u>	<u>174,784</u>	<u>6,237</u>	<u>3,786</u>	<u>1,113</u>	<u>11,136</u>
Total	<u>\$ 2,173,255</u>	<u>\$ 1,295,031</u>	<u>\$ 401,549</u>	<u>\$ 3,869,835</u>	<u>\$ 1,459,747</u>	<u>\$ 567,062</u>	<u>\$ 327,272</u>	<u>\$ 2,354,081</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017**

Installment Contract Payable

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 35,223	\$ 5,159	\$ 40,382
2019	36,870	3,512	40,382
2020	41,766	1,981	43,747
2021	<u>20,041</u>	<u>250</u>	<u>20,291</u>
Total	<u>\$ 133,900</u>	<u>\$ 10,902</u>	<u>\$ 144,802</u>

Primary Government - Business-Type Activities

Installment Contract Payable

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

<u>Year</u>	<u>Principal</u>
2018	\$ 189,720
2019	30,885
2020	<u>23,164</u>
Total	<u>\$ 243,769</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Legal Debt Margin

The legal debt margin of the City as of December 31, 2017 is calculated as follows:

Assessed valuation - 2016 tax year (most recent information available)	<u>\$ 396,160,414</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 34,168,836</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	6,120,097
Installment contract	133,900
Business-type activities:	
Installment contract	<u>243,769</u>
Total debt applicable to limit	<u>6,497,766</u>
Legal debt margin	<u>\$ 27,671,070</u>

F. Fund Balances

As of December 31, 2017, fund balances were comprised of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects - Recreation Center</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Restricted:					
Capital projects	\$ -	\$ -	\$ -	\$ 351,601	\$ 351,601
Community redevelopment	-	-	-	87,681	87,681
Debt service	-	-	-	11,411	11,411
Law enforcement	-	-	-	498,231	498,231
Road construction and maintenance	-	-	-	324,003	324,003
Social Security and IMRF	-	-	-	159,153	159,153
Special recreation programs	-	-	-	<u>40,922</u>	<u>40,922</u>
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,473,002</u>	<u>1,473,002</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects - Recreation Center</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assigned:					
Capital projects	-	2,181,664	-	11,544	2,193,208
Community redevelopment	-	-	-	176,104	176,104
Cal Sag Trail	-	-	-	68,096	68,096
Law enforcement	-	-	-	49,738	49,738
Road construction and maintenance	-	-	-	38,978	38,978
Social security and IMRF	-	-	-	114,178	114,178
Special recreation programs	-	-	-	152,367	152,367
Total assigned	<u>-</u>	<u>2,181,664</u>	<u>-</u>	<u>611,005</u>	<u>2,792,669</u>
Unassigned	<u>3,674,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,674,664</u>
Total fund balances	<u>\$ 3,674,664</u>	<u>\$ 2,181,664</u>	<u>\$ -</u>	<u>\$ 2,084,007</u>	<u>\$ 7,940,335</u>

G. Change in Accounting Principle

During the year ended December 31, 2017, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB).

The implementation of GASB 75 resulted in the restatement of beginning net position in the government-wide financial statements and the fund financial statements of the Waterworks and Sewerage enterprise fund. Under GASB 75, the employer's liability for defined benefit OPEB that are not provided through an irrevocable trust is required to be measured as the portion of the present value of projected benefit payments to be provided through the plan to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability). Prior to the issuance of GASB 75, employers reported an OPEB liability equal to the cumulative difference between the actuarial required contribution, as adjusted, and the actual employer contributions made.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

The restatement of beginning net position is summarized as follows:

	Primary Government		
	Government-Wide		Waterworks and Sewerage Fund
	Governmental Activities	Business-type Activities	
Net position at December 31, 2016, as previously reported	\$ 9,067,761	\$ 9,524,883	\$ 9,425,436
Change in reporting of prior other post-employment benefits obligation	169,287	-	-
Total other post-employment benefits liability	<u>(1,096,262)</u>	<u>(192,548)</u>	<u>(192,548)</u>
Total	<u>(926,975)</u>	<u>(192,548)</u>	<u>(192,548)</u>
Net position at December 31, 2016, as restated	<u>\$ 8,140,786</u>	<u>\$ 9,332,335</u>	<u>\$ 9,232,888</u>

H. 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, 2017.

1. Police Pension Plan

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017**

Benefits Provided. The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired as a police officer prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. In 2017, a police officer' salary for pension purposes is capped at \$112,408. The cap is adjusted annually by the lesser of 1/2 of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 10 years of service may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

Employees Covered by Benefit Terms. At December 31, 2017, the Police Pension Plan's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not receiving benefits	0
Active employees	<u>27</u>
 Total	 <u>49</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, 2017, the City's contribution was 58.1% of covered payroll.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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

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

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

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry-age normal

Inflation - 2.5%

Salary increases - 3.75%-16.84%, per year

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

Asset valuation method - Market value

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2017.

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, 2017 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equity	38.5 %	9.40 %
Small cap domestic equity	11.0	11.40
Fixed income	45.0	4.40
International equity	<u>5.5</u>	9.30
	<u>100.0 %</u>	

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

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2017 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, 2016	<u>\$ 39,302,296</u>	<u>\$ 18,241,091</u>	<u>\$ 21,061,205</u>
Changes for the year:			
Service cost	602,360	-	602,360
Interest expense	2,594,010	-	2,594,010
Differences between expected and actual experience	127,223	-	127,223
Net investment income	-	2,406,415	(2,406,415)
Contributions - employees	-	331,562	(331,562)
Contributions - employer	-	1,533,870	(1,533,870)
Benefit payments, including refunds of employee contributions	(1,745,025)	(1,745,025)	-
Administrative expense	<u>-</u>	<u>(35,837)</u>	<u>35,837</u>
Net changes	<u>1,578,568</u>	<u>2,490,985</u>	<u>(912,417)</u>
Balances at December 31, 2017	<u>\$ 40,880,864</u>	<u>\$ 20,732,076</u>	<u>\$ 20,148,788</u>

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

	<u>1% Lower (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Higher (7.75%)</u>
City's net pension liability	<u>\$ 26,224,138</u>	<u>\$ 20,148,788</u>	<u>\$ 15,222,354</u>

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2017, the City recognized pension expense of \$2,272,565. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 232,006	\$ 281,219
Changes in assumptions	3,000,222	-
Net difference between projected and actual earnings on Plan investments	446,216	937,829
Total	\$ 3,678,444	\$ 1,219,048

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:

2018	\$ 606,047
2019	606,044
2020	394,840
2021	386,908
2022	450,265
Thereafter	15,292
Total	\$ 2,459,396

2. Illinois Municipal Retirement Fund

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

Plan Description. The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by IMRF, the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017**

Benefits Provided. IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date). Employees of the City who are eligible to participate in the plan participate in the RP.

The RP has two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least 8 years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with 10 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

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

Employees Covered by Benefit Terms. As of December 31, 2017, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	71
Inactive plan members entitled to but not yet receiving benefits	52
Active plan members	<u>58</u>
 Total	 <u><u>181</u></u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2017**

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 2017 was 12.25%. For the year ended December 31, 2017, the City contributed \$431,181 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, 2017 are reported in the financial statements as follows:

Governmental activities	\$ 275,529
Business-type activities	86,686
Component unit	<u>68,966</u>
 Total contributions	 <u>\$ 431,181</u>

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The following are the methods and assumptions used to determine the total pension liability at December 31, 2017:

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

- 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, 2017:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	37 %	6.85 %
International equities	18	6.75
Fixed income	28	3.00
Real estate	9	5.75
Alternative investments	7	2.65-7.35
Cash equivalents	<u>1</u>	2.25
Total	<u><u>100 %</u></u>	

Single Discount Rate. A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on Plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Changes in the Net Pension Liability. Changes in the City's net pension liability for the year ended December 31, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 19,324,374	\$ 16,610,918	\$ 2,713,456
Changes for the year:			
Service cost	351,233	-	351,233
Interest expense	1,430,031	-	1,430,031
Differences between expected and actual experience	(63,109)	-	(63,109)
Changes in assumptions	(664,788)	-	(664,788)
Net investment income	-	2,902,427	(2,902,427)
Contributions - employees	-	194,876	(194,876)
Contributions - employer	-	431,181	(431,181)
Benefit payments, including refunds of employee contributions	(865,831)	(865,831)	-
Other changes	-	(520,468)	520,468
Net changes	<u>187,536</u>	<u>2,142,185</u>	<u>(1,954,649)</u>
Balances at December 31, 2017	<u>\$ 19,511,910</u>	<u>\$ 18,753,103</u>	<u>\$ 758,807</u>

The net pension liability as of December 31, 2017 is reported on the financial statements as follows:

Governmental activities	\$ 484,954
Business-type activities	152,520
Component unit	<u>121,333</u>
Total net pension liability	<u>\$ 758,807</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Lower (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
City's net pension liability (asset)	<u>\$ 3,321,827</u>	<u>\$ 758,807</u>	<u>\$ (1,341,401)</u>

CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2017, the City recognized pension expense of \$630,011. Pension expense for the year ended December 31, 2017 is reported in the financial statements as follows:

Governmental activities	\$ 403,581
Business-type activities	123,308
Component unit	<u>103,122</u>
 Total pension expense	 <u>\$ 630,011</u>

At December 31, 2017, 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	\$ 27,100	\$ 207,343
Changes in assumptions	4,679	488,335
Net difference between projected and actual earnings on Plan investments	<u>594,406</u>	<u>1,407,270</u>
 Total	 <u>\$ 626,185</u>	 <u>\$ 2,102,948</u>
 Governmental activities	 \$ 367,406	 \$ 1,343,587
Business-type activities	153,874	420,089
Component unit	<u>104,905</u>	<u>339,272</u>
 Total	 <u>\$ 626,185</u>	 <u>\$ 2,102,948</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:

2018	\$ (349,048)
2019	(399,165)
2020	(391,525)
2021	<u>(337,025)</u>
 Total	 <u>\$ (1,476,763)</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

3. Summary of Pension Information

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

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

	<u>Primary Government - City of Palos Heights, Illinois</u>		
	<u>PPP</u>	<u>IMRF</u>	<u>Total</u>
Deferred outflows of resources	\$ 3,678,444	\$ 521,280	\$ 4,199,724
Net pension liability	20,148,788	637,474	20,786,262
Deferred inflows of resources	1,219,048	1,763,677	2,982,725
Pension expense	2,272,565	526,889	2,799,454
Pension expenditures	1,533,870	362,215	1,896,085

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, 2017, the following employees of the City were covered by the benefit terms:

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

Total OPEB Liability. The City's total OPEB liability of \$1,643,733 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumption and Other Inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- The Actuarial Cost Method used was Entry Age Normal (Alternative Measurement Method).
- Salary increases were expected to be 4.00%, including inflation.
- The discount rate of 3.63% was based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve).
- Healthcare cost trend rate was expected to be 6.50% initially, reduced by decrements to an ultimate rate of 5.00%.
- Age-based turnover rates were developed based on probability of remaining employed until assumed retirement age.
- Mortality rates were based on the CDC National Vital Statistics report for 2014 (separate rates for males and females).
- The retirees' share of benefit-related costs was 100% of the projected health insurance premiums.

Changes in the Total OPEB Liability. Changes in the City's total OPEB liability for the year ended December 31, 2017 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2016	\$ <u>1,288,810</u>
Changes for the year:	
Service cost	61,434
Interest expense	44,834
Differences between expected and actual experience	(61,193)
Changes in assumptions or other inputs	38,747
Benefit payments	(107,443)
Other changes	<u>378,544</u>
Net changes	<u>354,923</u>
Balance at December 31, 2017	\$ <u>1,643,733</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

The total OPEB liability as of December 31, 2017 is reported on the financial statements as follows:

Governmental activities	\$ 1,406,707
Business-type activities	<u>237,026</u>
Total OPEB liability	<u>\$ 1,643,733</u>

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

	1% Lower <u>(2.63%)</u>	Current Discount Rate <u>(3.63%)</u>	1% Higher <u>(4.63%)</u>
Total OPEB liability	<u>\$ 1,789,617</u>	<u>\$ 1,643,733</u>	<u>\$ 1,512,337</u>

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

	1% Lower <u>(4.0% to 5.5%)</u>	Current Healthcare Cost Trend Rates <u>(5.0% to 6.5%)</u>	1% Higher <u>(6.0% to 7.5%)</u>
Total OPEB liability	<u>\$ 1,477,200</u>	<u>\$ 1,643,733</u>	<u>\$ 1,839,352</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2017, the City recognized OPEB expense of \$135,668. OPEB expense for the year ended December 31, 2017 is reported in the financial statements as follows:

Governmental activities	\$ 132,151
Business-type activities	<u>3,517</u>
Total OPEB expense	<u>\$ 135,668</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

<u>Deferred Amounts Related to OPEB</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 56,141
Changes in assumptions and other inputs	<u>404,691</u>	<u>21,853</u>
Total	<u>\$ 404,691</u>	<u>\$ 77,994</u>
Governmental activities	\$ 347,221	\$ 61,484
Business-type activities	<u>57,470</u>	<u>16,510</u>
Total	<u>\$ 404,691</u>	<u>\$ 77,994</u>

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

2018	\$ 29,401
2019	29,401
2020	29,401
2021	29,401
2022	29,401
Thereafter	<u>179,692</u>
Total	<u>\$ 326,697</u>

I. Risk Management

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

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

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

J. Subsequent Events

Management has evaluated subsequent events through June 29, 2018, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEE RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS

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

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service cost	\$ 602,360	\$ 564,272	\$ 401,819	\$ 386,047
Interest expense	2,594,010	2,289,193	2,392,955	2,311,917
Differences between expected and actual experience	127,223	174,661	(477,761)	-
Changes in assumptions	-	3,159,527	1,306,292	-
Benefit payments, including refunds of employee contributions	<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	1,578,568	4,576,289	1,999,587	1,103,769
Total pension liability at beginning of year	<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>\$ 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	\$ 331,562	\$ 257,628	\$ 249,211	\$ 232,255
Contributions - employer	1,533,870	1,431,455	1,325,572	1,332,537
Net investment income	2,406,415	1,112,510	212,152	1,091,919
Benefit payments, including refunds of employee contributions	(1,745,025)	(1,611,364)	(1,623,718)	(1,594,195)
Administrative expense	<u>(35,837)</u>	<u>(29,905)</u>	<u>(32,040)</u>	<u>(31,200)</u>
Net change in plan fiduciary net position	2,490,985	1,160,324	131,177	1,031,316
Plan fiduciary net position at beginning of year	<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>\$ 20,732,076</u>	<u>\$ 18,241,091</u>	<u>\$ 17,080,767</u>	<u>\$ 16,949,590</u>
City's net pension liability at end of year	<u>\$ 20,148,788</u>	<u>\$ 21,061,205</u>	<u>\$ 17,645,240</u>	<u>\$ 15,776,830</u>
Plan fiduciary net position as a percentage of total pension liability	<u>50.71 %</u>	<u>46.41 %</u>	<u>49.19 %</u>	<u>51.79 %</u>
Covered-employee payroll	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>	<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
City's net pension liability as a percentage of covered-employee payroll	<u>763.39 %</u>	<u>823.89 %</u>	<u>697.85 %</u>	<u>676.78 %</u>

Notes to Schedule:

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

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

SCHEDULE OF CITY CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,585,000	\$ 1,361,133	\$ 1,307,931	\$ 1,224,345
Contributions in relation to the actuarially determined contribution	<u>1,533,870</u>	<u>1,431,455</u>	<u>1,325,572</u>	<u>1,332,537</u>
Contribution excess (deficiency)	<u>\$ 51,130</u>	<u>\$ (70,322)</u>	<u>\$ (17,641)</u>	<u>\$ (108,192)</u>
Covered-employee payroll	<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- employee payroll	<u>58.11 %</u>	<u>56.00 %</u>	<u>52.42 %</u>	<u>57.16 %</u>

Notes to Schedule:

Valuation Date. Actuarially determined contribution rates are calculated as of December 31, 2017.

Methods and Assumptions used to Determine Contribution Rates.

Actuarial cost method	Entry age
Amortization method	Straight-line
Remaining amortization period	19 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.75% - 16.84%
Investment rate of return	6.75%, net of administrative expenses.

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

SCHEDULE OF INVESTMENT RETURNS

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 351,233	\$ 359,540	\$ 357,665
Interest expense	1,430,031	1,387,809	1,311,862
Difference between expected and actual experience	(63,109)	(345,918)	135,651
Changes in assumptions	(664,788)	(48,316)	23,426
Benefit payments, including refunds of employee contributions	<u>(865,831)</u>	<u>(805,145)</u>	<u>(776,400)</u>
Net change in total pension liability	187,536	547,970	1,052,204
Total pension liability at beginning of year	<u>19,324,374</u>	<u>18,776,404</u>	<u>17,724,200</u>
Total pension liability at end of year	<u>\$ 19,511,910</u>	<u>\$ 19,324,374</u>	<u>\$ 18,776,404</u>
Plan fiduciary net position:			
Contributions - employees	\$ 194,876	\$ 152,361	\$ 148,433
Contributions - employer	431,181	430,424	432,689
Net investment income	2,902,427	1,076,475	77,695
Benefit payments, including refunds of employee contributions	(865,831)	(805,145)	(776,400)
Other changes	<u>(520,468)</u>	<u>61,253</u>	<u>176,599</u>
Net change in plan fiduciary net position	2,142,185	915,368	59,016
Plan fiduciary net position at beginning of year	<u>16,610,918</u>	<u>15,695,550</u>	<u>15,636,534</u>
Plan fiduciary net position at end of year	<u>\$ 18,753,103</u>	<u>\$ 16,610,918</u>	<u>\$ 15,695,550</u>
Net pension liability at end of year	<u>\$ 758,807</u>	<u>\$ 2,713,456</u>	<u>\$ 3,080,854</u>
Plan fiduciary net position as a percentage of total pension liability	<u>96.11 %</u>	<u>85.96 %</u>	<u>83.59 %</u>
Covered-employee payroll	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Net pension liability as a percentage of covered-employee payroll	<u>21.57 %</u>	<u>80.98 %</u>	<u>93.46 %</u>

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 431,005	\$ 430,245	\$ 426,884
Actual contribution	<u>431,181</u>	<u>430,424</u>	<u>432,689</u>
Contribution excess	<u>\$ (176)</u>	<u>\$ (179)</u>	<u>\$ (5,805)</u>
Covered-employee payroll	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Actual contribution as a percentage of covered-employee payroll	<u>12.26 %</u>	<u>12.85 %</u>	<u>13.13 %</u>

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine the 2017 Contribution Rate:*

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26-year closed period.
Asset valuation method	5-year smoothed market; 20% corridor
Wage growth	3.5%
Price inflation	2.75%, approximate; no explicit price inflation assumption is used in this valuation.
Salary increases	3.75% to 14.5% including inflation
Investment rate of return	7.5%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.

**CITY OF PALOS HEIGHTS, ILLINOIS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN CALENDAR YEARS
(SCHEDULE TO BE BUILT PROSPECTIVELY FROM 2014)**

Mortality

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

Other Information:

There were no benefit changes during the year.

- * Based on valuation assumptions used in the December 31, 2015 actuarial valuation; note two year lag between valuation and rate setting.

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

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

	2017
Total OPEB liability:	
Service cost	\$ 61,434
Interest expense	44,834
Differences between expected and actual experience	(61,193)
Changes in assumptions or other inputs	38,747
Benefit payments	(107,443)
Other changes	378,544
Net change in total OPEB liability	354,923
Total OPEB liability at beginning of year	1,288,810
Total OPEB liability at end of year	\$ 1,643,733
Covered-employee payroll	\$ 5,470,316
Total OPEB liability as a percentage of covered-employee payroll	30.05 %

**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, 2017**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS					
Cash	\$ 3,169,076	\$ 83,051	\$ 372,762	-	\$ 3,624,889
Receivables:					
Property taxes	5,421,988	-	-	-	5,421,988
Accounts, net of allowance for uncollectible accounts	145,488	-	-	-	145,488
Due from other funds	180,048	-	-	(58,730)	121,318
Due from other governments	447,643	-	-	-	447,643
Other	248,923	-	-	-	248,923
	<u>3,339,118</u>	<u>80,855</u>	<u>254,691</u>	<u>-</u>	<u>3,674,664</u>
Total assets	<u>\$ 9,613,166</u>	<u>\$ 83,051</u>	<u>\$ 372,762</u>	<u>\$ (58,730)</u>	<u>\$ 10,010,249</u>
LIABILITIES					
Accounts payable	\$ 168,696	\$ 2,196	\$ 59,341	\$ -	\$ 230,233
Accrued expenditures	218,772	-	-	-	218,772
Deposits held	289,890	-	-	-	289,890
Due to other funds	45,000	-	58,730	(58,730)	45,000
Unearned revenue - other	121,116	-	-	-	121,116
	<u>843,474</u>	<u>2,196</u>	<u>118,071</u>	<u>(58,730)</u>	<u>905,011</u>
Total liabilities	843,474	2,196	118,071	(58,730)	905,011
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	5,430,574	-	-	-	5,430,574
FUND BALANCES					
Unassigned	<u>3,339,118</u>	<u>80,855</u>	<u>254,691</u>	<u>-</u>	<u>3,674,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,613,166</u>	<u>\$ 83,051</u>	<u>\$ 372,762</u>	<u>\$ (58,730)</u>	<u>\$ 10,010,249</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 4,828,273	\$ -	\$ -	\$ 4,828,273
Utility	1,131,427	-	-	1,131,427
Intergovernmental	2,691,786	-	-	2,691,786
Charges for services	411,883	-	-	411,883
Fees by agreement	880,689	-	-	880,689
Fines, forfeitures and penalties	216,411	-	-	216,411
Investment income	8,431	-	-	8,431
Licenses, permits and inspections	728,801	-	-	728,801
Swimming pool	281,733	-	-	281,733
Vehicle tag income	-	-	182,195	182,195
Other income	844,787	34,755	-	879,542
Total revenues	<u>12,024,221</u>	<u>34,755</u>	<u>182,195</u>	<u>12,241,171</u>
Expenditures:				
Current:				
Personnel	5,725,045	-	-	5,725,045
Retirement contributions	1,533,870	-	-	1,533,870
Hospital and medical insurance	887,622	-	-	887,622
Contractual	1,926,844	-	-	1,926,844
Commodities	459,350	-	-	459,350
Other	163,228	32,549	-	195,777
Legal department	76,029	-	-	76,029
Vehicle tag expense	-	-	63,542	63,542
Capital outlay	86,576	-	114,468	201,044
Debt service:				
Principal	33,841	-	-	33,841
Interest	6,541	-	-	6,541
Total expenditures	<u>10,898,946</u>	<u>32,549</u>	<u>178,010</u>	<u>11,109,505</u>
Excess of revenues over expenditures	1,125,275	2,206	4,185	1,131,666
Other financing uses:				
Transfers out	<u>(1,274,147)</u>	<u>-</u>	<u>-</u>	<u>(1,274,147)</u>
Net change in fund balances	(148,872)	2,206	4,185	(142,481)
Fund balances at beginning of year	<u>3,487,990</u>	<u>78,649</u>	<u>250,506</u>	<u>3,817,145</u>
Fund balances at end of year	<u>\$ 3,339,118</u>	<u>\$ 80,855</u>	<u>\$ 254,691</u>	<u>\$ 3,674,664</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
CORPORATE FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 3,169,076	\$ 3,104,734
Receivables:		
Property taxes	5,421,988	5,230,155
Accounts, net of allowance for uncollectible accounts	145,488	152,711
Due from other funds	180,048	274,172
Due from other governments	447,643	584,228
Other	<u>248,923</u>	<u>268,946</u>
 Total assets	 <u>\$ 9,613,166</u>	 <u>\$ 9,614,946</u>
LIABILITIES		
Accounts payable	\$ 168,696	\$ 176,323
Accrued expenditures	218,772	210,176
Deposits held	289,890	272,829
Due to other funds	45,000	57,235
Unearned revenue - other	<u>121,116</u>	<u>121,643</u>
 Total liabilities	 843,474	 838,206
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	5,430,574	5,288,750
FUND BALANCES		
Unassigned	<u>3,339,118</u>	<u>3,487,990</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 9,613,166</u>	 <u>\$ 9,614,946</u>

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

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 3,528,500	\$ 4,828,273	\$ 1,299,773	\$ 4,643,107
Utility	1,190,000	1,131,427	(58,573)	1,164,686
Intergovernmental	2,733,300	2,691,786	(41,514)	2,689,764
Charges for services	402,700	411,883	9,183	408,175
Fees by agreement	848,859	880,689	31,830	634,863
Fines, forfeitures and penalties	192,000	216,411	24,411	94,687
Grants	-	-	-	693
Investment income	25,000	8,431	(16,569)	90,671
Licenses, permits and inspections	703,000	728,801	25,801	298,296
Swimming pool	286,900	281,733	(5,167)	281,941
Other	746,455	844,787	98,332	909,442
	<u>10,656,714</u>	<u>12,024,221</u>	<u>1,367,507</u>	<u>11,216,325</u>
Total revenues				
Expenditures:				
Current:				
Personnel	6,289,575	5,725,045	564,530	5,428,727
Retirement contributions	162,000	1,533,870	(1,371,870)	1,431,455
Hospital and medical insurance	1,114,000	887,622	226,378	825,243
Contractual	2,323,372	1,926,844	396,528	1,807,328
Commodities	557,100	459,350	97,750	435,338
Other	262,700	163,228	99,472	124,313
Legal department	63,500	76,029	(12,529)	65,452
Capital outlay	160,500	86,576	73,924	228,153
Debt service:				
Principal	45,000	33,841	11,159	13,678
Interest	-	6,541	(6,541)	3,148
	<u>10,977,747</u>	<u>10,898,946</u>	<u>78,801</u>	<u>10,362,835</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(321,033)</u>	<u>1,125,275</u>	<u>1,446,308</u>	<u>853,490</u>
Other financing sources (uses):				
Installment contract	-	-	-	181,419
Proceeds from sale of capital assets	-	-	-	7,000
Transfers in	835,204	-	(835,204)	-
Transfers out	(514,171)	(1,274,147)	(759,976)	(1,289,093)
	<u>321,033</u>	<u>(1,274,147)</u>	<u>(1,595,180)</u>	<u>(1,100,674)</u>
Total other financing sources (uses)				
Net change in fund balances	-	(148,872)	(148,872)	(247,184)
Fund balances at beginning of year	<u>3,487,990</u>	<u>3,487,990</u>	<u>-</u>	<u>3,735,174</u>
Fund balances at end of year	<u>\$ 3,487,990</u>	<u>\$ 3,339,118</u>	<u>\$ (148,872)</u>	<u>\$ 3,487,990</u>

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	Original and Final Budget	Actual	Variance with Final Budget	Actual
General government:				
Administration:				
Current:				
Personnel	\$ 654,150	\$ 213,115	\$ 441,035	\$ 262,312
Hospital and medical insurance	1,114,000	887,622	226,378	825,243
Contractual:				
Deductible insurance	15,000	26,890	(11,890)	13,413
Employee training and travel	4,000	738	3,262	1,314
Insurance - liability premium, IRMA	225,729	228,436	(2,707)	201,605
Maintenance and replacement of equipment	4,000	4,543	(543)	3,572
Memberships, dues and subscriptions	10,000	8,240	1,760	8,474
Postage	4,000	2,471	1,529	3,153
Printing, publishing and legal notices	6,000	5,449	551	3,762
Professional fees	136,000	107,508	28,492	68,309
Telephone	22,000	18,695	3,305	22,861
Commodities:				
Codifications	5,000	3,971	1,029	7,024
Office and departmental supplies	38,000	42,369	(4,369)	44,177
Other:				
Expense account - City officials	30,700	22,320	8,380	20,465
Other	<u>220,500</u>	<u>123,606</u>	<u>96,894</u>	<u>92,535</u>
Total administration	<u>2,489,079</u>	<u>1,695,973</u>	<u>793,106</u>	<u>1,578,219</u>
Legal department:				
Current:				
City attorney retainer	15,000	15,000	-	15,000
City prosecutor's retainer	23,000	23,000	-	23,000
Legal	<u>25,500</u>	<u>38,029</u>	<u>(12,529)</u>	<u>27,452</u>
Total legal department	<u>63,500</u>	<u>76,029</u>	<u>(12,529)</u>	<u>65,452</u>
Total general government	<u>\$ 2,552,579</u>	<u>\$ 1,772,002</u>	<u>\$ 780,577</u>	<u>\$ 1,643,671</u>

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

Page 2 of 6

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Public safety:				
Police department:				
Current:				
Personnel	\$ 3,166,572	\$ 3,142,667	\$ 23,905	\$ 2,966,577
Retirement contributions	162,000	1,533,870	(1,371,870)	1,431,455
Contractual:				
Dispatching	343,593	338,051	5,542	329,807
Employee training and travel	66,350	42,183	24,167	45,291
Maintenance and replacement of equipment	217,600	209,204	8,396	195,853
Memberships, dues and subscriptions	1,500	1,790	(290)	1,370
Postage	4,500	2,859	1,641	1,205
Telephone	25,000	30,288	(5,288)	22,816
Utilities	174,535	160,123	14,412	146,305
Commodities:				
Investigation and operation supplies	46,700	47,758	(1,058)	40,790
Office and departmental supplies	13,000	11,358	1,642	10,453
	4,221,350	5,520,151	(1,298,801)	5,191,922
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	1,000	10,148	(9,148)	2,665
Legal expense	2,000	-	2,000	185
Memberships, dues and subscriptions	500	690	(190)	375
	7,500	14,838	(7,338)	7,225
Total public safety	\$ 4,228,850	\$ 5,534,989	\$ (1,306,139)	\$ 5,199,147

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Public works:				
Building department:				
Current:				
Personnel	\$ 154,000	\$ 156,612	\$ (2,612)	\$ 143,109
Contractual:				
Employee training and travel	3,000	1,051	1,949	1,514
Maintenance and replacement of equipment	200	112	88	190
Membership, dues, and subscriptions	600	16	584	609
Professional fees	17,000	10,503	6,497	7,400
Telephone	2,000	1,307	693	1,245
Commodities:				
Office and departmental supplies	7,000	7,115	(115)	5,113
Capital outlay:				
Purchase of equipment	<u>6,500</u>	<u>6,983</u>	<u>(483)</u>	<u>5,671</u>
Total building department	<u>190,300</u>	<u>183,699</u>	<u>6,601</u>	<u>164,851</u>
Building and grounds:				
Current:				
Personnel	330,000	332,213	(2,213)	328,353
Contractual:				
Employee training and travel	23,100	19,985	3,115	17,570
Maintenance and replacement of equipment	244,500	45,791	198,709	50,354
Membership, dues, and subscriptions	500	190	310	175
Professional fees	20,200	18,881	1,319	8,904
Commodities:				
Maintenance supplies	11,000	9,138	1,862	7,907
Office and departmental supplies	13,000	10,870	2,130	12,428
Capital outlay:				
Purchase of equipment	<u>10,000</u>	<u>828</u>	<u>9,172</u>	<u>23,801</u>
Total building and grounds	<u>652,300</u>	<u>437,896</u>	<u>214,404</u>	<u>449,492</u>

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		2016	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Motor vehicle maintenance:				
Current:				
Personnel	138,557	140,051	(1,494)	126,749
Contractual:				
Employee training and travel	10,500	9,444	1,056	9,350
Maintenance and replacement of equipment	132,000	87,956	44,044	83,099
Membership, dues, and subscriptions	600	-	600	-
Professional fees	4,000	3,724	276	768
Commodities:				
Maintenance supplies	140,000	61,627	78,373	44,061
Office and departmental supplies	10,000	8,741	1,259	9,739
Capital outlay:				
Purchase of equipment	<u>11,000</u>	<u>8,909</u>	<u>2,091</u>	<u>6,075</u>
Total motor vehicle maintenance	<u>446,657</u>	<u>320,452</u>	<u>126,205</u>	<u>279,841</u>
Total public works	<u>\$ 1,289,257</u>	<u>\$ 942,047</u>	<u>\$ 347,210</u>	<u>\$ 894,184</u>
Lake Katherine:				
Current:				
Personnel	\$ 316,461	\$ 308,060	\$ 8,401	\$ 260,983
Contractual:				
Insurance	5,000	4,400	600	4,400
Maintenance and replacement of equipment	30,000	32,467	(2,467)	30,713
Telephone	10,000	7,766	2,234	8,125
Utilities	26,000	22,752	3,248	26,870
Commodities:				
Office and departmental supplies	1,500	2,182	(682)	1,089
Capital outlay:				
Purchase of equipment	<u>3,000</u>	<u>2,743</u>	<u>257</u>	<u>2,994</u>
Total Lake Katherine	<u>\$ 391,961</u>	<u>\$ 380,370</u>	<u>\$ 11,591</u>	<u>\$ 335,174</u>

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Recreation department:				
Current:				
Personnel	\$ 1,012,485	\$ 993,421	\$ 19,064	\$ 845,191
Contractual:				
Employee training and travel	11,500	10,627	873	10,793
Maintenance and replacement of equipment	32,000	36,409	(4,409)	33,048
Membership, dues, and subscriptions	21,875	23,568	(1,693)	14,710
Postage	10,500	7,039	3,461	7,993
Professional fees	116,790	87,675	29,115	130,227
Publicity and advertisement	35,000	29,805	5,195	28,709
Telephone	8,000	17,621	(9,621)	10,460
Utilities	20,000	9,389	10,611	6,847
Commodities:				
Maintenance supplies	15,000	13,818	1,182	12,480
Office and departmental supplies	12,000	8,092	3,908	8,330
Program supplies	180,600	180,323	277	176,955
Other:				
Other	11,500	17,302	(5,802)	11,313
Capital outlay:				
Purchase of equipment	43,000	59,543	(16,543)	185,657
Debt service:				
Principal	45,000	33,841	11,159	13,678
Interest	-	6,541	(6,541)	3,148
Total recreation department	\$ 1,575,250	\$ 1,535,014	\$ 40,236	\$ 1,499,539
Swimming pool:				
Current:				
Personnel	\$ 133,550	\$ 122,020	\$ 11,530	\$ 116,444
Contractual:				
Employee training and travel	6,000	5,063	937	5,315
Maintenance and replacement of equipment	43,000	36,543	6,457	54,279
Utilities	22,500	15,417	7,083	16,382
Commodities:				
Office and departmental supplies	50,300	45,270	5,030	46,553
Total swimming pool	\$ 255,350	\$ 224,313	\$ 31,037	\$ 238,973

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Roads and construction:				
Current:				
Personnel	\$ 379,800	\$ 312,886	\$ 66,914	\$ 375,009
Contractual:				
Employee training and travel	1,600	223	1,377	186
Maintenance and replacement of equipment	116,500	119,730	(3,230)	89,352
Membership, dues, and subscriptions	300	60	240	165
Professional fees	50,300	34,811	15,489	44,881
Utilities	35,000	28,213	6,787	30,360
Commodities:				
Office and departmental supplies	14,000	6,718	7,282	8,239
Capital outlay:				
Purchase of equipment	<u>87,000</u>	<u>7,570</u>	<u>79,430</u>	<u>3,955</u>
Total roads and construction	<u>\$ 684,500</u>	<u>\$ 510,211</u>	<u>\$ 174,289</u>	<u>\$ 552,147</u>
Total corporate fund expenditures	<u>\$ 10,977,747</u>	<u>\$ 10,898,946</u>	<u>\$ 78,801</u>	<u>\$ 10,362,835</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 83,051	\$ 81,369
Due from other governments	<u>-</u>	<u>500</u>
Total assets	<u>\$ 83,051</u>	<u>\$ 81,869</u>
LIABILITIES		
Accounts payable	\$ 2,196	\$ 3,220
FUND BALANCES		
Unassigned	<u>80,855</u>	<u>78,649</u>
Total liabilities and fund balances	<u>\$ 83,051</u>	<u>\$ 81,869</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 BEAUTIFICATION COMMITTEE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Investment income	\$ -	\$ -	\$ -	\$ 44
Other income	<u>45,205</u>	<u>34,755</u>	<u>(10,450)</u>	<u>42,457</u>
Total revenues	45,205	34,755	(10,450)	42,501
Expenditures:				
Current:				
Other	<u>39,460</u>	<u>32,549</u>	<u>6,911</u>	<u>38,970</u>
Excess of revenues over expenditures	5,745	2,206	(3,539)	3,531
Fund balances at beginning of year	<u>78,649</u>	<u>78,649</u>	<u>-</u>	<u>75,118</u>
Fund balances at end of year	<u>\$ 84,394</u>	<u>\$ 80,855</u>	<u>\$ (3,539)</u>	<u>\$ 78,649</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u>372,762</u>	\$ <u>340,431</u>
LIABILITIES		
Accounts payable	\$ 59,341	\$ 31,195
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	118,071	89,925
FUND BALANCES		
Unassigned	<u>254,691</u>	<u>250,506</u>
Total liabilities and fund balances	<u>\$ 372,762</u>	<u>\$ 340,431</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
VEHICLE LICENSE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>		<u>2016</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Vehicle tag income	\$ 180,800	\$ 182,195	\$ 1,395	\$ 182,412
Expenditures:				
Current:				
Other:				
Vehicle tag expense	38,000	63,542	(25,542)	16,312
Capital outlay	<u>250,000</u>	<u>114,468</u>	<u>135,532</u>	<u>144,022</u>
Total expenditures	<u>288,000</u>	<u>178,010</u>	<u>109,990</u>	<u>160,334</u>
Excess (deficiency) of revenues over expenditures	(107,200)	4,185	111,385	22,078
Fund balances at beginning of year	<u>250,506</u>	<u>250,506</u>	<u>-</u>	<u>228,428</u>
Fund balances at end of year	<u>\$ 143,306</u>	<u>\$ 254,691</u>	<u>\$ 111,385</u>	<u>\$ 250,506</u>

CAPITAL PROJECTS FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 CAPITAL PROJECTS FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 2,465,414	\$ 2,686,696
Due from other governments	<u>90,729</u>	<u>14,534</u>
Total assets	<u>\$ 2,556,143</u>	<u>\$ 2,701,230</u>
LIABILITIES		
Accounts payable	\$ 271,027	\$ 180,652
Due to other funds	<u>103,452</u>	<u>80,019</u>
Total liabilities	374,479	260,671
FUND BALANCES		
Assigned	<u>2,181,664</u>	<u>2,440,559</u>
Total liabilities and fund balances	<u>\$ 2,556,143</u>	<u>\$ 2,701,230</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Grants	\$ 30,000	\$ 101,420	\$ 71,420	\$ 73,628
Other income	-	-	-	17,873
Total revenues	<u>30,000</u>	<u>101,420</u>	<u>71,420</u>	<u>91,501</u>
Expenditures:				
Debt service:				
Principal	-	22,027	(22,027)	21,655
Interest	-	1,406	(1,406)	1,778
Capital outlay	<u>1,736,000</u>	<u>1,566,029</u>	<u>169,971</u>	<u>637,853</u>
Total expenditures	<u>1,736,000</u>	<u>1,589,462</u>	<u>146,538</u>	<u>661,286</u>
Deficiency of revenues over expenditures	(1,706,000)	(1,488,042)	217,958	(569,785)
Other financing sources:				
Transfers in	<u>469,171</u>	<u>1,229,147</u>	<u>759,976</u>	<u>1,180,845</u>
Net change in fund balances	(1,236,829)	(258,895)	977,934	611,060
Fund balances at beginning of year	<u>2,440,559</u>	<u>2,440,559</u>	<u>-</u>	<u>1,829,499</u>
Fund balances at end of year	<u>\$ 1,203,730</u>	<u>\$ 2,181,664</u>	<u>\$ 977,934</u>	<u>\$ 2,440,559</u>

CAPITAL PROJECTS FUND - RECREATION CENTER

**CITY OF PALOS HEIGHTS, ILLINOIS
 CAPITAL PROJECTS FUND - RECREATION CENTER
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u> -</u>	\$ <u> 374,540</u>
LIABILITIES		
Accounts payable	\$ <u> -</u>	\$ <u> 171,941</u>
Due to other funds	<u> -</u>	<u> 865</u>
Total liabilities	<u> -</u>	<u> 172,806</u>
FUND BALANCES		
Restricted	<u> -</u>	<u> 164,989</u>
Assigned	<u> -</u>	<u> 36,745</u>
Total fund balances	<u> -</u>	<u> 201,734</u>
Total liabilities and fund balances	<u>\$ <u> -</u></u>	<u>\$ <u> 374,540</u></u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 CAPITAL PROJECTS FUND - RECREATION CENTER
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Investment income	\$ -	\$ 320	\$ 320	\$ 20,483
Other income	-	20,942	20,942	170,000
Total revenues	-	21,262	21,262	190,483
Expenditures:				
Capital outlay	200,255	222,996	(22,741)	4,167,029
Deficiency of revenues over expenditures	(200,255)	(201,734)	(1,479)	(3,976,546)
Fund balances at beginning of year	201,734	201,734	-	4,178,280
Fund balances at end of year	<u>\$ 1,479</u>	<u>\$ -</u>	<u>\$ (1,479)</u>	<u>\$ 201,734</u>

MAJOR PROPRIETARY FUND

WATERWORKS AND SEWERAGE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

ASSETS

Current assets:	
Cash	\$ 6,030,029
Accounts receivable - water customers:	
Billed	541,198
Unbilled	<u>872,483</u>
Total current assets	<u>7,443,710</u>
Noncurrent assets:	
Capital assets:	
Land	45,849
Construction in progress	155,911
Building and structures	3,578,933
Distribution system	8,274,891
Equipment	<u>1,573,157</u>
Total	13,628,741
Less accumulated depreciation	<u>(9,116,257)</u>
Net capital assets	<u>4,512,484</u>
Total assets	<u>11,956,194</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	153,874
Deferred outflows of resources related to other post-employment benefits	<u>57,470</u>
Total deferred outflows of resources	<u>211,344</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 596,626
Accrued payroll	35,253
Current portion of long-term liabilities:	
Compensated absences	84,419
Installment contract	<u>189,720</u>
Total current liabilities	<u>906,018</u>
Long-term liabilities:	
Compensated absences	28,139
Installment contract	54,049
Net pension liability	152,520
Net other post-employment benefits liability	<u>237,026</u>
Total long-term liabilities	<u>471,734</u>
Total liabilities	<u>1,377,752</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	420,089
Deferred inflows of resources related to other post-employment benefits	<u>16,510</u>
Total deferred inflows of resources	<u>436,599</u>

NET POSITION

Net investment in capital assets	3,924,132
Unrestricted	<u>6,429,055</u>
Total net position	<u>\$ 10,353,187</u>

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Operating revenues:			
Charges for services:			
Water sales	\$ 5,727,500	\$ 5,963,631	\$ 236,131
Sewer charges	1,100,000	1,166,242	66,242
Penalties	65,000	78,400	13,400
Sales of water meters	5,000	4,520	(480)
Other	<u>2,500</u>	<u>5,180</u>	<u>2,680</u>
Total operating revenues	<u>6,900,000</u>	<u>7,217,973</u>	<u>317,973</u>
Operating expenses:			
Personnel	1,177,330	1,212,576	(35,246)
Contractual	3,633,750	3,431,907	201,843
Commodities	696,000	908,785	(212,785)
Depreciation	-	277,457	(277,457)
Other	<u>486,524</u>	<u>312,459</u>	<u>174,065</u>
Total operating expenses	<u>5,993,604</u>	<u>6,143,184</u>	<u>(149,580)</u>
Operating income	906,396	1,074,789	168,393
Nonoperating revenues:			
Investment income	<u>15,000</u>	<u>45,510</u>	<u>30,510</u>
Net increase in net position	921,396	1,120,299	198,903
Net position at beginning of year, as restated	<u>9,232,888</u>	<u>9,232,888</u>	<u>-</u>
Net position at end of year	<u>\$ 10,154,284</u>	<u>\$ 10,353,187</u>	<u>\$ 198,903</u>
Other budgeted expenditures:			
Capital outlay paid	<u>\$ 2,345,000</u>	<u>\$ 214,895</u>	<u>\$ 2,130,105</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Personnel:			
Salaries	\$ 860,900	\$ 855,006	\$ 5,894
Hospital and medical insurance	176,680	180,198	(3,518)
IMRF, Social Security and Medicare	<u>139,750</u>	<u>177,372</u>	<u>(37,622)</u>
Total personnel	<u>1,177,330</u>	<u>1,212,576</u>	<u>(35,246)</u>
Contractual:			
General insurance	65,000	66,528	(1,528)
Maintenance service	26,000	14,435	11,565
Other	269,000	208,305	60,695
Postage	18,000	16,534	1,466
Professional fees	65,000	61,166	3,834
Purchase of water	3,063,750	2,930,646	133,104
Telephone	52,000	54,529	(2,529)
Utilities	<u>75,000</u>	<u>79,764</u>	<u>(4,764)</u>
Total contractual	<u>3,633,750</u>	<u>3,431,907</u>	<u>201,843</u>
Commodities:			
Gas and oil	56,000	56,000	-
Supplies:			
Departmental and office	26,000	25,877	123
Maintenance	464,000	826,908	(362,908)
Other	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total commodities	<u>696,000</u>	<u>908,785</u>	<u>(212,785)</u>
Depreciation	<u>-</u>	<u>277,457</u>	<u>(277,457)</u>
Other:			
Administrative charges	274,524	274,524	-
Bad debt expense	-	5,243	(5,243)
Equipment purchases	<u>212,000</u>	<u>32,692</u>	<u>179,308</u>
Total other	<u>486,524</u>	<u>312,459</u>	<u>174,065</u>
Total operating expenses	<u>\$ 5,993,604</u>	<u>\$ 6,143,184</u>	<u>\$ (149,580)</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
WATERWORKS AND SEWERAGE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,965,551
Payments to employees	(1,168,487)
Payments to suppliers	<u>(4,520,072)</u>
Net cash provided by operating activities	<u>1,276,992</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(214,895)
Principal paid on capital debt	<u>(189,719)</u>
Net cash used by capital and related financing activities	<u>(404,614)</u>
Cash flows from investing activities:	
Investment income received	<u>45,510</u>
Net increase in cash	917,888
Cash at beginning of year	<u>5,112,141</u>
Cash at end of year	<u>\$ 6,030,029</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,074,789
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	277,457
(Increase) decrease in:	
Accounts receivable	(252,422)
Deferred outflows of resources related to pensions	26,643
Deferred outflows of resources related to other post-employment benefits	(57,470)
Increase (decrease) in:	
Accounts payable	133,079
Accrued payroll	(2,017)
Compensated absences	5,966
Net pension liability	(335,902)
Other post-employments benefits liability	44,478
Deferred inflows of resources related to pensions	345,881
Deferred inflows of resources related to other post-employment benefits	<u>16,510</u>
Net cash provided by operating activities	<u>\$ 1,276,992</u>

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>Special Revenue Funds</u>				
	<u>Seizure and Forfeiture</u>	<u>Motor Fuel Tax</u>	<u>Social Security and IMRF</u>	<u>Special Recreation</u>	<u>Police DUI Fine</u>
ASSETS					
Cash	\$ 523,837	\$ 359,381	\$ 274,941	\$ 233,674	\$ 37,400
Property taxes receivable	-	-	614,790	138,199	-
Due from other funds	-	-	-	-	-
Due from other governments	-	27,654	-	2,206	-
Total assets	<u>\$ 523,837</u>	<u>\$ 387,035</u>	<u>\$ 889,731</u>	<u>\$ 374,079</u>	<u>\$ 37,400</u>
LIABILITIES					
Accounts payable	\$ 5,714	\$ 13,742	-	\$ 42,217	-
Due to other funds	7,554	10,312	-	-	-
Total liabilities	<u>13,268</u>	<u>24,054</u>	<u>-</u>	<u>42,217</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	616,400	138,573	-
FUND BALANCES					
Restricted	478,103	324,003	159,153	40,922	20,128
Assigned	32,466	38,978	114,178	152,367	17,272
Total fund balances	<u>510,569</u>	<u>362,981</u>	<u>273,331</u>	<u>193,289</u>	<u>37,400</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 523,837</u>	<u>\$ 387,035</u>	<u>\$ 889,731</u>	<u>\$ 374,079</u>	<u>\$ 37,400</u>

<u>Cal Sag Trail</u>	<u>Business District</u>	<u>Capital Projects Funds</u>		<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
		<u>127th and Harlem Tax Increment</u>	<u>Gateway Tax Increment</u>	<u>Fund</u>	
				<u>Bond and Interest</u>	
\$ 199,595	\$ 165,552	\$ 321,404	\$ 77,132	\$ 12,602	\$ 2,205,518
-	-	-	-	404,946	1,157,935
-	80,391	-	-	-	80,391
-	17,842	-	-	-	47,702
<u>\$ 199,595</u>	<u>\$ 263,785</u>	<u>\$ 321,404</u>	<u>\$ 77,132</u>	<u>\$ 417,548</u>	<u>\$ 3,491,546</u>
\$ 131,499	\$ -	\$ -	\$ -	\$ -	\$ 193,172
-	-	35,391	-	-	53,257
<u>131,499</u>	<u>-</u>	<u>35,391</u>	<u>-</u>	<u>-</u>	<u>246,429</u>
-	-	-	-	406,137	1,161,110
-	87,681	282,923	68,678	11,411	1,473,002
68,096	176,104	3,090	8,454	-	611,005
<u>68,096</u>	<u>263,785</u>	<u>286,013</u>	<u>77,132</u>	<u>11,411</u>	<u>2,084,007</u>
<u>\$ 199,595</u>	<u>\$ 263,785</u>	<u>\$ 321,404</u>	<u>\$ 77,132</u>	<u>\$ 417,548</u>	<u>\$ 3,491,546</u>

CITY OF PALOS HEIGHTS, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Special Revenue Funds</u>				
	<u>Seizure and Forfeiture</u>	<u>Motor Fuel Tax</u>	<u>Social Security and IMRF</u>	<u>Special Recreation</u>	<u>Police DUI Fine</u>
Revenues:					
Taxes:					
Property levies, net	\$ -	\$ -	\$ 635,074	\$ 147,660	\$ -
Business district sales	-	-	-	-	-
Intergovernmental	-	324,712	-	-	-
Fines, forfeitures and penalties	194,562	-	-	-	-
Investment income	3,178	4,357	-	-	-
Other income	34,142	-	-	-	39,539
Total revenues	<u>231,882</u>	<u>329,069</u>	<u>635,074</u>	<u>147,660</u>	<u>39,539</u>
Expenditures:					
Current:					
Personnel	-	-	-	-	-
Payroll taxes and retirement contributions	-	-	546,914	-	-
Contractual	-	-	-	-	-
Commodities	-	29,102	-	-	-
Other	268,043	-	-	106,738	74,514
Capital outlay	-	300,000	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>268,043</u>	<u>329,102</u>	<u>546,914</u>	<u>106,738</u>	<u>74,514</u>
Excess (deficiency) of revenues over expenditures	<u>(36,161)</u>	<u>(33)</u>	<u>88,160</u>	<u>40,922</u>	<u>(34,975)</u>
Other financing sources:					
Proceeds from sale of capital assets	31,000	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(5,161)	(33)	88,160	40,922	(34,975)
Fund balances at beginning of year	<u>515,730</u>	<u>363,014</u>	<u>185,171</u>	<u>152,367</u>	<u>72,375</u>
Fund balances at end of year	<u>\$ 510,569</u>	<u>\$ 362,981</u>	<u>\$ 273,331</u>	<u>\$ 193,289</u>	<u>\$ 37,400</u>

Cal Sag Trail	Business District	Capital Projects Funds		Debt Service Fund	Total Nonmajor Governmental Funds
		127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
\$ -	\$ -	\$ 245,585	\$ 8,321	\$ 471,876	\$ 1,508,516
-	110,569	-	-	-	110,569
-	-	-	-	-	324,712
-	-	-	-	-	194,562
-	1,013	1,549	454	-	10,551
-	-	-	-	-	73,681
-	111,582	247,134	8,775	471,876	2,222,591
-	-	3,745	14,307	-	18,052
-	-	-	-	-	546,914
-	1,111	3,500	4,150	-	8,761
-	-	118	117	-	29,337
-	-	-	-	-	449,295
-	-	-	-	-	300,000
-	97,386	-	-	260,000	357,386
-	42,239	210,076	-	202,962	455,277
-	140,736	217,439	18,574	462,962	2,165,022
-	(29,154)	29,695	(9,799)	8,914	57,569
-	-	-	-	-	31,000
-	45,000	-	-	-	45,000
-	45,000	-	-	-	76,000
-	15,846	29,695	(9,799)	8,914	133,569
68,096	247,939	256,318	86,931	2,497	1,950,438
\$ 68,096	\$ 263,785	\$ 286,013	\$ 77,132	\$ 11,411	\$ 2,084,007

SPECIAL REVENUE FUNDS

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u>523,837</u>	\$ <u>709,913</u>
LIABILITIES		
Accounts payable	\$ 5,714	\$ 69,937
Due to other funds	<u>7,554</u>	<u>124,246</u>
Total liabilities	<u>13,268</u>	<u>194,183</u>
FUND BALANCES		
Restricted	478,103	486,442
Assigned	<u>32,466</u>	<u>29,288</u>
Total fund balances	<u>510,569</u>	<u>515,730</u>
Total liabilities and fund balances	<u>\$ 523,837</u>	<u>\$ 709,913</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
SEIZURE AND FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Fines, forfeitures and penalties	\$ 79,500	\$ 194,562	\$ 115,062	\$ 287,177
Investment income	-	3,178	3,178	2,898
Other income	-	34,142	34,142	5,741
Total revenues	79,500	231,882	152,382	295,816
Expenditures:				
Current:				
Other	142,000	268,043	(126,043)	792,940
Deficiency of revenues over expenditures	(62,500)	(36,161)	26,339	(497,124)
Other financing sources:				
Proceeds from sale of capital assets	-	31,000	31,000	82,900
Net change in fund balances	(62,500)	(5,161)	57,339	(414,224)
Fund balances at beginning of year	515,730	515,730	-	929,954
Fund balances at end of year	<u>\$ 453,230</u>	<u>\$ 510,569</u>	<u>\$ 57,339</u>	<u>\$ 515,730</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 359,381	\$ 362,744
Due from other governments	<u>27,654</u>	<u>29,689</u>
Total assets	<u>\$ 387,035</u>	<u>\$ 392,433</u>
LIABILITIES		
Accounts payable	\$ 13,742	\$ 19,107
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	<u>24,054</u>	<u>29,419</u>
FUND BALANCES		
Restricted	324,003	328,393
Assigned	<u>38,978</u>	<u>34,621</u>
Total fund balances	<u>362,981</u>	<u>363,014</u>
Total liabilities and fund balances	<u>\$ 387,035</u>	<u>\$ 392,433</u>

CITY OF PALOS HEIGHTS, ILLINOIS
MOTOR FUEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 324,000	\$ 324,712	\$ 712	\$ 329,789
Investment income	1,000	4,357	3,357	1,525
Total revenues	<u>325,000</u>	<u>329,069</u>	<u>4,069</u>	<u>331,314</u>
Expenditures:				
Current:				
Contractual:				
Engineering services	-	-	-	45,086
Commodities:				
Maintenance supplies	50,000	29,102	20,898	131,646
Capital outlay	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>202,200</u>
Total expenditures	<u>350,000</u>	<u>329,102</u>	<u>20,898</u>	<u>378,932</u>
Deficiency of revenues over expenditures	(25,000)	(33)	24,967	(47,618)
Fund balances at beginning of year	<u>363,014</u>	<u>363,014</u>	<u>-</u>	<u>410,632</u>
Fund balances at end of year	<u>\$ 338,014</u>	<u>\$ 362,981</u>	<u>\$ 24,967</u>	<u>\$ 363,014</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 274,941	\$ 194,786
Property taxes receivable	<u>614,790</u>	<u>721,635</u>
Total assets	<u>\$ 889,731</u>	<u>\$ 916,421</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	<u>\$ 616,400</u>	<u>\$ 731,250</u>
FUND BALANCES		
Restricted	159,153	70,993
Assigned	<u>114,178</u>	<u>114,178</u>
Total fund balances	<u>273,331</u>	<u>185,171</u>
Total deferred inflows of resources and fund balances	<u>\$ 889,731</u>	<u>\$ 916,421</u>

CITY OF PALOS HEIGHTS, ILLINOIS
SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 564,210	\$ 635,074	\$ 70,864	\$ 543,614
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>564,210</u>	<u>546,914</u>	<u>17,296</u>	<u>539,626</u>
Excess of revenues over expenditures	-	88,160	88,160	3,988
Fund balances at beginning of year	<u>185,171</u>	<u>185,171</u>	<u>-</u>	<u>181,183</u>
Fund balances at end of year	<u>\$ 185,171</u>	<u>\$ 273,331</u>	<u>\$ 88,160</u>	<u>\$ 185,171</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	2017	2016
ASSETS		
Cash	\$ 233,674	\$ 192,788
Property taxes receivable	138,199	161,412
Due from other governments	2,206	2,206
Total assets	\$ 374,079	\$ 356,406
LIABILITIES		
Accounts payable	\$ 42,217	\$ 40,039
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	138,573	164,000
FUND BALANCES		
Restricted	40,922	-
Assigned	152,367	152,367
Total fund balances	193,289	152,367
Total liabilities, deferred inflows of resources, and fund balances	\$ 374,079	\$ 356,406

**CITY OF PALOS HEIGHTS, ILLINOIS
SPECIAL RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 151,000	\$ 147,660	\$ (3,340)	\$ 146,040
Expenditures:				
Current:				
Other:				
Special recreation association	<u>151,000</u>	<u>106,738</u>	<u>44,262</u>	<u>272,817</u>
Excess (deficiency) of revenues over expenditures	-	40,922	40,922	(126,777)
Fund balances at beginning of year	<u>152,367</u>	<u>152,367</u>	-	<u>279,144</u>
Fund balances at end of year	<u>\$ 152,367</u>	<u>\$ 193,289</u>	<u>\$ 40,922</u>	<u>\$ 152,367</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 37,400	\$ 68,640
Due from other funds	<u>-</u>	<u>3,735</u>
Total assets	<u>\$ 37,400</u>	<u>\$ 72,375</u>
FUND BALANCES		
Restricted	\$ 20,128	\$ 55,103
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>\$ 37,400</u>	<u>\$ 72,375</u>

CITY OF PALOS HEIGHTS, ILLINOIS
POLICE DUI FINE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Other income	\$ 10,000	\$ 39,539	\$ 29,539	\$ 32,622
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>74,514</u>	<u>(64,514)</u>	<u>51,155</u>
Deficiency of revenues over expenditures	-	(34,975)	(34,975)	(18,533)
Fund balances at beginning of year	<u>72,375</u>	<u>72,375</u>	<u>-</u>	<u>90,908</u>
Fund balances at end of year	<u>\$ 72,375</u>	<u>\$ 37,400</u>	<u>\$ (34,975)</u>	<u>\$ 72,375</u>

CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u>199,595</u>	\$ <u>199,595</u>
LIABILITIES		
Accounts payable	\$ 131,499	\$ 131,499
FUND BALANCES		
Assigned	<u>68,096</u>	<u>68,096</u>
Total liabilities and fund balances	<u>\$ 199,595</u>	<u>\$ 199,595</u>

CITY OF PALOS HEIGHTS, ILLINOIS
CAL SAG TRAIL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>		<u>2016</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Grants	\$ -	\$ -	\$ -	\$ 9,190
Expenditures:				
Current:				
Other:				
Contribution refund	20,000	-	20,000	-
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>9,190</u>
Total expenditures	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>9,190</u>
Deficiency of revenues over expenditures	(30,000)	-	30,000	-
Fund balances at beginning of year	<u>68,096</u>	<u>68,096</u>	<u>-</u>	<u>68,096</u>
Fund balances at end of year	<u>\$ 38,096</u>	<u>\$ 68,096</u>	<u>\$ 30,000</u>	<u>\$ 68,096</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 BUSINESS DISTRICT FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 165,552	\$ 139,316
Due from other funds	80,391	88,891
Due from other governments	<u>17,842</u>	<u>19,732</u>
 Total assets	 <u>\$ 263,785</u>	 <u>\$ 247,939</u>
 FUND BALANCES		
Restricted	\$ 87,681	\$ 117,848
Assigned	<u>176,104</u>	<u>130,091</u>
 Total fund balances	 <u>\$ 263,785</u>	 <u>\$ 247,939</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Business district sales tax	\$ 122,000	\$ 110,569	\$ (11,431)	\$ 113,327
Investment income	100	1,013	913	308
Total revenues	<u>122,100</u>	<u>111,582</u>	<u>(10,518)</u>	<u>113,635</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	14,000	1,111	12,889	2,590
Debt service:				
Principal	36,000	97,386	(61,386)	25,776
Interest	<u>104,011</u>	<u>42,239</u>	<u>61,772</u>	<u>95,507</u>
Total expenditures	<u>154,011</u>	<u>140,736</u>	<u>13,275</u>	<u>123,873</u>
Deficiency of revenues over expenditures	(31,911)	(29,154)	2,757	(10,238)
Other financing sources:				
Transfers in	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>108,248</u>
Net change in fund balances	13,089	15,846	2,757	98,010
Fund balances at beginning of year	<u>247,939</u>	<u>247,939</u>	<u>-</u>	<u>149,929</u>
Fund balances at end of year	<u>\$ 261,028</u>	<u>\$ 263,785</u>	<u>\$ 2,757</u>	<u>\$ 247,939</u>

CAPITAL PROJECTS FUNDS

CITY OF PALOS HEIGHTS, ILLINOIS
127TH AND HARLEM TAX INCREMENT FUND
BALANCE SHEET
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u>321,404</u>	\$ <u>291,709</u>
LIABILITIES		
Due to other funds	\$ <u>35,391</u>	\$ <u>35,391</u>
FUND BALANCES		
Restricted	282,923	254,777
Assigned	<u>3,090</u>	<u>1,541</u>
Total fund balances	<u>286,013</u>	<u>256,318</u>
Total liabilities and fund balances	<u>\$ 321,404</u>	<u>\$ 291,709</u>

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

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 240,000	\$ 245,585	\$ 5,585	\$ 222,758
Investment income	500	1,549	1,049	801
Total revenues	<u>240,500</u>	<u>247,134</u>	<u>6,634</u>	<u>223,559</u>
Expenditures:				
Current:				
Personnel	3,500	3,745	(245)	-
Contractual:				
Professional fees	3,500	3,500	-	10,336
Commodities:				
Supplies:				
Departmental and office	200	118	82	185
Debt service:				
Interest	<u>211,400</u>	<u>210,076</u>	<u>1,324</u>	<u>165,579</u>
Total expenditures	<u>218,600</u>	<u>217,439</u>	<u>1,161</u>	<u>176,100</u>
Excess of revenues over expenditures	21,900	29,695	7,795	47,459
Fund balances at beginning of year	<u>256,318</u>	<u>256,318</u>	-	<u>208,859</u>
Fund balances at end of year	<u>\$ 278,218</u>	<u>\$ 286,013</u>	<u>\$ 7,795</u>	<u>\$ 256,318</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ <u>77,132</u>	\$ <u>86,931</u>
FUND BALANCES		
Restricted	68,678	78,931
Assigned	<u>8,454</u>	<u>8,000</u>
Total fund balances	<u>\$ 77,132</u>	<u>\$ 86,931</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 GATEWAY TAX INCREMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2017
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 6,000	\$ 8,321	\$ 2,321	\$ 1,723
Investment income	200	454	254	336
Total revenues	<u>6,200</u>	<u>8,775</u>	<u>2,575</u>	<u>2,059</u>
Expenditures:				
Current:				
Personnel	30,000	14,307	15,693	-
Contractual:				
Professional fees	31,000	4,150	26,850	9,619
Commodities:				
Supplies:				
Departmental and office	<u>2,000</u>	<u>117</u>	<u>1,883</u>	<u>-</u>
Total expenditures	<u>63,000</u>	<u>18,574</u>	<u>44,426</u>	<u>9,619</u>
Deficiency of revenues over expenditures	(56,800)	(9,799)	47,001	(7,560)
Fund balances at beginning of year	<u>86,931</u>	<u>86,931</u>	<u>-</u>	<u>94,491</u>
Fund balances at end of year	<u>\$ 30,131</u>	<u>\$ 77,132</u>	<u>\$ 47,001</u>	<u>\$ 86,931</u>

DEBT SERVICE FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
 BOND AND INTEREST FUND
 BALANCE SHEET
 DECEMBER 31, 2017
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 12,602	\$ 10,773
Property taxes receivable	<u>404,946</u>	<u>454,212</u>
Total assets	<u>\$ 417,548</u>	<u>\$ 464,985</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$ 406,137	\$ 462,488
FUND BALANCES		
Restricted	<u>11,411</u>	<u>2,497</u>
Total deferred inflows of resources and fund balances	<u>\$ 417,548</u>	<u>\$ 464,985</u>

CITY OF PALOS HEIGHTS, ILLINOIS
BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>		<u>2016</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Local sources:				
Property tax levies, net	\$ 462,488	\$ 471,876	\$ 9,388	\$ 465,753
Expenditures:				
Debt service:				
Principal	260,000	260,000	-	150,000
Interest	<u>202,488</u>	<u>202,962</u>	<u>(474)</u>	<u>313,256</u>
Total expenditures	<u>462,488</u>	<u>462,962</u>	<u>(474)</u>	<u>463,256</u>
Excess of revenues over expenditures	-	8,914	8,914	2,497
Fund balances at beginning of year	<u>-</u>	<u>2,497</u>	<u>2,497</u>	<u>-</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 11,411</u>	<u>\$ 11,411</u>	<u>\$ 2,497</u>

NONMAJOR PROPRIETARY FUND

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 89,513	\$ 99,866
LIABILITIES		
Current liabilities:		
Accounts payable	<u>10,989</u>	<u>419</u>
NET POSITION		
Unrestricted	<u>\$ 78,524</u>	<u>\$ 99,447</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>		<u>2016</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Operating revenues:				
Charges for services:				
User fees	\$ 56,000	\$ 51,038	\$ (4,962)	\$ 52,292
Operating expenses:				
Personnel	30,000	30,000	-	20,000
Contractual:				
Maintenance	50,000	36,497	13,503	1,710
Commodities:				
Supplies:				
Departmental and office	6,000	5,464	536	7,162
Total operating expenses	86,000	71,961	14,039	28,872
Operating income (loss)	(30,000)	(20,923)	9,077	23,420
Net position at beginning of year	99,447	99,447	-	76,027
Net position at end of year	\$ 69,447	\$ 78,524	\$ 9,077	\$ 99,447

**CITY OF PALOS HEIGHTS, ILLINOIS
METRA STATION PARKING FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from users	\$ 51,038	\$ 52,292
Payments to employees	(30,000)	(20,000)
Payments to suppliers	<u>(31,391)</u>	<u>(9,047)</u>
Net cash provided (used) by operating activities	(10,353)	23,245
Cash at beginning of year	<u>99,866</u>	<u>76,621</u>
Cash at end of year	<u>\$ 89,513</u>	<u>\$ 99,866</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (20,923)	\$ 23,420
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Increase (decrease) in accounts payable	<u>10,570</u>	<u>(175)</u>
Net cash provided (used) by operating activities	<u>\$ (10,353)</u>	<u>\$ 23,245</u>

STATISTICAL SECTION

**CITY OF PALOS HEIGHTS, ILLINOIS
STATISTICAL SECTION
YEAR ENDED DECEMBER 31, 2017**

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

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

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Net Position by Component	120 - 121
Changes in Net Position	122 - 125
Governmental Activities Tax Revenues by Source	126
Fund Balances of Governmental Funds	127 - 128
Changes in Fund Balances of Governmental Funds	129 - 130

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

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Assessed Value and Estimated Actual Value of Taxable Property	131
Property Tax Rates - Direct and Overlapping Governments	132 - 133
Principal Property Taxpayers	134
Schedule of Assessed Valuation, Rate Extension and Collections	135 - 136

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	137 - 138
Ratios of General Obligation Bonded Debt Outstanding	139
Direct and Overlapping General Obligation Bonded Debt	140
Legal Debt Margin Information	141 - 142
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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.

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Demographic and Economic Statistics	144 - 145
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.

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Full-time Equivalent City Government Employees by Function	146
Operating Indicators by Function	147 - 148

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities:				
Net investment in capital assets	\$ 24,257,020	\$ 23,621,767	\$ 23,831,289	\$ 21,216,906
Restricted	1,461,591	1,392,487	1,951,013	2,151,341
Unrestricted	<u>(18,281,176)</u>	<u>(15,946,493)</u>	<u>(15,762,127)</u>	<u>59,727</u>
Total governmental activities net position	<u>7,437,435</u>	<u>9,067,761</u>	<u>10,020,175</u>	<u>23,427,974</u>
Business-type activities:				
Net investment in capital assets	3,924,132	3,923,317	3,445,295	3,456,874
Unrestricted	<u>6,507,579</u>	<u>5,601,566</u>	<u>4,721,703</u>	<u>3,723,588</u>
Total business-type activities net position	<u>10,431,711</u>	<u>9,524,883</u>	<u>8,166,998</u>	<u>7,180,462</u>
Primary government:				
Net investment in capital assets	28,181,152	27,545,084	27,276,584	24,673,780
Restricted	1,461,591	1,392,487	1,951,013	2,151,341
Unrestricted	<u>(11,773,597)</u>	<u>(10,344,927)</u>	<u>(11,040,424)</u>	<u>3,783,315</u>
Total primary government net position	<u>\$ 17,869,146</u>	<u>\$ 18,592,644</u>	<u>\$ 18,187,173</u>	<u>\$ 30,608,436</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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 21,172,893	\$ 21,374,139	\$ 20,646,441	\$ 20,841,644	\$ 20,391,328	\$ 20,348,262
1,608,345	1,267,451	1,315,525	1,480,317	314,860	190,562
<u>4,225,787</u>	<u>3,730,432</u>	<u>3,691,358</u>	<u>3,718,536</u>	<u>3,794,270</u>	<u>4,033,007</u>
<u>27,007,025</u>	<u>26,372,022</u>	<u>25,653,324</u>	<u>26,040,497</u>	<u>24,500,458</u>	<u>24,571,831</u>
3,523,793	3,463,940	3,483,197	3,298,191	3,436,225	3,700,657
<u>2,718,363</u>	<u>2,215,578</u>	<u>1,899,069</u>	<u>2,139,398</u>	<u>2,306,995</u>	<u>2,618,359</u>
<u>6,242,156</u>	<u>5,679,518</u>	<u>5,382,266</u>	<u>5,437,589</u>	<u>5,743,220</u>	<u>6,319,016</u>
24,696,686	24,838,079	24,129,638	24,139,835	23,827,553	24,048,919
1,608,345	1,267,451	1,315,525	1,480,317	314,860	190,562
<u>6,944,150</u>	<u>5,946,010</u>	<u>5,590,427</u>	<u>5,857,934</u>	<u>6,101,265</u>	<u>6,651,366</u>
<u>\$ 33,249,181</u>	<u>\$ 32,051,540</u>	<u>\$ 31,035,590</u>	<u>\$ 31,478,086</u>	<u>\$ 30,243,678</u>	<u>\$ 30,890,847</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses:				
Governmental activities:				
General government	\$ 2,833,267	\$ 2,479,732	\$ 2,762,909	\$ 6,787,035
Police and emergency services	6,532,287	6,514,299	5,856,452	5,385,075
Public works	2,757,154	2,707,894	2,993,929	1,575,551
Recreation and culture	2,757,104	2,722,325	2,223,000	2,656,983
Interest	<u>433,167</u>	<u>416,120</u>	<u>384,395</u>	<u>263,036</u>
Total governmental activities expenses	<u>15,312,979</u>	<u>14,840,370</u>	<u>14,220,685</u>	<u>16,667,680</u>
Business-type activities:				
Waterworks and sewerage	6,143,184	5,242,435	5,229,808	4,692,038
Parking lot	<u>71,961</u>	<u>28,872</u>	<u>7,574</u>	<u>105,624</u>
Total business-type activities expenses	<u>6,215,145</u>	<u>5,271,307</u>	<u>5,237,382</u>	<u>4,797,662</u>
Total primary government expenses	<u>\$ 21,528,124</u>	<u>\$ 20,111,677</u>	<u>\$ 19,458,067</u>	<u>\$ 21,465,342</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	\$ 1,322,879	\$ 888,883	\$ 1,355,366	\$ 1,058,746
Police and emergency services	410,973	387,605	440,247	881,261
Recreation and culture	1,162,422	916,804	819,044	706,382
Operating grants and contributions	-	-	14,598	93,533
Capital grants and contributions	<u>101,420</u>	<u>83,511</u>	<u>3,498,169</u>	<u>42,665</u>
Total governmental activities program revenues	<u>2,997,694</u>	<u>2,276,803</u>	<u>6,127,424</u>	<u>2,782,587</u>
Business-type activities:				
Charges for services:				
Waterworks and sewerage	7,208,273	6,540,007	6,468,985	5,666,296
Parking lot	51,038	52,292	55,607	56,376
Capital grants and contributions	<u>-</u>	<u>5,158</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>7,259,311</u>	<u>6,597,457</u>	<u>6,524,592</u>	<u>5,722,672</u>
Total primary government program revenues	<u>\$ 10,257,005</u>	<u>\$ 8,874,260</u>	<u>\$ 12,652,016</u>	<u>\$ 8,505,259</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,545,228	\$ 2,534,196	\$ 2,961,363	\$ 2,780,324	\$ 2,625,543	\$ 3,035,841
5,212,461	4,712,668	4,721,077	4,864,153	4,349,407	4,178,510
3,047,280	2,436,278	2,515,834	2,434,360	3,396,370	2,845,216
1,961,503	1,987,341	1,885,637	1,816,090	1,426,246	1,540,517
-	-	-	-	10,721	25,778
<u>12,766,472</u>	<u>11,670,483</u>	<u>12,083,911</u>	<u>11,894,927</u>	<u>11,808,287</u>	<u>11,625,862</u>
4,702,865	4,488,776	3,905,705	4,174,483	4,112,714	3,891,795
80,210	46,442	55,498	37,985	51,644	46,362
<u>4,783,075</u>	<u>4,535,218</u>	<u>3,961,203</u>	<u>4,212,468</u>	<u>4,164,358</u>	<u>3,938,157</u>
<u>\$ 17,549,547</u>	<u>\$ 16,205,701</u>	<u>\$ 16,045,114</u>	<u>\$ 16,107,395</u>	<u>\$ 15,972,645</u>	<u>\$ 15,564,019</u>
\$ 1,202,625	\$ 1,004,837	\$ 1,022,992	\$ 1,518,111	\$ 1,105,877	\$ 1,314,179
590,298	258,190	116,767	166,161	136,328	139,773
704,767	685,238	859,327	866,531	720,256	658,881
-	274,325	172,558	974,719	184,916	182,236
797,408	-	-	-	-	-
<u>3,295,098</u>	<u>2,222,590</u>	<u>2,171,644</u>	<u>3,525,522</u>	<u>2,147,377</u>	<u>2,295,069</u>
5,253,317	4,761,295	3,815,506	3,817,620	3,472,026	3,197,469
57,362	51,295	53,573	52,410	55,979	57,804
-	-	-	-	-	-
<u>5,310,679</u>	<u>4,812,590</u>	<u>3,869,079</u>	<u>3,870,030</u>	<u>3,528,005</u>	<u>3,255,273</u>
<u>\$ 8,605,777</u>	<u>\$ 7,035,180</u>	<u>\$ 6,040,723</u>	<u>\$ 7,395,552</u>	<u>\$ 5,675,382</u>	<u>\$ 5,550,342</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net (expense) revenue:				
Governmental activities	\$ (12,315,285)	\$ (12,563,567)	\$ (8,093,261)	\$ (13,885,093)
Business-type activities	<u>1,044,166</u>	<u>1,326,150</u>	<u>1,287,210</u>	<u>925,010</u>
Total primary government net expense	<u>\$ (11,271,119)</u>	<u>\$ (11,237,417)</u>	<u>\$ (6,806,051)</u>	<u>\$ (12,960,083)</u>
General revenues and other changes in net position:				
Governmental activities:				
General revenues:				
Taxes:				
Property	\$ 6,336,789	\$ 6,022,995	\$ 5,504,839	\$ 5,108,109
Utility	1,131,427	1,164,686	1,208,116	1,316,295
Business district sales	110,569	113,327	106,958	79,793
Intergovernmental	3,016,498	3,019,553	3,127,378	3,042,806
Gain on dispositions of capital assets	23,184	1,132	55,856	18,488
Investment income (loss)	19,302	117,066	(88,666)	22,916
Other income	<u>974,165</u>	<u>1,172,394</u>	<u>704,405</u>	<u>717,635</u>
Total governmental activities	<u>11,611,934</u>	<u>11,611,153</u>	<u>10,618,886</u>	<u>10,306,042</u>
Business-type activities:				
General revenues:				
Investment income	45,510	26,674	2,212	6,205
Other income	<u>9,700</u>	<u>5,061</u>	<u>4,984</u>	<u>7,091</u>
Total business-type activities	<u>55,210</u>	<u>31,735</u>	<u>7,196</u>	<u>13,296</u>
Total primary government	<u>\$ 11,667,144</u>	<u>\$ 11,642,888</u>	<u>\$ 10,626,082</u>	<u>\$ 10,319,338</u>
Changes in net position:				
Governmental activities	\$ (703,351)	\$ (952,414)	\$ 2,525,625	\$ (3,579,051)
Business-type activities	<u>1,099,376</u>	<u>1,357,885</u>	<u>1,294,406</u>	<u>938,306</u>
Total primary government	<u>\$ 396,025</u>	<u>\$ 405,471</u>	<u>\$ 3,820,031</u>	<u>\$ (2,640,745)</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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ (9,471,374)	\$ (9,447,893)	\$ (9,912,267)	\$ (8,369,405)	\$ (9,660,910)	\$ (9,330,793)
<u>527,604</u>	<u>277,372</u>	<u>(92,124)</u>	<u>(342,438)</u>	<u>(636,353)</u>	<u>(682,884)</u>
<u>\$ (8,943,770)</u>	<u>\$ (9,170,521)</u>	<u>\$ (10,004,391)</u>	<u>\$ (8,711,843)</u>	<u>\$ (10,297,263)</u>	<u>\$ (10,013,677)</u>
\$ 4,539,275	\$ 4,478,335	\$ 4,585,072	\$ 4,423,432	\$ 4,540,057	\$ 4,292,843
1,310,520	1,312,430	1,376,227	1,406,795	1,413,161	1,580,123
60,289	43,579	17,665	-	-	-
3,029,783	2,888,338	2,689,690	2,704,789	2,715,642	3,029,052
32,821	-	-	-	-	-
15,342	13,704	5,490	9,525	13,075	102,821
<u>1,118,347</u>	<u>1,430,205</u>	<u>850,950</u>	<u>1,364,903</u>	<u>907,602</u>	<u>893,072</u>
<u>10,106,377</u>	<u>10,166,591</u>	<u>9,525,094</u>	<u>9,909,444</u>	<u>9,589,537</u>	<u>9,897,911</u>
3,290	2,085	9,585	36,618	60,324	82,351
<u>31,744</u>	<u>17,795</u>	<u>27,216</u>	<u>189</u>	<u>233</u>	<u>44,767</u>
<u>35,034</u>	<u>19,880</u>	<u>36,801</u>	<u>36,807</u>	<u>60,557</u>	<u>127,118</u>
<u>\$ 10,141,411</u>	<u>\$ 10,186,471</u>	<u>\$ 9,561,895</u>	<u>\$ 9,946,251</u>	<u>\$ 9,650,094</u>	<u>\$ 10,025,029</u>
\$ 635,003	\$ 718,698	\$ (387,173)	\$ 1,540,039	\$ (71,373)	\$ 567,118
<u>562,638</u>	<u>297,252</u>	<u>(55,323)</u>	<u>(305,631)</u>	<u>(575,796)</u>	<u>(555,766)</u>
<u>\$ 1,197,641</u>	<u>\$ 1,015,950</u>	<u>\$ (442,496)</u>	<u>\$ 1,234,408</u>	<u>\$ (647,169)</u>	<u>\$ 11,352</u>

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

Fiscal Year	Property Taxes	Utility Taxes	Business District Sales Taxes	Total
2008	\$ 4,292,843	\$ 1,580,123	\$ -	\$ 5,872,966
2009	4,540,057	1,413,161	-	5,953,218
2010	4,423,432	1,406,795	-	5,830,227
2011	4,585,072	1,376,227	17,665	5,978,964
2012	4,478,335	1,312,430	43,579	5,834,344
2013	4,539,275	1,310,520	60,289	5,910,084
2014	5,108,109	1,316,295	79,793	6,504,197
2015	5,504,839	1,208,116	106,958	6,819,913
2016	6,022,995	1,164,686	113,327	7,301,008
2017	6,336,789	1,131,427	110,569	7,578,785

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund:				
Unreserved	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Unassigned	<u>3,674,664</u>	<u>3,817,145</u>	<u>4,038,720</u>	<u>3,865,733</u>
Total General Fund	<u>\$ 3,674,664</u>	<u>\$ 3,817,145</u>	<u>\$ 4,038,720</u>	<u>\$ 3,865,733</u>
All other governmental funds:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Restricted	1,473,002	1,559,973	6,113,031	2,151,341
Assigned	<u>2,792,669</u>	<u>3,032,758</u>	<u>2,307,944</u>	<u>1,871,738</u>
Total all other governmental funds	<u>\$ 4,265,671</u>	<u>\$ 4,592,731</u>	<u>\$ 8,420,975</u>	<u>\$ 4,023,079</u>

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,961,375	\$ 2,623,677
-	-	270,275	201,363	-	-
<u>3,758,815</u>	<u>3,748,541</u>	<u>3,231,955</u>	<u>3,551,941</u>	<u>-</u>	<u>-</u>
<u>\$ 3,758,815</u>	<u>\$ 3,748,541</u>	<u>\$ 3,502,230</u>	<u>\$ 3,753,304</u>	<u>\$ 2,961,375</u>	<u>\$ 2,623,677</u>
\$ -	\$ -	\$ -	\$ -	\$ 314,860	\$ 190,562
-	-	-	-	1,913,355	2,532,881
1,608,345	1,267,451	1,331,145	1,480,317	-	-
<u>1,789,931</u>	<u>1,058,161</u>	<u>1,306,027</u>	<u>1,127,542</u>	<u>-</u>	<u>-</u>
<u>\$ 3,398,276</u>	<u>\$ 2,325,612</u>	<u>\$ 2,637,172</u>	<u>\$ 2,607,859</u>	<u>\$ 2,228,215</u>	<u>\$ 2,723,443</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:				
Taxes	\$ 7,578,785	\$ 7,301,008	\$ 6,819,913	\$ 6,504,197
Intergovernmental	3,016,498	3,019,553	3,127,378	3,042,806
Charges for services	411,883	408,175	475,846	472,623
Fees by agreement	880,689	634,863	555,699	459,016
Fines, forfeitures and penalties	410,973	381,864	440,247	840,207
Grants	101,420	83,511	197,542	136,801
Investment income (loss)	19,302	117,066	(88,666)	22,916
Licenses, permits and inspections	910,996	480,708	879,520	534,551
Swimming pool	281,733	281,941	263,345	247,366
Other	974,165	1,178,135	702,014	739,870
Total revenues	<u>14,586,444</u>	<u>13,886,824</u>	<u>13,372,838</u>	<u>13,000,353</u>
Expenditures:				
Current:				
General government	2,442,055	2,261,309	2,344,161	2,297,550
Public safety	5,877,546	6,043,242	5,681,116	5,141,101
Public works	954,429	1,035,369	1,237,195	1,113,560
Recreational department	2,143,767	2,141,026	1,797,910	2,058,670
Roads and construction	502,641	548,192	595,813	437,385
Debt service:				
Principal retirement	413,754	211,109	20,818	7,003
Interest charges and fees	462,724	579,268	452,854	61,335
Capital outlay	2,290,069	5,388,447	3,354,261	1,250,528
Total expenditures	<u>15,086,985</u>	<u>18,207,962</u>	<u>15,484,128</u>	<u>12,367,132</u>
Excess (deficiency) of revenues over expenditures	<u>(500,541)</u>	<u>(4,321,138)</u>	<u>(2,111,290)</u>	<u>633,221</u>
Other financing sources (uses):				
Installment contract	-	181,419	-	64,500
Proceeds from bond issuance	-	-	6,300,000	-
Premium on bond issuance	-	-	298,022	-
Proceeds from sale of capital assets	31,000	89,900	84,151	34,000
Transfers in	1,274,147	1,289,093	983,639	721,105
Transfers out	(1,274,147)	(1,289,093)	(983,639)	(721,105)
Total other financing sources (uses)	<u>31,000</u>	<u>271,319</u>	<u>6,682,173</u>	<u>98,500</u>
Net change in fund balances	<u>\$ (469,541)</u>	<u>\$ (4,049,819)</u>	<u>\$ 4,570,883</u>	<u>\$ 731,721</u>
Debt service as a percentage of non-capital expenditures	<u>6.518%</u>	<u>6.150%</u>	<u>5.192%</u>	<u>0.604%</u>

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$	5,910,084	\$ 5,834,344	\$ 5,978,964	\$ 5,830,227	\$ 5,953,218	\$ 5,872,966
	3,029,783	2,888,338	2,689,690	2,704,789	2,715,642	3,029,052
	440,352	470,015	444,107	626,409	563,352	531,723
	415,314	370,778	384,570	382,454	358,418	383,025
	535,115	258,190	323,701	1,197,495	640,385	642,190
	800,241	274,325	145,473	791,064	184,916	208,162
	15,342	13,704	5,490	9,525	13,075	102,821
	714,897	534,822	388,950	890,417	542,579	785,166
	289,453	314,460	309,886	292,295	183,318	194,075
	<u>1,109,157</u>	<u>1,430,205</u>	<u>1,041,909</u>	<u>712,861</u>	<u>582,011</u>	<u>446,510</u>
	<u>13,259,738</u>	<u>12,389,181</u>	<u>11,712,740</u>	<u>13,437,536</u>	<u>11,736,914</u>	<u>12,195,690</u>
	2,297,358	2,245,369	2,931,256	2,718,005	2,589,326	2,696,409
	4,801,300	4,600,370	4,580,413	4,657,581	4,309,178	3,571,653
	1,219,498	1,479,566	1,133,309	1,428,618	1,382,368	1,238,261
	1,610,632	1,555,626	1,723,479	1,273,891	1,286,912	1,320,332
	393,819	413,649	423,476	367,808	306,313	408,225
	-	-	-	-	263,335	325,000
	-	-	-	-	10,721	25,778
	<u>1,909,376</u>	<u>2,159,850</u>	<u>1,142,568</u>	<u>1,820,060</u>	<u>1,746,291</u>	<u>1,741,041</u>
	<u>12,231,983</u>	<u>12,454,430</u>	<u>11,934,501</u>	<u>12,265,963</u>	<u>11,894,444</u>	<u>11,326,699</u>
	<u>1,027,755</u>	<u>(65,249)</u>	<u>(221,761)</u>	<u>1,171,573</u>	<u>(157,530)</u>	<u>868,991</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	55,183	-	-	-	-	-
	916,250	553,948	858,090	549,076	212,228	2,036,546
	<u>(916,250)</u>	<u>(553,948)</u>	<u>(858,090)</u>	<u>(549,076)</u>	<u>(212,228)</u>	<u>(2,036,546)</u>
	<u>55,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>1,082,938</u>	<u>\$ (65,249)</u>	<u>\$ (221,761)</u>	<u>\$ 1,171,573</u>	<u>\$ (157,530)</u>	<u>\$ 868,991</u>
	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>2.446%</u>	<u>3.204%</u>

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

Levy Year	Real Property	Less Tax-exempt Property	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Total Direct Tax Rate
2007	\$ 484,222,115	N/A	\$ 484,222,115	\$ 1,452,666,345	0.868 %
2008	544,411,483	N/A	544,411,483	1,633,234,449	0.828
2009	564,512,114	N/A	564,512,114	1,693,536,342	0.781
2010	568,529,766	N/A	568,529,766	1,705,589,298	0.818
2011	464,228,742	N/A	464,228,742	1,392,686,226	0.952
2012	428,610,174	N/A	428,610,174	1,285,830,522	1.062
2013	399,740,670	N/A	399,740,670	1,199,222,010	1.236
2014	393,578,232	N/A	393,578,232	1,180,734,696	1.326
2015	379,844,244	N/A	379,844,244	1,139,532,732	1.562
2016	396,160,414	N/A	396,160,414	1,188,481,242	1.568

(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.

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

Levy Year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City of Palos Heights:				
Corporate	0.421	0.438	0.438	0.438
Bond and interest	0.122	0.128	0.000	0.000
Police pension	0.358	0.339	0.288	0.232
IMRF	0.084	0.079	0.074	0.064
Recreation	0.168	0.178	0.185	0.184
Police protection	0.294	0.290	0.241	0.214
Social security	0.082	0.070	0.060	0.064
Special recreation	<u>0.039</u>	<u>0.040</u>	<u>0.040</u>	<u>0.040</u>
Total City of Palos Heights	1.568	1.562	1.326	1.236
Overlapping governments:				
City of Palos Heights Library Fund	0.350	0.375	0.403	0.364
Cook County	0.533	0.552	0.568	0.560
Cook County Forest Preserve District	0.063	0.069	0.069	0.069
Consolidated Elections	0.000	0.034	0.000	0.031
Suburban Cook TB Sanitarium District	0.000	0.000	0.000	0.004
So. Cook Co. Mosquito Abatement District	0.017	0.017	0.017	0.016
Metropolitan Water Reclamation Dist. of Chicago	0.406	0.426	0.430	0.417
Palos Township	0.068	0.070	0.066	0.063
Palos Twp General Assistance	0.008	0.088	0.007	0.006
Palos Twp Road and Bridge	0.054	0.055	0.052	0.049
Worth Township	0.078	0.078	0.076	0.073
Worth Township General Assistance	0.019	0.020	0.020	0.018
Worth Township Road and Bridge	0.037	0.039	0.037	0.035
North Palos Fire Protection District	1.161	1.198	1.134	1.076
Palos Fire Protection District	1.215	1.255	1.201	1.153
Palos Heights Fire Protection District	0.934	0.934	0.927	0.891
Worth Park District	0.506	0.520	0.503	0.461
South Palos Sanitary District	0.409	0.421	0.406	0.392
School District 118	3.106	3.212	3.133	2.989
School District 127	6.781	6.994	6.702	6.096
School District 128	3.146	3.284	3.136	3.001
Community High School District 218	4.164	4.247	4.049	3.775
Consolidated High School District 230	2.778	2.879	2.770	2.641
Community College District 524	<u>0.406</u>	<u>0.419</u>	<u>0.403</u>	<u>0.375</u>
Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation	<u>27.807</u>	<u>28.748</u>	<u>27.435</u>	<u>25.791</u>

Source: Cook County, Illinois Tax Extension Division

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
0.438	0.438	0.436	0.423	0.391	0.416
0.000	0.000	0.000	0.000	0.044	0.052
0.129	0.105	0.075	0.070	0.077	0.076
0.063	0.049	0.036	0.033	0.033	0.036
0.165	0.135	0.099	0.093	0.107	0.105
0.165	0.135	0.099	0.093	0.104	0.105
0.062	0.050	0.036	0.034	0.036	0.040
<u>0.040</u>	<u>0.040</u>	<u>0.037</u>	<u>0.035</u>	<u>0.036</u>	<u>0.038</u>
1.062	0.952	0.818	0.781	0.828	0.868
0.498	0.377	0.342	0.335	0.354	0.411
0.531	0.462	0.423	0.394	0.415	0.446
0.063	0.058	0.051	0.049	0.051	0.053
0.000	0.025	0.000	0.021	0.000	0.012
0.000	0.000	0.000	0.000	0.000	0.000
0.014	0.012	0.010	0.009	0.009	0.006
0.370	0.320	0.274	0.261	0.252	0.263
0.057	0.050	0.040	0.039	0.039	0.041
0.005	0.005	0.004	0.004	0.004	0.004
0.046	0.042	0.033	0.032	0.032	0.034
0.068	0.060	0.050	0.048	0.048	0.052
0.017	0.015	0.013	0.012	0.012	0.014
0.033	0.030	0.025	0.024	0.024	0.026
0.974	0.869	0.701	0.691	0.694	0.734
1.047	0.709	0.557	0.544	0.511	0.545
0.814	0.727	0.583	0.572	0.597	0.642
0.420	0.375	0.308	0.299	0.301	0.301
0.361	0.331	0.253	0.258	0.276	0.177
2.743	2.457	2.011	1.983	2.052	2.298
5.533	4.952	4.062	3.893	3.662	3.815
2.755	2.460	1.967	1.914	2.011	2.195
3.442	3.037	2.482	2.364	2.343	2.517
2.438	2.180	1.812	1.764	1.801	1.926
<u>0.346</u>	<u>0.311</u>	<u>0.256</u>	<u>0.247</u>	<u>0.247</u>	<u>0.262</u>
<u>23.637</u>	<u>20.816</u>	<u>17.075</u>	<u>16.538</u>	<u>16.563</u>	<u>17.642</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2017**

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value *</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value **</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Manor Care Health Service	\$ 10,326,787	1	2.61 %	\$ 12,514,818	1	2.58 %
Palos Heights Properties	5,301,134	2	1.34	7,803,639	2	1.61
Jetco Properties	4,749,802	3	1.20	-	-	-
Ryan, LLC	3,644,160	4	0.92	-	-	-
St. George Corp	2,902,705	5	0.73	5,427,464	3	1.12
Costa Construction	2,819,402	6	0.71	-	-	-
Ridgeland Nursing	2,538,668	7	0.64	-	-	-
Advocate Healthcare	2,242,557	8	0.57	3,237,982	6	0.67
Reagan Corp	1,953,020	9	0.49	3,157,443	7	0.65
Palos Crossings, LLC	1,927,197	10	0.49	-	-	-
Palos Bank & Trust	-	-	-	4,199,786	4	0.87
James Lambert	-	-	-	4,106,589	5	0.85
Albertsons	-	-	-	2,756,612	8	0.57
Geoebe Standard 17925	-	-	-	2,603,937	9	0.54
Leon & Kathy Gombis	-	-	-	2,343,752	10	0.48
Total	<u>\$ 38,405,432</u>		<u>9.70 %</u>	<u>\$ 48,152,022</u>		<u>9.94 %</u>

* Includes only those parcels with 2016 equalized assessed valuation of approximately \$100,000 and over.

** Includes only those parcels with 2007 equalized assessed valuation of approximately \$130,000 and over.

Source: Office of the Cook County Clerk

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

Tax levy year	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equalized assessed valuation	<u>\$ 396,160,414</u>	<u>\$ 379,844,244</u>	<u>\$ 393,578,232</u>	<u>\$ 399,740,670</u>
Tax rates (per \$100 of equalized assessed valuation):				
Park and recreation	0.1678	0.1782	0.1845	0.1845
Police pension	0.3575	0.3390	0.2879	0.2319
Social security and I.M.R.F.	0.1657	0.1486	0.1348	0.1282
Corporate	0.4212	0.4375	0.4375	0.4375
Police protection	0.2946	0.2900	0.2414	0.2139
Handicapped fund	0.0385	0.0400	0.0400	0.0400
Bond and interest	<u>0.1226</u>	<u>0.1279</u>	<u>0.0000</u>	<u>0.0000</u>
Total tax rates	<u>1.5679</u>	<u>1.5612</u>	<u>1.3261</u>	<u>1.2360</u>
Rate difference	<u>0.0067</u>	<u>0.2351</u>	<u>0.0901</u>	<u>0.1764</u>
Tax extensions:				
Park and recreation	\$ 664,757	\$ 677,054	\$ 726,186	\$ 737,375
Police pension	1,416,273	1,287,500	1,133,000	927,000
Social security and I.M.R.F.	656,438	564,549	526,802	512,710
Corporate	1,668,628	1,661,819	1,721,905	1,748,865
Police protection	1,167,089	1,101,556	950,220	854,988
Handicapped fund	152,522	151,938	157,431	159,896
Bond and interest	<u>485,693</u>	<u>485,920</u>	<u>0</u>	<u>0</u>
Total tax extensions	<u>\$ 6,211,400</u>	<u>\$ 5,930,336</u>	<u>\$ 5,215,544</u>	<u>\$ 4,940,834</u>
Collections:				
Current	\$ 6,086,018	\$ 5,793,491	\$ 5,165,275	\$ 4,760,018
Subsequent	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,088</u>
Total collections	<u>\$ 6,086,018</u>	<u>\$ 5,793,491</u>	<u>\$ 5,165,275</u>	<u>\$ 4,819,106</u>
Percent collected:				
Current	97.97 %	97.69 %	99.04 %	96.34 %
Subsequent	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1.20</u>
Total percent collected	<u>97.97 %</u>	<u>97.69 %</u>	<u>99.04 %</u>	<u>97.54 %</u>

2012	2011	2010	2009	2008	2007
<u>\$ 428,610,174</u>	<u>\$ 464,228,742</u>	<u>\$ 568,529,766</u>	<u>\$ 564,512,114</u>	<u>\$ 544,411,483</u>	<u>\$ 484,222,115</u>
0.1646	0.1353	0.0987	0.0927	0.1067	0.1052
0.1286	0.1054	0.0752	0.0702	0.0772	0.0761
0.1243	0.0987	0.0720	0.0668	0.0687	0.0762
0.4375	0.4375	0.4363	0.4230	0.3911	0.4158
0.1646	0.1353	0.0987	0.0927	0.1067	0.1052
0.0400	0.0400	0.0371	0.0000	0.0358	0.0380
0.0000	0.0000	0.0000	0.0353	0.0437	0.0515
<u>1.0596</u>	<u>0.9522</u>	<u>0.8180</u>	<u>0.7807</u>	<u>0.8299</u>	<u>0.8680</u>
<u>0.1074</u>	<u>0.1342</u>	<u>0.0373</u>	<u>(0.0492)</u>	<u>(0.0381)</u>	<u>0.0531</u>
\$ 705,550	\$ 628,101	\$ 561,139	\$ 523,303	\$ 580,887	\$ 509,402
551,050	489,297	427,534	396,288	420,286	368,493
532,768	458,194	409,341	377,094	374,011	368,977
1,875,170	2,031,001	2,480,495	2,387,886	2,129,193	2,013,396
705,550	628,101	561,139	523,303	580,887	509,402
171,444	185,691	210,925	0	194,899	184,004
<u>0</u>	<u>0</u>	<u>0</u>	<u>199,273</u>	<u>237,908</u>	<u>249,374</u>
<u>\$ 4,541,532</u>	<u>\$ 4,420,385</u>	<u>\$ 4,650,573</u>	<u>\$ 4,407,147</u>	<u>\$ 4,518,071</u>	<u>\$ 4,203,048</u>
\$ 4,372,599	\$ 4,354,259	\$ 4,453,280	\$ 4,206,417	\$ 4,368,597	\$ 4,088,111
<u>84,660</u>	<u>87,961</u>	<u>65,838</u>	<u>76,288</u>	<u>111,281</u>	<u>67,344</u>
<u>\$ 4,457,259</u>	<u>\$ 4,442,220</u>	<u>\$ 4,519,118</u>	<u>\$ 4,282,705</u>	<u>\$ 4,479,878</u>	<u>\$ 4,155,455</u>
96.28 %	98.50 %	95.76 %	95.45 %	96.69 %	97.27 %
<u>1.86</u>	<u>1.99</u>	<u>1.42</u>	<u>1.73</u>	<u>2.46</u>	<u>1.60</u>
<u>98.14 %</u>	<u>100.49 %</u>	<u>97.18 %</u>	<u>97.18 %</u>	<u>99.15 %</u>	<u>98.87 %</u>

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-type Activities</u>
	<u>General Obligation Bonds (1)</u>	<u>Alternate Revenue Bonds</u>	<u>Installment Contracts</u>	<u>Notes Payable</u>	<u>Installment Contract</u>
2017	\$ 6,120,097	\$ -	\$ 133,900	\$ 3,869,835	\$ 243,769
2016	6,403,686	-	189,768	3,967,221	433,488
2015	6,590,179	-	43,682	3,992,997	575,778
2014	-	-	64,500	3,992,997	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	66,667	-	-	-	-
2008	200,002	130,000	-	-	-

(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.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 10,367,601	1.89 %	\$ 828
10,994,163	2.01	878
11,202,636	2.05	895
4,057,497	0.74	324
-	-	-
-	-	-
-	-	-
-	-	-
66,667	0.02	5
330,002	0.08	25

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

<u>Fiscal Year</u>	<u>General Obligation Debt (1)</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (2)</u>	<u>Per Capita (3)</u>
2017	\$ 6,120,097	\$ 11,411	\$ 6,108,686	0.51 %	\$ 488
2016	6,403,686	2,497	6,401,189	0.56	511
2015	6,590,179	-	6,590,179	0.56	527
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	66,667	66,667	-	-	-
2008	200,002	65,647	134,355	0.01	10

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
DECEMBER 31, 2017**

<u>Overlapping Agencies</u>	<u>2016 Equalized Assessed Valuation</u>	<u>Outstanding Debt</u>	<u>Applicable to City</u>	
			<u>Percent (5)</u>	<u>Amount</u>
City of Palos Heights, direct debt	\$ 396,160,414	\$ 10,367,601 (1)	100.000 %	<u>\$ 10,367,601</u>
Overlapping agencies:				
Cook County	143,113,373,400	3,092,046,750 (4)	0.277	8,564,969
Cook County Forest Preserve	143,113,373,400	150,960,000	0.277	418,159
Metropolitan Water Reclamation District	140,401,735,157	2,480,560,091 (2)	0.282	6,995,179
South Palos Twp. Sanitary District	52,180,433	445,000	12.496	55,607
Park District:				
Worth Park District	153,566,857	149,265	0.068	102
Schools:				
School District #118	731,175,894	5,800,000	26.243	1,522,094
School District #127	150,257,805	1,904,624 (3)	0.192	3,657
School District #128	277,280,457	3,400,000	73.533	2,500,122
High School District #218	2,049,578,237	44,278,316 (3)(4)	9.962	4,411,006
High School District #230	4,359,637,177	10,840,000	4.401	477,068
Community College #524	9,037,740,938	58,315,000 (4)	4.382	<u>2,555,363</u>
Total overlapping agencies				<u>27,503,326</u>
Total overlapping general obligation bonded debt				<u>\$ 37,870,927</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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt limit	\$ 34,168,836	\$ 32,761,566	\$ 33,946,123	\$ 34,477,633
Total net debt applicable to limit	<u>6,497,766</u>	<u>7,026,942</u>	<u>7,209,639</u>	<u>64,500</u>
Legal debt margin	<u>\$ 27,671,070</u>	<u>\$ 25,734,624</u>	<u>\$ 26,736,484</u>	<u>\$ 34,413,133</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>19.02%</u>	<u>21.45%</u>	<u>21.24%</u>	<u>0.19%</u>

Legal Debt Margin Calculation for Fiscal Year 2017:

Equalized assessed valuation of taxable property	\$ 396,160,414
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	34,168,836
Less debt applicable to limit	<u>6,497,766</u>
Legal debt margin	<u>\$ 27,671,070</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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 36,967,628	\$ 40,039,729	\$ 49,035,692	\$ 48,689,170	\$ 46,955,490	\$ 41,764,157
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,667</u>	<u>200,002</u>
<u>\$ 36,967,628</u>	<u>\$ 40,039,729</u>	<u>\$ 49,035,692</u>	<u>\$ 48,689,170</u>	<u>\$ 46,888,823</u>	<u>\$ 41,564,155</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.14%</u>	<u>0.48%</u>

**CITY OF PALOS HEIGHTS, ILLINOIS
 PLEDGED-REVENUE COVERAGE
 DECEMBER 31, 2017**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2017	\$ 349,701	\$ 97,386	\$ 252,315	1.39
2016	316,265	25,775	261,086	1.10
2015	271,092	-	253,954	1.07
2014	93,791	7,003	61,335	1.37

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

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

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Income	Metro Area Unemployment Rate	Median Age
2017	12,515	\$ 547,781	\$ 43,770	5.00 %	50.9
2016	12,515	547,781	43,770	5.70	50.9
2015	12,515	547,781	43,770	6.00	50.9
2014	12,515	547,781	43,770	6.20	50.9
2013	12,515	547,781	43,770	8.60	50.9
2012	12,515	547,781	43,770	8.80	50.9
2011	12,515	547,781	43,770	9.30	50.9
2010	12,960	426,319	32,895	9.10	46.8
2009	12,960	426,319	32,895	10.00	46.8
2008	12,960	426,319	32,895	6.20	46.8

Data Sources:

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

Education Level

Age 25 and Older

<u>Four Years High School</u>	<u>One Year or More of College</u>	<u>Elementary Enrollment</u>
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
8,597	6,404	2,843
7,328	5,348	2,852
7,328	5,348	2,852
7,328	5,348	2,852

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Function:										
Public safety - Police:										
Officers	28	27	29	28	26	27	27	27	27	27
Civilians	3	3	3	3	3	3	3	3	2	2
Public works	16	16	16	16	15	15	15	16	16	16
Recreation	6	7	6	6	6	6	6	6	6	6
Lake Katherine	4	3	3	3	3	3	3	3	4	4
General government	9	8	9	8	7	8	10	9	9	9
Motor vehicle maintenance	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	<u>68</u>	<u>66</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>65</u>	<u>67</u>	<u>67</u>	<u>67</u>	<u>67</u>

Source: City records

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Function:			
Public safety:			
Police department:			
Arrests	439	564	625
Traffic violations	1,415	1,536	1,562
Compliance violations	1,687	1,036	1,465
Public works:			
Streets resurfaced (in miles)	1.89	1.10	1.90
Building and community development:			
Building permits issued:			
Commercial	202	149	196
Residential	652	642	694
Building value	\$ 47,693,103	\$ 14,456,771	\$ 41,518,041
Number of dwelling units	5,057	5,057	5,057
Number of registered voters	9,174	9,174	9,174
Waterworks and sewerage:			
Number of properties served by the combined waterworks and sewerage system	5,176	5,176	5,176
Number of metered customers served by the combined waterworks and sewerage system	5,607	5,607	5,607
Number of metered customers served by the waterworks system only	2	2	2
Water main breaks	51	37	47
Average daily consumption (in 000's)	1,502	1,514	1,573
Gallons per customer	98	99	102
Gallons per capita	44	44	46
Total gallons purchased and pumped by the City (in 000's)	548,360	552,593	574,074
Total gallons billed (in 000's)	490,571	497,801	492,153

Source: City records

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
763	1,268	679	534	1,274	1,285	1,172
918	2,449	4,150	2,072	4,322	4,230	3,225
1,811	1,803	79	1,531	342	68	126
1.92	1.26	1.12	0.78	0.79	2.10	2.40
182	181	230	245	230	618	2
643	574	551	628	618	232	815
\$ 13,019,521	\$ 76,879,203	\$ 14,491,902	\$ 20,495,154	\$441,545,312	\$ 14,028,092	\$ 4,980,634
5,057	5,057	5,057	5,057	5,113	5,111	5,111
9,174	11,611	11,611	11,611	11,611	11,880	11,880
5,176	5,176	5,176	5,176	5,176	5,174	5,168
5,607	5,607	5,659	5,650	5,577	5,665	5,566
2	2	2	2	2	2	2
46	67	51	28	44	43	29
1,531	1,660	1,780	1,598	1,807	1,621	1,784
100	108	115	103	118	104	117
45	47	50	45	51	46	50
558,843	606,030	649,518	583,315	659,489	591,740	651,041
493,491	549,313	582,333	543,983	585,081	568,481	596,608