

CITY OF PALOS HEIGHTS  
STATE OF ILLINOIS

Comprehensive Annual Financial Report

Fiscal Year:

January 1, 2020 ~ December 31, 2020



**CITY OF PALOS HEIGHTS, ILLINOIS**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2020**

Report issued by:  
City of Palos Heights  
Finance Department

**CITY OF PALOS HEIGHTS, ILLINOIS  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2020**

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## **INTRODUCTORY SECTION**



**Mayor**

Robert S. Straz

**City Clerk**

Thomas Kantas

**City Treasurer**

James Daemicke, CPA

**Aldermen**

**WARD 1**

Jeffrey Key

Donald Bylut

**WARD 2**

Jack Clifford

Robert Basso

**WARD 3**

Heather Begley

Brent Lewandowski

**WARD 4**

Michael McGrogan

Jerry McGovern

June 28, 2021

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, 2020, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Palos Heights. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

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

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

## The City and its Services

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

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

The City of Palos Heights provides the following municipal services:

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

## Major Initiatives

### ECONOMIC CONDITION AND OUTLOOK

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

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

### FOR THE YEAR

The City of Palos Heights continues major infrastructure improvements in such areas as road resurfacing, drainage improvements, new and replaced sidewalks, bike path resurfacing, and flood control. A few of the projects completed this year were improvements to City Hall grounds including new countertops and glass panels at the front desk and landscaping, the purchase of capital equipment for Public Works including two new dump trucks, asset management software, new highway message board, two new pick up trucks, sewer lining and repairs, and purchase of capital equipment for Police Department. We maintain one of the lowest water and sewer rates in the area.

The City of Palos Heights provides Park and Recreations services to its residents. The City of Palos Heights recently made improvements in Palmer Park including paved loop trail, pollinator garden, picnic shade shelter, bocce court, 2 half basketball courts, practice soccer field, practice baseball field, and a universally accessible playground.

#### FOR THE FUTURE

The City of Palos Heights enters fiscal year 2021 on a sound financial basis. Budgeted revenues and expenditures in the General Fund in 2021 are balanced. Budgeted revenues and expenditures in the Enterprise Fund in 2021 are also balanced. These two funds represent the majority of the financial activity of the City.

The City of Palos Heights is currently working on front office improvements at City Hall, development of Misty Meadows park, the purchase of capital equipment for Public Works, new sidewalks along Ridgeland Avenue, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot, 123<sup>rd</sup> Street reconstruction and improvements at the Recreation Center.

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

#### LONG-TERM FINANCIAL PLANNING

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

#### Accounting System and Budgetary Control

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

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

The level of budgetary controls is maintained at the fund level. The City Administrator is authorized to move \$5,000 between line items as long as the total expenses for the fund does not increase. Any change to the total expenses within a fund must be approved by City Council. The Mayor and City Council regularly discuss favorable and unfavorable variances of the actual to budget.

#### Financial Highlights

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

#### Debt Administration

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

#### Independent Audit

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

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

#### Acknowledgements

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

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

Respectfully submitted,

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

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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palos Heights  
Illinois**

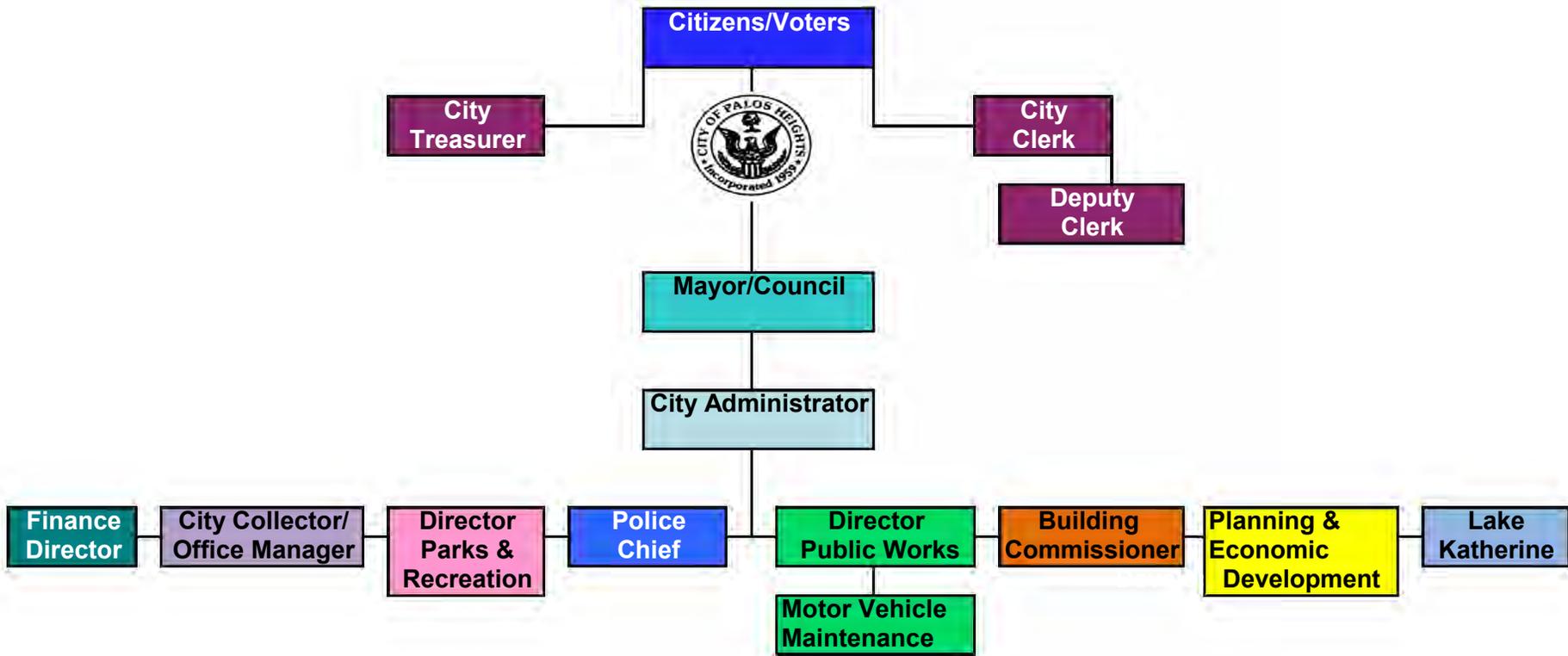
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morrill*

Executive Director/CEO

# City of Palos Heights Organizational Chart



**CITY OF PALOS HEIGHTS, ILLINOIS  
OFFICERS AND OFFICIALS  
DECEMBER 31, 2020**

MAYOR

ROBERT S. STRAZ

ALDERMEN

DONALD BYLUT - WARD ONE  
JEFFERY M. KEY - WARD ONE  
ROBERT BASSO - WARD TWO  
JACK CLIFFORD - WARD TWO  
BRENT LEWANDOWSKI - WARD THREE  
DOLORES KRAMARSKI - WARD THREE  
JERRY MCGOVERN - WARD FOUR  
MICHAEL MCGROGAN - WARD FOUR

CLERK

THOMAS KANTAS

TREASURER

JAMES DAEMICKE

ADMINISTRATOR

DANIEL NISAVIC

ATTORNEY

THOMAS BROWN

## **FINANCIAL SECTION**



14300 Ravinia Avenue, Suite 200 ■ Orland Park, Illinois ■ 60462  
Ph: 708.349.6999 ■ Fax: 708.349.6639 ■ www.muellercpa.com

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of Palos Heights, Illinois, as of and for the year ended December 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palos Heights, Illinois, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xiii through xxii and employee retirement and post-employment benefit plan information on pages 62 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Palos Heights, Illinois. The introductory section, combining and individual fund financial statements and schedules, Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

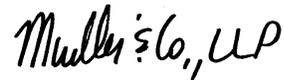
The combining and individual fund financial statements and schedules, the Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying 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, the Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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, 2019, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Palos Heights, Illinois as a whole. The individual fund financial statements and schedules for the year ended December 31, 2019, 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 2019 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 2019 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the City of Palos Heights, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Palos Heights, Illinois' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palos Heights, Illinois' internal control over financial reporting and compliance.

Handwritten signature of Muller & Co., LLP in black ink.

Orland Park, Illinois  
June 28, 2021

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

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

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As management of the City of Palos Heights, Illinois, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of December 31, 2020 by \$20,860,473 (*net position*). Of this amount, \$28,900,640 is invested in capital assets and \$2,982,153 is restricted; (\$11,022,320) is a deficit.
- The total net position of the City increased by \$1,948,624 during the year ended December 31, 2020.
- As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$10,057,221. Approximately 39% of this amount (\$3,970,597) is available for spending at the government's discretion (*unassigned fund balance*).
- For the fiscal year ending December 31, 2020, total governmental funds revenues and other financing sources exceeded expenditures and other financing uses by \$690,076.
- 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 \$3,970,597, or approximately 34% of total General Fund expenditures.
- The City's long-term liabilities at December 31, 2020 totaled \$31,505,745. The City's long-term liabilities include a liability of \$18,237,044 related to the police pension, a liability of \$547,298 related to the Illinois Municipal Retirement Fund, and a liability of \$2,062,719 related to other post-employment benefits as of December 31, 2020.

### **Overview of the Financial Statements**

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

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

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

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

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

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

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

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

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

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

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

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

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

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

The basic governmental fund financial statements can be found on pages 5-15 of this report.

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

The basic proprietary fund financial statements can be found on pages 16-20 of this report.

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

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

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**Notes to Basic Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 23-61 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. This information is provided on pages 62-71 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 72-122 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 \$20,860,473 at the close of the most recent fiscal year.

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 18,423,624	\$ 17,920,714	\$ 9,893,320	\$ 9,751,567	\$ 28,316,944	\$ 27,672,281
Capital assets	29,244,691	29,506,735	4,994,545	5,020,397	34,239,236	34,527,132
Total assets	<u>47,668,315</u>	<u>47,427,449</u>	<u>14,887,865</u>	<u>14,771,964</u>	<u>62,556,180</u>	<u>62,199,413</u>
Deferred outflows of resources	4,005,498	3,607,723	446,160	311,229	4,451,658	3,918,952
Current and other liabilities	1,291,577	1,707,629	748,890	724,762	2,040,467	2,432,391
Long-term liabilities outstanding	30,711,116	33,385,981	794,629	1,099,164	31,505,745	34,485,145
Total liabilities	<u>32,002,693</u>	<u>35,093,610</u>	<u>1,543,519</u>	<u>1,823,926</u>	<u>33,546,212</u>	<u>36,917,536</u>
Deferred inflows of resources	12,176,918	10,045,352	424,235	243,628	12,601,153	10,288,980
Net position:						
Net investment in capital assets	23,996,463	23,914,248	4,904,177	4,464,509	28,900,640	28,378,757
Restricted	2,982,153	2,627,287	-	-	2,982,153	2,627,287
Unrestricted	(19,484,414)	(20,645,325)	8,462,094	8,551,130	(11,022,320)	(12,094,195)
Total net position	<u>\$ 7,494,202</u>	<u>\$ 5,896,210</u>	<u>\$ 13,366,271</u>	<u>\$ 13,015,639</u>	<u>\$ 20,860,473</u>	<u>\$ 18,911,849</u>

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 (14.3%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City had an unrestricted net deficit of \$(19,484,414) related to governmental activities. This relates mostly to the City's net pension liabilities.

The City's overall net position increased \$1,948,624 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 2020 and its effects on net position.

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,938,891	\$ 2,899,778	\$ 7,364,461	\$ 7,106,800	\$ 9,303,352	\$ 10,006,578
Capital grants and contributions	795,303	79,297	-	-	795,303	79,297
General revenues:						
Property taxes	7,222,096	7,313,223	-	-	7,222,096	7,313,223
Utility taxes	1,017,182	1,073,019	-	-	1,017,182	1,073,019
Business district taxes	115,916	106,094	-	-	115,916	106,094
Intergovernmental - unrestricted	3,955,946	3,470,975	-	-	3,955,946	3,470,975
Investment income	90,649	262,187	100,641	165,410	191,290	427,597
Gain on sale of assets	-	-	-	-	-	-
Other income	907,509	1,061,857	39,116	35,410	946,625	1,097,267
Total revenues	<u>16,043,492</u>	<u>16,266,430</u>	<u>7,504,218</u>	<u>7,307,620</u>	<u>23,547,710</u>	<u>23,574,050</u>
Expenses:						
General government	2,112,880	2,466,705	-	-	2,112,880	2,466,705
Police and emergency services	6,462,128	8,485,331	-	-	6,462,128	8,485,331
Public works	2,507,963	3,023,254	-	-	2,507,963	3,023,254
Recreation and culture	2,981,754	2,811,596	-	-	2,981,754	2,811,596
Interest	380,775	401,484	-	-	380,775	401,484
Waterworks and sewerage	-	-	7,142,761	6,027,803	7,142,761	6,027,803
Parking lot	-	-	10,825	45,604	10,825	45,604
Total expenses	<u>14,445,500</u>	<u>17,188,370</u>	<u>7,153,586</u>	<u>6,073,407</u>	<u>21,599,086</u>	<u>23,261,777</u>
Change in net position	1,597,992	(921,940)	350,632	1,234,213	1,948,624	312,273
Net position at beginning of year	<u>5,896,210</u>	<u>6,818,150</u>	<u>13,015,639</u>	<u>11,781,426</u>	<u>18,911,849</u>	<u>18,599,576</u>
Net position at end of year	<u>\$ 7,494,202</u>	<u>\$ 5,896,210</u>	<u>\$ 13,366,271</u>	<u>\$ 13,015,639</u>	<u>\$ 20,860,473</u>	<u>\$ 18,911,849</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased by \$1,597,992 from the prior fiscal year for an ending net position balance of \$7,494,202. This was mainly related to additional grants received and changes in long-term liabilities during the year.

**Business-type Activities.** During the current fiscal year, net position for the business-type activities increased by \$350,632 from the prior fiscal year for an ending net position balance of \$13,366,271. Revenues remained comparable to prior year. Expenses increased due to maintenance projects throughout the City.

**City of Palos Heights, Illinois  
Management's Discussion and Analysis (Unaudited)  
December 31, 2020**

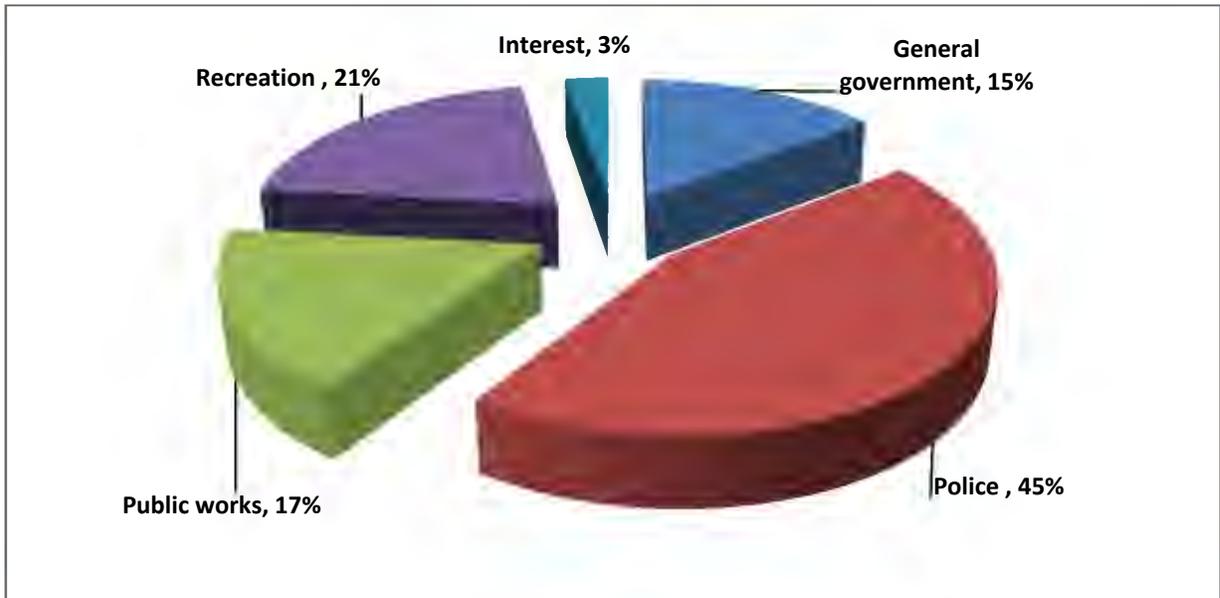
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The following graphs illustrate general governmental activity revenues by source as well as how funds are used by the governmental activities, based on the data shown in the above chart:

**General Revenues by Source - Governmental Activities**



**Expenses - Governmental Activities**



**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

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**Financial Analysis of the Government's Funds**

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

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

As of December 31, 2020 the City's governmental funds reported combined fund balances of \$10,057,221, an increase of \$690,076 over the prior fiscal year. As noted earlier, approximately 39% of this amount (\$3,970,597) is available for spending at the government's discretion (*unassigned fund balance*). The remainder of the fund balance is either *nonspendable, restricted, committed* or *assigned* to indicate that it is 1) restricted for particular purposes (\$3,015,571), or 2) assigned for particular purposes (\$3,071,053).

As of December 31, 2020, the City's General Fund, its chief operating fund, reported an ending balance of \$3,970,597. This is a decrease of \$608,968 in comparison with the prior fiscal year. Intergovernmental revenues such as State Income Tax and Local Use Tax increased in the current year. Permit fees also increased in the current year. These increases were offset by decreased fine revenues, rental fees and program fees, and increases in insurance expenditures and a business incentive program called Love Local Business. The decreases in revenues were directly related to the COVID-19 pandemic. The fund balance in the General Fund was unassigned at December 31, 2020.

As of December 31, 2020, the City's Capital Projects Fund reported an ending balance of \$2,700,207. This is an increase of \$955,606 in comparison to the prior year. The change in fund balance was due to a transfer from the General Fund and the delay of the Ridgeland Avenue project and City Hall improvements.

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

The Waterworks and Sewerage fund saw a \$349,705 increase in its net position in 2020. Operating revenues exceeded operating expenses for the year. This increase was offset somewhat by an increase in Commodities and other expenses during the current year. Net position in the Waterworks and Sewerage Fund will be used for planned capital projects.

**Fiduciary Fund.** As stated before, fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others and the accounting is similar to proprietary funds. As of December 31, 2020, \$28,793,084 was held in trust for police pension benefits.

**Budgetary Highlights**

The 2020 annual expenditure budget for the City's General Fund identified the budgeted level of spending at \$12,985,839. Actual expenditures were less than budgeted expenditures by approximately \$1,393,512, or 10.7 percent.

**City of Palos Heights, Illinois**  
**Management’s Discussion and Analysis (Unaudited)**  
**December 31, 2020**

Actual revenues were less than budgeted revenues in the General Fund by \$632,926, or approximately 4.8 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>
Fees by agreement	\$892,500	\$311,029	\$(581,471)

The City’s fees by agreement were directly impacted by the COVID-19 pandemic.

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

<u>Expenditure function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government - Corporate subfund	\$2,020,143	\$1,804,792	\$215,351

General government expenditures for hospital and medical insurance expenditures came in lower than expected.

**Capital Asset Administration**

The City’s investment in capital assets as of December 31, 2020, net of accumulated depreciation, is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 9,332,820	\$ 9,515,760	\$ 45,849	\$ 45,849	\$ 9,378,669	\$ 9,561,609
Buildings and building improvements	12,503,761	12,967,615	1,308,845	1,378,807	13,812,606	14,346,422
Equipment	1,109,747	1,012,130	129,824	67,705	1,239,571	1,079,835
Water distribution, storm system and sanitary systems			3,510,027	3,528,036	3,510,027	3,528,036
Infrastructure	5,560,421	5,967,411			5,560,421	5,967,411
Construction in progress	737,942	43,819	-	-	737,942	43,819
Total	<u>\$ 29,244,691</u>	<u>\$ 29,506,735</u>	<u>\$ 4,994,545</u>	<u>\$ 5,020,397</u>	<u>\$ 34,239,236</u>	<u>\$ 34,527,132</u>

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

Palmer Park renovations, 4 Chevy Tahoes, 3 Chevy Silverados, a street sweeper and 2 International Trucks.

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

**City of Palos Heights, Illinois**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2020**

**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>	
	2020	2019	2020	2019	2020	2019
Compensated absences	\$ 1,695,837	\$ 1,813,021	\$ 194,060	\$ 295,530	\$ 1,889,897	\$ 2,108,551
Net pension liability	18,237,044	20,108,037	-	-	18,237,044	20,108,037
Post-employment benefits liability	1,668,327	1,410,271	394,392	357,651	2,062,719	1,767,922
IMRF liability	431,489	816,297	115,809	245,546	547,298	1,061,843
General obligation bond, including premium	5,224,905	5,530,680	-	-	5,224,905	5,530,680
Notes payable	3,430,191	3,645,868	-	-	3,430,191	3,645,868
Installment contract	23,323	61,807	90,368	200,437	113,691	262,244
Total	<u>\$ 30,711,116</u>	<u>\$ 33,385,981</u>	<u>\$ 794,629</u>	<u>\$ 1,099,164</u>	<u>\$ 31,505,745</u>	<u>\$ 34,485,145</u>

Additional information on the City's long-term liabilities can be found in note II E on pages 41 – 44 of this report.

**Economic Factors and Next Year's Budget**

- During 2005, the City established the Gateway Tax Increment Financing (TIF) project, which will provide economic development benefits to the area around Harlem Avenue and College Drive. These benefits will continue to be utilized during FY 2021 as the City continues the development of the property west of the senior living complex.
- During 2011, the City established the 127<sup>th</sup> and Harlem Avenue Tax Increment Financing (TIF) project and Harlem Avenue Business District, which will provide economic development benefits to the area around Harlem Avenue and 127<sup>th</sup> Street. These benefits will continue to be utilized during 2021 and it is the City's intention to continue the development and redevelopment within the boundaries of the TIF.
- During 2021 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 2021, the City will continue with capital projects such as office improvements at City Hall, development of Misty Meadows park, the purchase of capital equipment for Public Works, new sidewalks along Ridgeland Avenue, resurfacing of a portion of the bike trail, preliminary engineering on the Lake Katherine parking lot, 123<sup>rd</sup> Street reconstruction and improvements at the Recreation Center. The City will continue its Road Program in 2021 at various locations throughout the City.

**Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,495,771	\$ 8,520,690	\$ 18,016,461	\$ 1,302,169
Receivables	8,285,452	1,372,630	9,658,082	1,766,585
Other	642,401	-	642,401	-
Capital assets not being depreciated:				
Land	4,721,987	45,849	4,767,836	314,652
Construction in progress	737,942	-	737,942	-
Capital assets net of accumulated depreciation:				
Land improvements	4,610,833	-	4,610,833	-
Buildings and improvements	12,503,761	1,308,845	13,812,606	2,216,160
Equipment	1,109,747	129,824	1,239,571	137,850
Library collection	-	-	-	240,368
Water distribution, storm and sanitary system	-	3,510,027	3,510,027	-
Infrastructure	5,560,421	-	5,560,421	-
Total assets	<u>47,668,315</u>	<u>14,887,865</u>	<u>62,556,180</u>	<u>5,977,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	3,396,383	232,780	3,629,163	208,143
Deferred outflows of resources related to other post-employment benefits	<u>609,115</u>	<u>213,380</u>	<u>822,495</u>	<u>-</u>
Total deferred outflows of resources	<u>4,005,498</u>	<u>446,160</u>	<u>4,451,658</u>	<u>208,143</u>

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	828,750	748,890	1,577,640	14,278
Unearned revenue	91,922	-	91,922	-
Deposits held	370,905	-	370,905	-
Noncurrent liabilities:				
Due within one year	2,088,947	235,913	2,324,860	-
Due in more than one year	<u>28,622,169</u>	<u>558,716</u>	<u>29,180,885</u>	<u>105,880</u>
Total liabilities	<u>32,002,693</u>	<u>1,543,519</u>	<u>33,546,212</u>	<u>120,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	4,707,086	368,548	5,075,634	337,748
Deferred inflows of resources related to other post-employment benefits	208,632	55,687	264,319	-
Property taxes levied for future period	<u>7,261,200</u>	<u>-</u>	<u>7,261,200</u>	<u>1,736,197</u>
Total deferred inflows of resources	<u>12,176,918</u>	<u>424,235</u>	<u>12,601,153</u>	<u>2,073,945</u>
<b>NET POSITION</b>				
Net investment in capital assets	23,996,463	4,904,177	28,900,640	2,909,030
Restricted for:				
Law enforcement	1,071,877	-	1,071,877	-
Community redevelopment	885,974	-	885,974	-
Road construction and maintenance	776,650	-	776,650	-
Other purposes	247,652	-	247,652	17,801
Unrestricted	<u>(19,484,414)</u>	<u>8,462,094</u>	<u>(11,022,320)</u>	<u>1,064,993</u>
Total net position	<u>\$ 7,494,202</u>	<u>\$ 13,366,271</u>	<u>\$ 20,860,473</u>	<u>\$ 3,991,824</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>			<u>Component Unit</u>
				<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>		
Functions/programs:								
Primary government:								
Governmental activities:								
General government	\$ 2,112,880	\$ 983,080	\$ -	\$ 656,190	\$ (473,610)	\$ -	\$ (473,610)	\$ -
Police and emergency services	6,462,128	613,297	-	-	(5,848,831)	-	(5,848,831)	-
Public works	2,507,963	-	-	139,113	(2,368,850)	-	(2,368,850)	-
Recreation and culture	2,981,754	342,514	-	-	(2,639,240)	-	(2,639,240)	-
Interest expense	380,775	-	-	-	(380,775)	-	(380,775)	-
Total governmental activities	<u>14,445,500</u>	<u>1,938,891</u>	<u>-</u>	<u>795,303</u>	<u>(11,711,306)</u>	<u>-</u>	<u>(11,711,306)</u>	<u>-</u>
Business-type activities:								
Waterworks and sewerage	7,142,761	7,352,709	-	-	-	209,948	209,948	-
Parking lot	10,825	11,752	-	-	-	927	927	-
Total business-type activities	<u>7,153,586</u>	<u>7,364,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,875</u>	<u>210,875</u>	<u>-</u>
Total primary government	<u>\$ 21,599,086</u>	<u>\$ 9,303,352</u>	<u>\$ -</u>	<u>\$ 795,303</u>	<u>(11,711,306)</u>	<u>210,875</u>	<u>(11,500,431)</u>	<u>-</u>
Component unit	<u>\$ 1,538,138</u>	<u>\$ 4,984</u>	<u>\$ 15,644</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,517,510)</u>
		General revenues:						
		Taxes:						
		Property		7,222,096	-	7,222,096	1,605,977	
		Utility		1,017,182	-	1,017,182	-	
		Business district sales		115,916	-	115,916	-	
		Intergovernmental		3,955,946	-	3,955,946	9,434	
		Investment income		90,649	100,641	191,290	4,019	
		Other income		907,509	39,116	946,625	30,039	
		Total general revenues		<u>13,309,298</u>	<u>139,757</u>	<u>13,449,055</u>	<u>1,649,469</u>	
		Changes in net position		1,597,992	350,632	1,948,624	131,959	
		Net position at beginning of year		<u>5,896,210</u>	<u>13,015,639</u>	<u>18,911,849</u>	<u>3,859,865</u>	
		Net position at end of year		<u>\$ 7,494,202</u>	<u>\$ 13,366,271</u>	<u>\$ 20,860,473</u>	<u>\$ 3,991,824</u>	

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

**FUND FINANCIAL STATEMENTS**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>				<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,377,786	\$ 2,636,253	\$ 3,481,732	\$ 9,495,771	\$ 9,455,336
Receivables:					
Property taxes	6,011,252	-	1,246,223	7,257,475	7,032,807
Accounts, net of allowance for uncollectible accounts	137,918	-	6,367	144,285	143,136
Due from other funds	116,495	-	35,391	151,886	206,887
Due from other governments	531,035	292,650	60,007	883,692	658,813
Prepaid items	-	-	-	-	195,793
Other	<u>642,401</u>	<u>-</u>	<u>-</u>	<u>642,401</u>	<u>434,829</u>
Total assets	<u>\$ 10,816,887</u>	<u>\$ 2,928,903</u>	<u>\$ 4,829,720</u>	<u>\$ 18,575,510</u>	<u>\$ 18,127,601</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 271,212	\$ 125,244	\$ 147,856	\$ 544,312	\$ 596,280
Accrued expenditures	98,064	-	-	98,064	273,994
Unearned revenue	91,922	-	-	91,922	320,759
Deposits held	370,905	-	-	370,905	318,660
Due to other funds	<u>-</u>	<u>103,452</u>	<u>48,434</u>	<u>151,886</u>	<u>206,887</u>
Total liabilities	<u>832,103</u>	<u>228,696</u>	<u>196,290</u>	<u>1,257,089</u>	<u>1,716,580</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for future period	<u>6,014,187</u>	<u>-</u>	<u>1,247,013</u>	<u>7,261,200</u>	<u>7,043,876</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	195,793
Restricted	-	-	3,015,571	3,015,571	2,652,094
Assigned	-	2,700,207	370,846	3,071,053	2,135,486
Unassigned	<u>3,970,597</u>	<u>-</u>	<u>-</u>	<u>3,970,597</u>	<u>4,383,772</u>
Total fund balances	<u>3,970,597</u>	<u>2,700,207</u>	<u>3,386,417</u>	<u>10,057,221</u>	<u>9,367,145</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,816,887</u>	<u>\$ 2,928,903</u>	<u>\$ 4,829,720</u>	<u>\$ 18,575,510</u>	<u>\$ 18,127,601</u>

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
RECONCILIATION OF FUND BALANCES - TOTAL GOVERNMENTAL  
FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020**

Fund balances - total governmental funds \$ 10,057,221

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 29,244,691

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	\$	(5,060,000)
Unamortized issuance premium		(164,905)
Notes payable		(3,430,191)
Installment contract payable		(23,323)
Compensated absences payable		(1,695,837)
Net pension liabilities		(18,668,533)
Net other post-employment benefits liability		<u>(1,668,327)</u>

Total (30,711,116)

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	\$	4,005,498
Deferred inflows related to pensions and other post-employment benefits		<u>(4,915,718)</u>

Total (910,220)

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. (186,374)

Net position of governmental activities \$ 7,494,202

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
				<u>2020</u>	<u>2019</u>
Revenues:					
Taxes:					
Property levies, net	\$ 5,624,468	\$ -	\$ 1,597,628	\$ 7,222,096	\$ 7,313,223
Utility	1,017,182	-	-	1,017,182	1,073,019
Business district sales	-	-	115,916	115,916	106,094
Intergovernmental	3,199,210	-	756,736	3,955,946	3,470,975
Charges for services	328,131	-	-	328,131	416,024
Fees by agreement	311,029	-	-	311,029	959,110
Fines, forfeitures and penalties	71,986	-	541,311	613,297	678,823
Grants	300,985	494,318	-	795,303	8,987
Investment income	67,979	1,780	20,890	90,649	262,187
Licenses, permits and inspections	484,831	-	-	484,831	388,226
Swimming pool	31,485	-	-	31,485	273,539
Vehicle tag income	170,118	-	-	170,118	184,056
Other income	820,523	19,138	67,848	907,509	1,061,857
	<u>12,427,927</u>	<u>515,236</u>	<u>3,100,329</u>	<u>16,043,492</u>	<u>16,196,120</u>
Total revenues					
Expenditures:					
Current:					
General government	1,861,450	-	676,744	2,538,194	2,349,717
Public safety	6,393,968	-	631,798	7,025,766	6,737,633
Public works	1,134,450	-	48,891	1,183,341	1,175,352
Recreational department	1,626,806	-	210,575	1,837,381	2,162,070
Roads and construction	471,474	-	-	471,474	446,459
Debt service:					
Principal	38,484	-	500,677	539,161	424,149
Interest	2,423	-	410,689	413,112	429,611
Capital outlay:					
General government	-	-	-	-	256,754
Public works	20,374	178,594	-	198,968	269,508
Recreational department	16,671	587,401	-	604,072	239,465
Roads and construction	26,227	193,203	416,454	635,884	719,066
	<u>11,592,327</u>	<u>959,198</u>	<u>2,895,828</u>	<u>15,447,353</u>	<u>15,209,784</u>
Total expenditures					(continued)

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
				<u>2020</u>	<u>2019</u>
Excess (deficiency) of revenues over expenditures	835,600	(443,962)	204,501	596,139	986,336
Other financing sources (uses):					
Proceeds from sale of capital assets	-	-	93,937	93,937	57,500
Transfers in	-	1,399,568	45,000	1,444,568	741,228
Transfers out	(1,444,568)	-	-	(1,444,568)	(741,228)
Total other financing sources (uses)	(1,444,568)	1,399,568	138,937	93,937	57,500
Net change in fund balances	(608,968)	955,606	343,438	690,076	1,043,836
Fund balances at beginning of year	4,579,565	1,744,601	3,042,979	9,367,145	8,323,309
Fund balances at end of year	<u>\$ 3,970,597</u>	<u>\$ 2,700,207</u>	<u>\$ 3,386,417</u>	<u>\$ 10,057,221</u>	<u>\$ 9,367,145</u> (concluded)

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balance - total governmental funds \$ 690,076

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,369,625) exceeded capitalized capital outlays (\$1,150,414) in the current period. (219,211)

The net effect of transactions involving dispositions of capital assets was to decrease net position. (42,833)

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

Principal repayments of general obligation bonds	\$	285,000
Amortization of issuance premium		20,775
Principal repayments of notes payable		215,677
Principal repayments of installment contract		<u>38,484</u>

Total 559,936

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which City contributions exceeded pension benefits earned in the current period. 553,171  
(continued)

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

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. (71,893)

Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds. 117,184

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. 11,562

Change in net position of governmental activities \$ 1,597,992  
(concluded)

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes:			
Property levies, net	\$ 5,754,767	\$ 5,624,468	\$ (130,299)
Utility	1,120,000	1,017,182	(102,818)
Intergovernmental	2,982,500	3,199,210	216,710
Charges for services	382,600	328,131	(54,469)
Fees by agreement	892,500	311,029	(581,471)
Fines, forfeitures and penalties	190,000	71,986	(118,014)
Grants	-	300,985	300,985
Investment income	140,000	67,979	(72,021)
Licenses, permits and inspections	327,900	484,831	156,931
Swimming pool	294,500	31,485	(263,015)
Vehicle tag income	180,500	170,118	(10,382)
Other income	<u>795,586</u>	<u>820,523</u>	<u>24,937</u>
Total revenues	<u>13,060,853</u>	<u>12,427,927</u>	<u>(632,926)</u>
Expenditures:			
Current:			
Personnel	6,522,074	6,002,272	519,802
Retirement contributions	2,072,267	2,071,195	1,072
Hospital and medical insurance	1,087,000	1,000,013	86,987
Contractual	1,986,209	1,795,987	190,222
Commodities	518,459	298,300	220,159
Other	320,830	198,185	122,645
Legal department	64,000	74,817	(10,817)
Vehicle tag expense	55,000	47,379	7,621
Debt service:			
Principal	41,500	38,484	3,016
Interest	-	2,423	(2,423)
Capital outlay	<u>318,500</u>	<u>63,272</u>	<u>255,228</u>
Total expenditures	<u>12,985,839</u>	<u>11,592,327</u>	<u>1,393,512</u>
Excess of revenues over expenditures	<u>75,014</u>	<u>835,600</u>	<u>760,586</u>

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

	<b><u>Original and Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Final Budget</u></b>
Other financing sources (uses):			
Proceeds from sale of capital assets	5,000	-	(5,000)
Transfers out	<u>(159,944)</u>	<u>(1,444,568)</u>	<u>(1,284,624)</u>
Total other financing sources (uses)	<u>(154,944)</u>	<u>(1,444,568)</u>	<u>(1,289,624)</u>
Net change in fund balances	(79,930)	(608,968)	(529,038)
Fund balances at beginning of year	<u>4,579,565</u>	<u>4,579,565</u>	<u>-</u>
Fund balances at end of year	<u>\$ 4,499,635</u>	<u>\$ 3,970,597</u>	<u>\$ (529,038)</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019**

ASSETS	Business-type Activities - Enterprise Funds			
	Waterworks and Sewerage	Nonmajor Fund	Totals	
			2020	2019
Current assets:				
Cash and cash equivalents	\$ 8,419,889	\$ 100,801	\$ 8,520,690	\$ 8,488,966
Accounts receivable - water customers:				
Billed	464,447	-	464,447	347,236
Unbilled	908,183	-	908,183	915,365
Total current assets	9,792,519	100,801	9,893,320	9,751,567
Noncurrent assets:				
Capital assets:				
Land	45,849	-	45,849	45,849
Building and improvements	3,578,933	-	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,686,272	-	9,686,272	9,514,958
Equipment	1,671,072	-	1,671,072	1,509,836
Total	14,982,126	-	14,982,126	14,649,576
Less accumulated depreciation	(9,987,581)	-	(9,987,581)	(9,629,179)
Net capital assets	4,994,545	-	4,994,545	5,020,397
Total assets	14,787,064	100,801	14,887,865	14,771,964
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows or resources related to pensions	232,780	-	232,780	115,037
Deferred outflows of resources related to other post-employment benefits	213,380	-	213,380	196,192
Total deferred outflows of resources	446,160	-	446,160	311,229

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

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2020</b>	<b>2019</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	732,681	13	732,694	682,266
Accrued payroll	16,196	-	16,196	42,496
Current portion of long-term liabilities:				
Compensated absences	145,545	-	145,545	221,648
Installment contracts	90,368	-	90,368	110,069
Total current liabilities	<u>984,790</u>	<u>13</u>	<u>984,803</u>	<u>1,056,479</u>
Long-term liabilities:				
Compensated absences	48,515	-	48,515	73,882
Installment contracts	-	-	-	90,368
Net pension liability	115,809	-	115,809	245,546
Net other post-employment benefits liability	394,392	-	394,392	357,651
Total long-term liabilities	<u>558,716</u>	<u>-</u>	<u>558,716</u>	<u>767,447</u>
Total liabilities	<u>1,543,506</u>	<u>13</u>	<u>1,543,519</u>	<u>1,823,926</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	368,548	-	368,548	201,017
Deferred inflows of resources related to other post-employment benefits	55,687	-	55,687	42,611
Total deferred inflows of resources	<u>424,235</u>	<u>-</u>	<u>424,235</u>	<u>243,628</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,904,177	-	4,904,177	4,464,509
Unrestricted	8,361,306	100,788	8,462,094	8,551,130
Total net position	<u>\$ 13,265,483</u>	<u>\$ 100,788</u>	<u>\$ 13,366,271</u>	<u>\$ 13,015,639</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Waterworks</u>	<u>Nonmajor</u>	<u>Totals</u>	
	<u>and</u>		<u>Fund</u>	<u>2020</u>
	<u>Sewerage</u>			
Operating revenues:				
Charges for services	\$ 7,352,709	\$ 11,752	\$ 7,364,461	\$ 7,106,800
Sales of water meters	7,515	-	7,515	4,205
Other	31,601	-	31,601	31,205
	<u>7,391,825</u>	<u>11,752</u>	<u>7,403,577</u>	<u>7,142,210</u>
Total operating revenues				
Operating expenses:				
Personnel	1,191,875	9,712	1,201,587	1,488,378
Contractual	3,587,758	15	3,587,773	3,463,725
Commodities	1,612,314	1,098	1,613,412	493,629
Depreciation	390,132	-	390,132	325,023
Other	353,616	-	353,616	292,255
	<u>7,135,695</u>	<u>10,825</u>	<u>7,146,520</u>	<u>6,063,010</u>
Total operating expenses				
Operating income	<u>256,130</u>	<u>927</u>	<u>257,057</u>	<u>1,079,200</u>
Nonoperating revenue (expense):				
Investment income	100,641	-	100,641	165,410
Interest expense	(7,066)	-	(7,066)	(10,397)
	<u>93,575</u>	<u>-</u>	<u>93,575</u>	<u>155,013</u>
Total nonoperating revenue (expense)				
Change in net position	349,705	927	350,632	1,234,213
Net position at beginning of year	<u>12,915,778</u>	<u>99,861</u>	<u>13,015,639</u>	<u>11,781,426</u>
Net position at end of year	<u>\$ 13,265,483</u>	<u>\$ 100,788</u>	<u>\$ 13,366,271</u>	<u>\$ 13,015,639</u>

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2020</b>	<b>2019</b>
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,281,796	\$ 11,752	\$ 7,293,548	\$ 7,201,629
Payments to employees	(1,366,965)	(9,712)	(1,376,677)	(1,300,927)
Payments to suppliers	(5,146,687)	(2,235)	(5,148,922)	(4,243,101)
Net cash provided (used) by operating activities	<u>768,144</u>	<u>(195)</u>	<u>767,949</u>	<u>1,657,601</u>
Cash flows from capital and related financing activities:				
Payments for purchases of capital assets	(364,280)	-	(364,280)	(74,922)
Payment of accounts payable used to finance prior year purchases of capital assets	(355,451)	-	(355,451)	-
Principal paid on capital debt	(110,069)	-	(110,069)	(114,460)
Interest paid on capital debt	(7,066)	-	(7,066)	(10,397)
Net cash used by capital and related financing activities	<u>(836,866)</u>	<u>-</u>	<u>(836,866)</u>	<u>(199,779)</u>
Cash flows from investing activities:				
Investment income received	<u>100,641</u>	<u>-</u>	<u>100,641</u>	<u>165,410</u>
Net change in cash and cash equivalents	31,919	(195)	31,724	1,623,232
Cash and cash equivalents at beginning of year	<u>8,387,970</u>	<u>100,996</u>	<u>8,488,966</u>	<u>6,865,734</u>
Cash and cash equivalents at end of year	<u>\$ 8,419,889</u>	<u>\$ 100,801</u>	<u>8,520,690</u>	<u>\$ 8,488,966</u>

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

<b>Business-type Activities - Enterprise Funds</b>				
	<b>Waterworks and Sewerage</b>	<b>Nonmajor Fund</b>	<b>Totals</b>	
			<b>2020</b>	<b>2019</b>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 256,130	\$ 927	\$ 257,057	\$ 1,079,200
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	390,132	-	390,132	325,023
(Increase) decrease in:				
Accounts receivable	(110,029)	-	(110,029)	59,419
Deferred outflows of resources related to pensions	(117,743)	-	(117,743)	453,607
Deferred outflows of resources related to other post-employment benefits	(17,188)	-	(17,188)	(96,220)
Increase (decrease) in:				
Accounts payable	407,001	(1,122)	405,879	6,508
Accrued payroll	(26,300)	-	(26,300)	13,058
Compensated absences	(101,470)	-	(101,470)	183,203
Net pension liability	(129,737)	-	(129,737)	(404,407)
Net other post-employment benefits liability	36,741	-	36,741	77,100
Deferred inflows of resources related to pensions	167,532	-	167,532	(64,735)
Deferred inflows of resources related to other post-employment benefits	13,075	-	13,075	25,845
	<u>13,075</u>	<u>-</u>	<u>13,075</u>	<u>25,845</u>
Net cash provided (used) by operating activities	<u>\$ 768,144</u>	<u>\$ (195)</u>	<u>\$ 767,949</u>	<u>\$ 1,657,601</u>
Noncash capital and related financing activities:				
Purchases of capital assets financed with accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,451</u>

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND - PENSION TRUST FUND**  
**DECEMBER 31, 2020**  
**WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash	\$ 8,415	\$ 11,310
Accrued interest receivable	45,185	44,220
Prepaid expenses	4,964	4,363
Investments:		
Certificates of deposit	498,493	134,730
Debt issues:		
Corporate	1,719,498	1,355,423
Municipal	1,279,965	998,118
GNMA	50,102	59,150
Mutual funds:		
Equities	17,453,325	15,036,958
Mutual money market funds	466,422	245,847
U.S. government agency obligations	6,126,675	5,776,551
U.S. Treasury notes	1,156,359	865,984
Total assets	28,809,403	24,532,654
<b>LIABILITIES</b>		
Accounts payable	16,319	15,860
<b>NET POSITION</b>		
Restricted for pension benefits	\$ 28,793,084	\$ 24,516,794

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND - PENSION TRUST FUND**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions:		
Employees	\$ 304,570	\$ 281,434
Employer	<u>2,071,195</u>	<u>2,081,050</u>
Total contributions	<u>2,375,765</u>	<u>2,362,484</u>
Investment income	3,867,110	3,953,484
Less investment expense	<u>(58,403)</u>	<u>(53,844)</u>
Net investment income	<u>3,808,707</u>	<u>3,899,640</u>
Total additions	<u>6,184,472</u>	<u>6,262,124</u>
Deductions:		
Benefit payments	1,859,064	1,769,176
Refunds of contributions	-	320
Administrative expenses	<u>49,118</u>	<u>51,991</u>
Total deductions	<u>1,908,182</u>	<u>1,821,487</u>
Change in net position	4,276,290	4,440,637
Net position at beginning of year	<u>24,516,794</u>	<u>20,076,157</u>
Net position at end of year	<u>\$ 28,793,084</u>	<u>\$ 24,516,794</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

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

**B. Reporting Entity**

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

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

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

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

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YEAR ENDED DECEMBER 31, 2020**

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

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

**C. Basis of Presentation - Government-wide financial statements**

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

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

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

**D. Basis of Presentation - Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
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The City reports the following nonmajor governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

The City reports the following nonmajor enterprise fund:

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

Additionally, the City reports the following fiduciary fund type:

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
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YEAR ENDED DECEMBER 31, 2020**

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

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**F. Budgetary Information**

***1. Budgetary Basis of Accounting***

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

1. The administration submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public budget hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance. The budget for the year ended December 31, 2020 was adopted through the passage of ordinance number O-02-20 on February 4, 2020.
4. The City Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Budgets are adopted on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for enterprise funds. The level of control (level at which expenditures may not exceed budget/appropriations) is the fund.
6. Formal budgetary integration is employed as a management control device during the year for the budgeted funds. Formal budgetary integration was not employed for the Pension Trust Fund because effective budgetary control was achieved through other means.
7. The budget was not amended during the year ended December 31, 2020.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

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	\$ 12,841,826
Beautification Committee	46,863
Vehicle License	252,525
Special revenue funds:	
Seizure and Forfeiture	155,715
Motor Fuel Tax	519,750
Social Security and IMRF	766,250
Special Recreation	284,156
Police DUI Fine	10,500
Cal Sag Trail	10,500
Business District	162,750
PEG Capital	28,350
Capital projects funds:	
Capital Projects	1,779,750
127th and Harlem Tax Increment	349,335
Gateway Tax Increment	74,550
Debt service fund:	
Bond and Interest	487,030
Enterprise funds:	
Waterworks and Sewerage	11,062,298
Metra Station Parking	52,500

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

The City invests in The Illinois Funds, an investment pool managed by the Illinois State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The state of Illinois provides regulatory oversight of The Illinois Funds. The Illinois Funds is not registered with the Securities and Exchange Commission as an investment company. The Illinois Funds operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost.

The City also invests in the Illinois Metropolitan Investment Fund (IMET). IMET is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a board of trustees elected from participating members. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold.

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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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
Infrastructure	50
Land improvements	10 - 20
Library collection	5
Water distribution, storm and sanitary system	15 - 50

**5. *Deferred Outflows/Inflows of Resources***

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

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

**6. *Long-term Obligations***

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

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

**7. *Net Position Flow Assumption***

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

**8. *Fund Balance Flow Assumptions***

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

**9. *Fund Balance Policies***

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

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

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

**H. Revenues and Expenses/Expenditures**

**1. Program Revenues**

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

**2. Property Taxes**

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

**3. Compensated Absences**

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

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

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

**I. Estimates**

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

**J. Comparative Data**

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

**K. Reclassifications**

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

**L. Adoption of New Accounting Standard**

Effective January 1, 2020, the City implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating agency funds and replacing them with custodial funds. Under this guidance, all fiduciary funds will now report a net position and a statement of changes in net position. Implementation of this guidance resulted in no changes in the reporting of the City's fiduciary activities.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**M. New Accounting Standard - Leases**

In June 2017, the GASB issued Statement No. 87, *Leases*. The most significant change in the new leasing guidance is the requirement for a lessee to recognize a lease liability and an intangible right-to-use asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the effect the adoption of Statement No. 87 is expected to have on its financial statements and related disclosures.

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

Cash as of December 31, 2020 was comprised of the following:

	<u>Government- wide</u>	<u>Fiduciary</u>
Cash on hand	\$ 1,000	\$ -
Deposits with financial institutions	11,983,304	8,415
The Illinois Funds	6,026,104	-
IMET	<u>6,053</u>	<u>-</u>
Total	<u>\$ 18,016,461</u>	<u>\$ 8,415</u>

***Deposits***

*City of Palos Heights, Illinois*

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's investment policy protects the City from custodial credit risk by requiring funds on deposit (checking accounts, certificates of deposit, etc.), in excess of Federal Deposit Insurance Corporation (FDIC) limits, to be secured by some form of collateral, witnessed by a written agreement and held at an independent, third party institution in the name of the City of Palos Heights, Illinois. As of December 31, 2020, \$11,059,097 of the City's bank balances of \$12,060,097 was in excess of FDIC limits and was collateralized with securities held by the pledging financial institutions' trust departments or agents in the City's name.

*Pension Trust Fund*

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
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***Investments***

*Pension Trust Fund*

As of December 31, 2020, 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	\$ 498,493	N/A	6.26
Debt issues:			
Corporate	1,719,498	Aaa - Baa1	5.11
Municipal (3)	1,279,965	Aa1 - A1	4.28
GNMA	50,102	N/R	13.88
Mutual funds:			
Equities	17,453,325	N/A	N/A
Mutual money market funds	466,422	N/A	N/A
U.S. government agency obligations (3)	6,126,675	Aaa	6.25
U.S. Treasury notes	<u>1,156,359</u>	N/A	3.73
 Total investments	 <u>\$ 28,750,839</u>		

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

***Investment Policies***

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

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

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

**B. Fair Value Measurements**

The Pension Trust Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There were no changes in valuation techniques in the current year. The Pension Trust Fund had the following recurring fair value measurements as of December 31, 2020:

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

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

The following table summarizes the investments of the Pension Trust Fund for which fair values are determined on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 498,493	\$ -	\$ 498,493
Debt issues:				
Corporate	-	1,719,498	-	1,719,498
Municipal	-	1,279,965	-	1,279,965
GNMA	-	50,102	-	50,102
Mutual funds:				
Equities	17,453,325	-	-	17,453,325
Mutual money market funds	-	466,422	-	466,422
U.S. government agency obligations	-	6,126,675	-	6,126,675
U.S. Treasury notes	-	1,156,359	-	1,156,359
	<u>\$ 17,453,325</u>	<u>\$ 11,297,514</u>	<u>\$ -</u>	<u>\$ 28,750,839</u>
Total investments at fair value				

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Primary government:				
City of Palos Heights, Illinois:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,721,987	\$ -	\$ -	\$ 4,721,987
Construction in progress	<u>43,819</u>	<u>694,123</u>	<u>-</u>	<u>737,942</u>
Total capital assets, not being depreciated	<u>4,765,806</u>	<u>694,123</u>	<u>-</u>	<u>5,459,929</u>
Capital assets, being depreciated:				
Land improvements	7,314,766	-	-	7,314,766
Buildings and improvements	19,897,294	-	-	19,897,294
Equipment	4,207,483	456,291	(272,037)	4,391,737
Infrastructure	<u>20,013,105</u>	<u>-</u>	<u>-</u>	<u>20,013,105</u>
Total capital assets, being depreciated	<u>51,432,648</u>	<u>456,291</u>	<u>(272,037)</u>	<u>51,616,902</u>
Less accumulated depreciation for:				
Land improvements	(2,520,993)	(182,940)	-	(2,703,933)
Buildings and improvements	(6,929,679)	(463,854)	-	(7,393,533)
Equipment	(3,195,353)	(315,841)	229,204	(3,281,990)
Infrastructure	<u>(14,045,694)</u>	<u>(406,990)</u>	<u>-</u>	<u>(14,452,684)</u>
Total accumulated depreciation	<u>(26,691,719)</u>	<u>(1,369,625)</u>	<u>229,204</u>	<u>(27,832,140)</u>
Total capital assets, being depreciated, net	<u>24,740,929</u>	<u>(913,334)</u>	<u>(42,833)</u>	<u>23,784,762</u>
Governmental activities capital assets, net	<u>\$ 29,506,735</u>	<u>\$ (219,211)</u>	<u>\$ (42,833)</u>	<u>\$ 29,244,691</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 45,849	\$ -	\$ -	\$ 45,849
Capital assets, being depreciated:				
Buildings and improvements	3,578,933	-	-	3,578,933
Equipment	1,509,836	192,966	(31,730)	1,671,072
Water distribution, storm and sanitary system	<u>9,514,958</u>	<u>171,314</u>	<u>-</u>	<u>9,686,272</u>
Total capital assets, being depreciated	<u>14,603,727</u>	<u>364,280</u>	<u>(31,730)</u>	<u>14,936,277</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,200,126)	(69,962)	-	(2,270,088)
Equipment	(1,442,131)	(130,847)	31,730	(1,541,248)
Water distribution, storm and sanitary system	<u>(5,986,922)</u>	<u>(189,323)</u>	<u>-</u>	<u>(6,176,245)</u>
Total accumulated depreciation	<u>(9,629,179)</u>	<u>(390,132)</u>	<u>31,730</u>	<u>(9,987,581)</u>
Total capital assets, being depreciated, net	<u>4,974,548</u>	<u>(25,852)</u>	<u>-</u>	<u>4,948,696</u>
Business-type activities capital assets, net	<u>\$ 5,020,397</u>	<u>\$ (25,852)</u>	<u>\$ -</u>	<u>\$ 4,994,545</u>
Component unit:				
Palos Heights Public Library:				
Capital assets, not being depreciated:				
Land	\$ 314,652	\$ -	\$ -	\$ 314,652
Capital assets, being depreciated:				
Buildings and improvements	4,614,232	-	-	4,614,232
Equipment	504,275	-	-	504,275
Library collection	<u>464,830</u>	<u>54,891</u>	<u>(103,944)</u>	<u>415,777</u>
Total capital assets, being depreciated	<u>5,583,337</u>	<u>54,891</u>	<u>(103,944)</u>	<u>5,534,284</u>

(continued)

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases/ Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,280,318)	(117,754)	-	(2,398,072)
Furniture and equipment	(342,457)	(23,968)	-	(366,425)
Library collection	<u>(186,387)</u>	<u>(92,966)</u>	103,944	<u>(175,409)</u>
Total accumulated depreciation	<u>(2,809,162)</u>	<u>(234,688)</u>	103,944	<u>(2,939,906)</u>
Total capital assets, being depreciated, net	<u>2,774,175</u>	<u>(179,797)</u>	-	<u>2,594,378</u>
Palos Heights Public Library capital assets, net	<u>\$ 3,088,827</u>	<u>\$ (179,797)</u>	<u>\$ -</u>	<u>\$ 2,909,030</u> (concluded)

Depreciation expense was charged to functions/programs as follows:

Primary government:		
City of Palos Heights, Illinois:		
Governmental activities:		
General government		\$ 474,961
Police and emergency services		277,706
Public works		89,738
Recreation and culture		<u>527,220</u>
Total depreciation expense - governmental activities		<u>\$ 1,369,625</u>
Business-type activities:		
Waterworks and sewerage		<u>\$ 390,132</u>
Component unit:		
Palos Heights Public Library:		
Recreation and culture		<u>\$ 234,688</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

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

The composition of interfund balances at December 31, 2020 is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 116,495	\$ -
Capital Projects Fund	-	103,452
Nonmajor governmental funds:		
Seizure and Forfeiture Fund	-	2,731
Motor Fuel Tax Fund	-	10,312
Business District Fund	35,391	-
127th and Harlem Tax Increment Fund	<u>-</u>	<u>35,391</u>
 Total	 <u>\$ 151,886</u>	 <u>\$ 151,886</u>

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

Interfund transfers during the year ended December 31, 2020 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 1,399,568
General Fund	Nonmajor governmental fund: Business District Fund	<u>45,000</u>
 Total		 <u>\$ 1,444,568</u>

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**E. Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary government:					
City of Palos Heights, Illinois:					
Governmental activities:					
General obligation bonds	\$ 5,345,000	\$ -	\$ (285,000)	\$ 5,060,000	\$ 295,000
Unamortized issuance premium	185,680	-	(20,775)	164,905	-
Notes payable	3,645,868	-	(215,677)	3,430,191	244,371
Installment contract payable	61,807	-	(38,484)	23,323	23,323
Compensated absences payable	1,813,021	1,514,535	(1,631,719)	1,695,837	1,526,253
Net pension liabilities:					
Police Pension	20,108,037	1,797,542	(3,668,535)	18,237,044	-
Illinois Municipal Retirement	816,297	42,432	(427,240)	431,489	-
Other post-employment benefits liability	<u>1,410,271</u>	<u>155,152</u>	<u>102,904</u>	<u>1,668,327</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 33,385,981</u>	<u>\$ 3,509,661</u>	<u>\$ (6,184,526)</u>	<u>\$ 30,711,116</u>	<u>\$ 2,088,947</u>
Business-type activities:					
Installment contracts payable	\$ 200,437	\$ -	\$ (110,069)	\$ 90,368	\$ 90,368
Compensated absences payable	295,530	120,178	(221,648)	194,060	145,545
Net pension liability:					
Illinois Municipal Retirement	245,546	11,388	(141,125)	115,809	-
Other post-employment benefits liability	<u>357,651</u>	<u>38,788</u>	<u>(2,047)</u>	<u>394,392</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 1,099,164</u>	<u>\$ 170,354</u>	<u>\$ (474,889)</u>	<u>\$ 794,629</u>	<u>\$ 235,913</u>
Component unit:					
Palos Heights Public Library:					
Net pension liability:					
Illinois Municipal Retirement	<u>\$ 227,115</u>	<u>\$ 10,412</u>	<u>\$ (131,647)</u>	<u>\$ 105,880</u>	<u>\$ -</u>

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2020**

***Primary Government - Governmental Activities***

*General Obligation Bonds*

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 295,000	\$ 169,788	\$ 464,788
2022	300,000	160,938	460,938
2023	310,000	151,938	461,938
2024	320,000	142,638	462,638
2025	330,000	133,038	463,038
2026	340,000	123,138	463,138
2027	350,000	112,088	462,088
2028	360,000	100,713	460,713
2029	375,000	88,113	463,113
2030	390,000	74,988	464,988
2031	400,000	61,338	461,338
2032	415,000	47,338	462,338
2033	430,000	32,813	462,813
2034	<u>445,000</u>	<u>16,688</u>	<u>461,688</u>
Total	<u>\$ 5,060,000</u>	<u>\$ 1,415,557</u>	<u>\$ 6,475,557</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

*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, 2020, the City paid \$2,109,376 in principal and interest on the notes payable. \$1,272,131 was paid from incremental property tax revenue, \$617,815 from business district sales tax revenue and \$219,430 from incremental sales tax. Future payments of principal and interest have been estimated by management to be as follows:

Year	Principal				Interest			
	Incremental Property Tax	Business District Sales Tax	Incremental Sales Tax	Total	Incremental Property Tax	Business District Sales Tax	Incremental Sales Tax	Total
2021	\$ 136,848	\$ 83,086	\$ 24,437	\$ 244,371	\$ 159,431	\$ 36,913	\$ 21,816	\$ 218,160
2022	159,424	96,793	28,469	284,686	156,149	26,207	20,262	202,618
2023	172,719	104,865	30,843	308,427	144,826	21,235	18,451	184,512
2024	186,950	113,505	33,384	333,839	132,712	15,695	16,490	164,897
2025	220,550	132,501	39,228	392,279	129,298	-	14,366	143,664
2026	245,208	135,800	42,334	423,342	106,843	-	11,872	118,715
2027	271,502	139,200	45,634	456,336	82,612	-	9,179	91,791
2028	329,085	142,700	52,421	524,206	56,491	-	6,277	62,768
2029	270,234	146,200	46,271	462,705	26,486	-	2,943	29,429
Total	<u>\$ 1,992,520</u>	<u>\$ 1,094,650</u>	<u>\$ 343,021</u>	<u>\$ 3,430,191</u>	<u>\$ 994,848</u>	<u>\$ 100,050</u>	<u>\$ 121,656</u>	<u>\$ 1,216,554</u>

*Installment Contract Payable*

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

Year	Principal	Interest	Total
2021	<u>\$ 23,323</u>	<u>\$ 233</u>	<u>\$ 23,556</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

***Primary Government - Business-Type Activities***

*Installment Contract Payable*

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 90,368</u>	<u>\$ 3,602</u>	<u>\$ 93,970</u>

***Legal Debt Margin***

The legal debt margin of the City as of December 31, 2020 is calculated as follows:

Assessed valuation - 2019 tax year (most recent information available)	<u>\$ 436,996,291</u>
Statutory debt limit (8.625% of assessed valuation)	<u>\$ 37,690,930</u>
Debt applicable to limit:	
Primary government:	
City of Palos Heights, Illinois:	
Governmental activities:	
General obligation bonds	5,224,905
Installment contract	23,323
Business-type activities:	
Installment contract	<u>90,368</u>
Total debt applicable to limit	<u>5,338,596</u>
Legal debt margin	<u>\$ 32,352,334</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

**F. Fund Balances**

As of December 31, 2020, fund balances were comprised of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Capital projects	\$ -	\$ -	\$ 698,400	\$ 698,400
Community redevelopment	-	-	187,574	187,574
Debt service	-	-	33,418	33,418
Law enforcement	-	-	1,071,877	1,071,877
PEG Capital	-	-	10,405	10,405
Road construction and maintenance	-	-	776,650	776,650
Social Security and IMRF	-	-	87,202	87,202
Special recreation programs	-	-	150,045	150,045
	<u>-</u>	<u>-</u>	<u>3,015,571</u>	<u>3,015,571</u>
Total restricted				
Assigned:				
Capital projects	-	2,700,207	-	2,700,207
Community redevelopment	-	-	81,664	81,664
Cal Sag Trail	-	-	16,563	16,563
Law enforcement	-	-	17,272	17,272
Social Security and IMRF	-	-	102,980	102,980
Special recreation programs	-	-	152,367	152,367
	<u>-</u>	<u>2,700,207</u>	<u>370,846</u>	<u>3,071,053</u>
Total assigned				
Unassigned	<u>3,970,597</u>	<u>-</u>	<u>-</u>	<u>3,970,597</u>
Total fund balances	<u>\$ 3,970,597</u>	<u>\$ 2,700,207</u>	<u>\$ 3,386,417</u>	<u>\$ 10,057,221</u>

**G. Employee Retirement and Post-Employment Benefit Plans**

The City maintains the Police Pension Plan which covers its qualified Police Department employees and participates in the statewide Illinois Municipal Retirement Fund, which covers substantially all of the remaining qualified City employees and the qualified employees of the Library. The City also maintains a post-employment benefit plan (Health Insurance Plan for Retired Employees). The information presented in the following notes for these plans is the most current information available as of December 31, 2020.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

***1. Police Pension Plan***

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

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

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

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

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. A police officer's salary for pension purposes is capped at \$106,800. The cap is adjusted annually by the lesser of 1/2 of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least 10 years of service may retire at or after age 50 and receive a reduced benefit (i.e., 1/2% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or 1/2 of the change in the Consumer Price Index for the preceding calendar year.

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020**

*Employees Covered by Benefit Terms.* At December 31, 2020, 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	2
Active employees	<u>28</u>
 Total	 <u>52</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, 2020, the City's contribution was 69.9% of covered payroll.

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 using the following actuarial assumptions. The total pension liability was rolled forward by the actuary using updating procedures to December 31, 2020.

Actuarial cost method - Entry age

Inflation - 2.50%

Salary increases - 3.75% - 16.84%

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

Asset valuation method - Fair value

Mortality rates for active employees and pensioners were based on the Pub-2010 Adjusted for Plan Status, Demographics, and Illinois Public Pension Data. The L&A 2020 Illinois Police Disability Rates were used for disabled police officers.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police Pension Plan's target asset allocation as of December 31, 2020 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap domestic equity	42.0 %	5.80 %
Small cap domestic equity	12.0	7.60
Fixed income	40.0	1.40
International equity	<u>6.0</u>	7.10
	<u>100.0 %</u>	

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

*Changes in the Net Pension Liability.* Changes in the City's net pension liability for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2019	\$ 44,624,831	\$ 24,516,794	\$ 20,108,037
Changes for the year:			
Service cost	678,898	-	678,898
Interest on the total pension liability	2,992,604	-	2,992,604
Differences between expected and actual experience	616,576	-	616,576
Changes of assumptions	(23,717)	-	(23,717)
Net investment income	-	3,808,707	(3,808,707)
Contributions - employees	-	304,570	(304,570)
Contributions - employer	-	2,071,195	(2,071,195)
Benefit payments, including refunds of employee contributions	(1,859,064)	(1,859,064)	-
Administrative expense	-	(49,118)	49,118
Net changes	<u>2,405,297</u>	<u>4,276,290</u>	<u>(1,870,993)</u>
Balances at December 31, 2020	<u>\$ 47,030,128</u>	<u>\$ 28,793,084</u>	<u>\$ 18,237,044</u>

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

	<u>1% Lower (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Higher (7.75%)</u>
City's net pension liability	<u>\$ 25,513,709</u>	<u>\$ 18,237,044</u>	<u>\$ 12,378,980</u>

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

*Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* For the year ended December 31, 2020, the City recognized pension expense of \$1,797,542. At December 31, 2020, 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	\$ 878,991	\$ 830,444
Changes of assumptions	1,669,735	20,381
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>2,515,020</u>
Total	<u>\$ 2,548,726</u>	<u>\$ 3,365,845</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:

2021	\$ 43,297
2022	106,651
2023	(801,498)
2024	(311,542)
2025	76,904
Thereafter	<u>69,069</u>
Total	<u>\$ (817,119)</u>

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**2. *Illinois Municipal Retirement Fund***

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

*Plan Description.* The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by IMRF, the administrator of an agent 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 Annual Comprehensive Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

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

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

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

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

**CITY OF PALOS HEIGHTS, ILLINOIS  
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*Employees Covered by Benefit Terms.* As of December 31, 2020, the following employees of the City and the Library were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	80
Inactive plan members entitled to but not yet receiving benefits	56
Active plan members	<u>59</u>
 Total	 <u>195</u>

*Contributions.* As set by statute, the City's RP members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual required contribution rate for calendar year 2020 was 11.63%. For the year ended December 31, 2020, the City contributed \$502,190 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, 2020 are reported in the financial statements as follows:

Governmental activities	\$ 331,768
Business-type activities	89,028
Component unit	<u>81,394</u>
 Total contributions	 <u>\$ 502,190</u>

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2020. 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, 2020:

- The actuarial cost method used was entry age normal.
- The amortization method was level percentage of payroll, closed.
- The remaining amortization period was 23-year closed period.
- The asset valuation method used was five-year smoothed fair value with a 20% corridor.
- The wage growth rate was assumed to be 3.25%.
- The price inflation rate was assumed to be 2.50%.
- Projected salary increases were expected to be 3.35% to 14.25%.
- The investment rate of return was assumed to be 7.25%.

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- For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience.
- For disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.
- For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- 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, 2020:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Equities	37 %	5.00 %
International equities	18	6.00
Fixed income	28	1.30
Real estate	9	6.20
Alternative investments	7	2.85 - 6.95
Cash equivalents	1	0.70
Total	100 %	

*Single Discount Rate.* A Single Discount Rate of 7.25% was used to measure the total pension liability as of December 31, 2020. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the City's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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*Changes in the Net Pension Liability.* Changes in the City's net pension liability for the year ended December 31, 2020 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, 2019	\$ 22,395,020	\$ 21,106,062	\$ 1,288,958
Changes for the year:			
Service cost	402,293	-	402,293
Interest on the total pension liability	1,593,313	-	1,593,313
Differences between expected and actual experience	1,602,774	-	1,602,774
Changes of assumptions	(311,811)	-	(311,811)
Net investment income	-	2,919,238	(2,919,238)
Contributions - employees	-	204,969	(204,969)
Contributions - employer	-	502,190	(502,190)
Benefit payments, including refunds of employee contributions	(1,238,883)	(1,238,883)	-
Other changes	<u>-</u>	<u>295,952</u>	<u>(295,952)</u>
Net changes	<u>2,047,686</u>	<u>2,683,466</u>	<u>(635,780)</u>
Balances at December 31, 2020	<u>\$ 24,442,706</u>	<u>\$ 23,789,528</u>	<u>\$ 653,178</u>

The net pension liability as of December 31, 2020 is reported on the financial statements as follows:

Governmental activities	\$ 431,489
Business-type activities	115,809
Component unit	<u>105,880</u>
Total net pension liability	<u>\$ 653,178</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 a Single Discount Rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

**CITY OF PALOS HEIGHTS, ILLINOIS  
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	<u>1% Lower (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Higher (8.25%)</u>
Primary government:			
Governmental activities	\$ 2,474,102	\$ 431,489	\$ (1,189,594)
Business-type activities	664,034	115,809	(319,280)
Component unit:			
Palos Heights Public Library	607,103	105,880	(291,906)

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.*  
For the year ended December 31, 2020, the City recognized pension expense of \$64,232. Pension expense for the year ended December 31, 2020 is reported in the financial statements as follows:

Governmental activities	\$ 42,432
Business-type activities	11,388
Component unit	<u>10,412</u>
Total pension expense	<u>\$ 64,232</u>

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary government:		
Differences between expected and actual experience	\$ 999,426	\$ 50,408
Changes of assumptions	44,062	186,033
Net difference between projected and actual earnings on Plan investments	-	1,436,551
Changes in proportionate share	<u>36,949</u>	<u>36,797</u>
Total	<u>\$ 1,080,437</u>	<u>\$ 1,709,789</u>
Governmental activities	\$ 847,657	\$ 1,341,241
Business-type activities	<u>232,780</u>	<u>368,548</u>
Total	<u>\$ 1,080,437</u>	<u>\$ 1,709,789</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
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<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component unit:		
Differences between expected and actual experience	\$ 193,217	\$ 9,785
Changes of assumptions	14,926	49,098
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>278,865</u>
Total	<u>\$ 208,143</u>	<u>\$ 337,748</u>

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

	<u>Primary Government</u>	<u>Component Unit</u>
2021	\$ (100,076)	\$ (20,609)
2022	117,557	24,209
2023	(415,047)	(85,472)
2024	<u>(231,786)</u>	<u>(47,733)</u>
Total	<u>\$ (629,352)</u>	<u>\$ (129,605)</u>

**3. Summary of Pension Information**

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
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Pension-related deferred outflows of resources, liabilities, deferred inflows of resources, and pension expense/expenditures for the City are summarized as follows:

	<u>Primary Government - City of Palos Heights, Illinois</u>		
	<u>PPP</u>	<u>IMRF</u>	<u>Total</u>
Deferred outflows of resources	\$ 2,548,726	\$ 1,080,437	\$ 3,629,163
Net pension liability	18,237,044	547,298	18,784,342
Deferred inflows of resources	3,365,845	1,709,789	5,075,634
Pension expense	1,797,542	53,820	1,851,362
Pension expenditures	2,071,195	420,796	2,491,991

**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, 2020, the following employees of the City were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>70</u>
Total	<u><u>75</u></u>

*Total OPEB Liability.* The City's total OPEB liability of \$2,062,719 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
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*Actuarial Assumption and Other Inputs.* The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- The actuarial cost method used was entry age normal (alternative measurement method).
- Salary increases were expected to be 4.00%, including inflation.
- The discount rate of 3.26% was based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve).
- Healthcare cost trend rate was expected to be 6.50% initially, reduced by decrements to an ultimate rate of 4.50%.
- Age-based turnover rates were developed based on probability of remaining employed until assumed retirement age.
- Mortality rates were based on the PubS.H-2010 General Mortality Table.
- The retirees' share of benefit-related costs was 100% of the projected health insurance premiums.

*Changes in the Total OPEB Liability.* Changes in the City's total OPEB liability for the year ended December 31, 2020 were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	\$ <u>1,767,922</u>
Changes for the year:	
Service cost	70,914
Interest expense	56,177
Changes of assumptions or other inputs	256,936
Benefit payments	(89,418)
Other changes	<u>188</u>
Net changes	<u>294,797</u>
Balance at December 31, 2020	<u>\$ 2,062,719</u>

The total OPEB liability as of December 31, 2020 is reported in the financial statements as follows:

Governmental activities	\$ 1,668,327
Business-type activities	<u>394,392</u>
Total OPEB liability	<u>\$ 2,062,719</u>

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

	1% Lower (2.26%)	Current Discount Rate (3.26%)	1% Higher (4.26%)
Total OPEB liability	<u>\$ 2,284,248</u>	<u>\$ 2,062,719</u>	<u>\$ 1,865,803</u>

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

	1% Lower (4.0% to 5.5%)	Current Healthcare Cost Trend Rates (5.0% to 6.5%)	1% Higher (6.0% to 7.5%)
Total OPEB liability	<u>\$ 1,826,624</u>	<u>\$ 2,062,719</u>	<u>\$ 2,339,062</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended December 31, 2020, the City recognized OPEB expense of \$193,940. OPEB expense for the year ended December 31, 2020 is reported in the financial statements as follows:

Governmental activities	\$ 155,152
Business-type activities	<u>38,788</u>
Total OPEB expense	<u>\$ 193,940</u>

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

<u>Deferred Amounts Related to OPEB</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 67,941
Changes in assumptions and other inputs	723,295	97,178
Change in proportionate share	<u>99,200</u>	<u>99,200</u>
Total	<u>\$ 822,495</u>	<u>\$ 264,319</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Deferred Amounts Related to OPEB	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities	\$ 609,115	\$ 208,632
Business-type activities	213,380	55,687
Total	\$ 822,495	\$ 264,319

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:

2021	\$ 66,849
2022	66,849
2023	66,849
2024	66,849
2025	66,849
Thereafter	223,931
Total	\$ 558,176

**H. Risk Management**

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

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

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

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

**I. Subsequent Events**

Management has evaluated subsequent events through June 28, 2021, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EMPLOYEE RETIREMENT AND POST-EMPLOYMENT BENEFIT PLANS**

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:							
Service cost	\$ 678,898	\$ 627,309	\$ 579,804	\$ 602,360	\$ 564,272	\$ 401,819	\$ 386,047
Interest on the total pension liability	2,992,604	2,832,964	2,701,050	2,594,010	2,289,193	2,392,955	2,311,917
Changes in benefit terms	-	277,862	-	-	-	-	-
Differences between expected and actual experience	616,576	(998,257)	423,492	127,223	174,661	(477,761)	-
Changes of assumptions	(23,717)	799,862	-	-	3,159,527	1,306,292	-
Benefit payments, including refunds of employee contributions	<u>(1,859,064)</u>	<u>(1,769,496)</u>	<u>(1,730,623)</u>	<u>(1,745,025)</u>	<u>(1,611,364)</u>	<u>(1,623,718)</u>	<u>(1,594,195)</u>
Net change in total pension liability	2,405,297	1,770,244	1,973,723	1,578,568	4,576,289	1,999,587	1,103,769
Total pension liability at beginning of year	<u>44,624,831</u>	<u>42,854,587</u>	<u>40,880,864</u>	<u>39,302,296</u>	<u>34,726,007</u>	<u>32,726,420</u>	<u>31,622,651</u>
Total pension liability at end of year	<u>\$ 47,030,128</u>	<u>\$ 44,624,831</u>	<u>\$ 42,854,587</u>	<u>\$ 40,880,864</u>	<u>\$ 39,302,296</u>	<u>\$ 34,726,007</u>	<u>\$ 32,726,420</u>
Plan fiduciary net position:							
Contributions - employees	\$ 304,570	\$ 281,434	\$ 268,587	\$ 331,562	\$ 257,628	\$ 249,211	\$ 232,255
Contributions - employer	2,071,195	2,081,050	1,791,557	1,533,870	1,431,455	1,325,572	1,332,537
Net investment income	3,808,707	3,899,640	(956,338)	2,406,415	1,112,510	212,152	1,091,919
Benefit payments, including refunds of employee contributions	(1,859,064)	(1,769,496)	(1,730,623)	(1,745,025)	(1,611,364)	(1,623,718)	(1,594,195)
Administrative expenses	<u>(49,118)</u>	<u>(51,991)</u>	<u>(29,102)</u>	<u>(35,837)</u>	<u>(29,905)</u>	<u>(32,040)</u>	<u>(31,200)</u>
Net change in plan fiduciary net position	4,276,290	4,440,637	(655,919)	2,490,985	1,160,324	131,177	1,031,316
Plan fiduciary net position at beginning of year	<u>24,516,794</u>	<u>20,076,157</u>	<u>20,732,076</u>	<u>18,241,091</u>	<u>17,080,767</u>	<u>16,949,590</u>	<u>15,918,274</u>
Plan fiduciary net position at end of year	<u>\$ 28,793,084</u>	<u>\$ 24,516,794</u>	<u>\$ 20,076,157</u>	<u>\$ 20,732,076</u>	<u>\$ 18,241,091</u>	<u>\$ 17,080,767</u>	<u>\$ 16,949,590</u>
Employer's net pension liability at end of year	<u>\$ 18,237,044</u>	<u>\$ 20,108,037</u>	<u>\$ 22,778,430</u>	<u>\$ 20,148,788</u>	<u>\$ 21,061,205</u>	<u>\$ 17,645,240</u>	<u>\$ 15,776,830</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.22 %</u>	<u>54.94 %</u>	<u>46.85 %</u>	<u>50.71 %</u>	<u>46.41 %</u>	<u>49.19 %</u>	<u>51.79 %</u>
Covered payroll	<u>\$ 2,963,009</u>	<u>\$ 2,808,438</u>	<u>\$ 2,622,430</u>	<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>	<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
Employer's net pension liability as a percentage of covered payroll	<u>615.49 %</u>	<u>715.99 %</u>	<u>868.60 %</u>	<u>763.39 %</u>	<u>823.89 %</u>	<u>697.85 %</u>	<u>676.78 %</u>

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

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

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

See independent auditor's report.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>		<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 2,072,267	\$ 2,070,000	\$ 1,792,221		\$ 1,585,000	\$ 1,361,133	\$ 1,307,931	\$ 1,224,345
Contributions in relation to the actuarially determined contribution	<u>2,071,195</u>	<u>2,081,050</u>	<u>1,791,557</u>		<u>1,533,870</u>	<u>1,431,455</u>	<u>1,325,572</u>	<u>1,332,537</u>
Contribution deficiency (excess)	<u>\$ 1,072</u>	<u>\$ (11,050)</u>	<u>\$ 664</u>		<u>\$ 51,130</u>	<u>\$ (70,322)</u>	<u>\$ (17,641)</u>	<u>\$ (108,192)</u>
Covered payroll	<u>\$ 2,963,009</u>	<u>\$ 2,808,438</u>	<u>\$ 2,622,430</u>		<u>\$ 2,639,396</u>	<u>\$ 2,556,316</u>	<u>\$ 2,528,512</u>	<u>\$ 2,331,147</u>
Contributions as a percentage of covered payroll	<u>69.90 %</u>	<u>74.10 %</u>	<u>68.32 %</u>		<u>58.11 %</u>	<u>56.00 %</u>	<u>52.42 %</u>	<u>52.70 %</u>

**Notes to Schedule of Employer Contributions:**

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

*Valuation Date.* Actuarially determined contribution rates are calculated as of January 1, 2020.

*Methods and Assumptions used to Determine Contribution Rates.*

Actuarial cost method	Entry age
Amortization method	Level Percentage of Pay (Closed)
Remaining amortization period	16 years
Asset valuation method	5-years smoothed fair value
Inflation	2.50%
Salary increases	3.75% - 16.84%
Investment rate of return	6.75%, net of administrative expenses.

**SCHEDULE OF INVESTMENT RETURNS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>		<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	<u>15.26 %</u>	<u>19.03 %</u>	<u>(4.48)%</u>		<u>13.05 %</u>	<u>6.46 %</u>	<u>1.27 %</u>	<u>6.84 %</u>

**Note to Schedule of Investment Returns:**

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

See independent auditor's report.

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:						
Service cost	\$ 402,293	\$ 383,302	\$ 347,009	\$ 351,233	\$ 359,540	\$ 357,665
Interest on the total pension liability	1,593,313	1,544,326	1,442,934	1,430,031	1,387,809	1,311,862
Differences between expected and actual experience of the total pension liability	1,602,774	(145,529)	563,850	(63,109)	(345,918)	135,651
Changes of assumptions	(311,811)	-	632,774	(664,788)	(48,316)	23,426
Benefit payments, including refunds of employee contributions	<u>(1,238,883)</u>	<u>(992,960)</u>	<u>(892,596)</u>	<u>(865,831)</u>	<u>(805,145)</u>	<u>(776,400)</u>
Net change in total pension liability	2,047,686	789,139	2,093,971	187,536	547,970	1,052,204
Total pension liability at beginning of year	<u>22,395,020</u>	<u>21,605,881</u>	<u>19,511,910</u>	<u>19,324,374</u>	<u>18,776,404</u>	<u>17,724,200</u>
Total pension liability at end of year	<u>\$ 24,442,706</u>	<u>\$ 22,395,020</u>	<u>\$ 21,605,881</u>	<u>\$ 19,511,910</u>	<u>\$ 19,324,374</u>	<u>\$ 18,776,404</u>
Plan fiduciary net position:						
Contributions - employees	\$ 204,969	\$ 176,558	\$ 168,553	\$ 194,876	\$ 152,361	\$ 148,433
Contributions - employer	502,190	377,863	442,134	431,181	430,424	432,689
Net investment income (loss)	2,919,238	3,329,133	(967,034)	2,902,427	1,076,475	77,695
Benefit payments, including refunds of employee contributions	(1,238,883)	(992,960)	(892,596)	(865,831)	(805,145)	(776,400)
Other changes	<u>295,952</u>	<u>174,881</u>	<u>536,427</u>	<u>(520,468)</u>	<u>61,253</u>	<u>176,599</u>
Net change in plan fiduciary net position	2,683,466	3,065,475	(712,516)	2,142,185	915,368	59,016
Plan fiduciary net position at beginning of year	<u>21,106,062</u>	<u>18,040,587</u>	<u>18,753,103</u>	<u>16,610,918</u>	<u>15,695,550</u>	<u>15,636,534</u>
Plan fiduciary net position at end of year	<u>\$ 23,789,528</u>	<u>\$ 21,106,062</u>	<u>\$ 18,040,587</u>	<u>\$ 18,753,103</u>	<u>\$ 16,610,918</u>	<u>\$ 15,695,550</u>
Net pension liability at end of year	<u>\$ 653,178</u>	<u>\$ 1,288,958</u>	<u>\$ 3,565,294</u>	<u>\$ 758,807</u>	<u>\$ 2,713,456</u>	<u>\$ 3,080,854</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.33 %</u>	<u>94.24 %</u>	<u>83.50 %</u>	<u>96.11 %</u>	<u>85.96 %</u>	<u>83.59 %</u>
Covered payroll	<u>\$ 4,134,308</u>	<u>\$ 3,922,138</u>	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Net pension liability as a percentage of covered payroll	<u>15.80 %</u>	<u>32.86 %</u>	<u>96.24 %</u>	<u>21.57 %</u>	<u>80.98 %</u>	<u>93.46 %</u>

Note to schedule:

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

See independent auditor's report.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 480,820	\$ 377,702	\$ 441,970	\$ 431,005	\$ 430,245	\$ 426,884
Contributions in relation to the actuarially determined contribution	<u>502,190</u>	<u>377,863</u>	<u>442,134</u>	<u>431,181</u>	<u>430,424</u>	<u>432,689</u>
Contribution deficiency (excess)	<u>\$ (21,370)</u>	<u>\$ (161)</u>	<u>\$ (164)</u>	<u>\$ (176)</u>	<u>\$ (179)</u>	<u>\$ (5,805)</u>
Covered payroll	<u>\$ 4,134,308</u>	<u>\$ 3,922,138</u>	<u>\$ 3,704,691</u>	<u>\$ 3,518,408</u>	<u>\$ 3,350,819</u>	<u>\$ 3,296,405</u>
Actual contribution as a percentage of covered payroll	<u>12.15 %</u>	<u>9.63 %</u>	<u>11.93 %</u>	<u>12.26 %</u>	<u>12.85 %</u>	<u>13.13 %</u>

Note to schedule:

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

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

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

*Methods and Assumptions Used to Determine the 2020 Contribution Rate\*:*

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23-years closed period.
Asset valuation method	Five-year smoothed fair value with a 20% corridor
Investment rate of return	7.25%
Salary increases	3.35% to 14.25% including inflation
Wage growth	3.25%
Price inflation	2.50%.

See independent auditor's report.

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

Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, IMRF specific mortality rates were used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

See independent auditor's report.

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

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

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

See independent auditor's report.

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

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**GENERAL FUND**  
**COMBINING SCHEDULE OF BALANCE SHEET ACCOUNTS**  
**DECEMBER 31, 2020**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Eliminations</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,940,197	\$ 70,596	\$ 366,993	\$ -	\$ 3,377,786
Receivables:					
Property taxes	6,011,252	-	-	-	6,011,252
Accounts, net of allowance for uncollectible accounts	137,918	-	-	-	137,918
Due from other funds	175,225	-	-	(58,730)	116,495
Due from other governments	531,035	-	-	-	531,035
Other	<u>642,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,401</u>
 Total assets	 <u>\$ 10,438,028</u>	 <u>\$ 70,596</u>	 <u>\$ 366,993</u>	 <u>\$ (58,730)</u>	 <u>\$ 10,816,887</u>
 <b>LIABILITIES</b>					
Accounts payable	\$ 269,962	\$ 600	\$ 650	\$ -	\$ 271,212
Accrued expenditures	98,064	-	-	-	98,064
Unearned revenue	91,922	-	-	-	91,922
Deposits held	370,905	-	-	-	370,905
Due to other funds	<u>-</u>	<u>-</u>	<u>58,730</u>	<u>(58,730)</u>	<u>-</u>
 Total liabilities	 830,853	 600	 59,380	 (58,730)	 832,103
 <b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for future period	6,014,187	-	-	-	6,014,187
 <b>FUND BALANCES</b>					
Unassigned	<u>3,592,988</u>	<u>69,996</u>	<u>307,613</u>	<u>-</u>	<u>3,970,597</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 10,438,028</u>	 <u>\$ 70,596</u>	 <u>\$ 366,993</u>	 <u>\$ (58,730)</u>	 <u>\$ 10,816,887</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
GENERAL FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2020**

	<u>Corporate</u>	<u>Beautification Committee</u>	<u>Vehicle License</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,624,468	\$ -	\$ -	\$ 5,624,468
Utility	1,017,182	-	-	1,017,182
Intergovernmental	3,199,210	-	-	3,199,210
Charges for services	328,131	-	-	328,131
Fees by agreement	311,029	-	-	311,029
Fines, forfeitures and penalties	71,986	-	-	71,986
Grants	300,985	-	-	300,985
Investment income	67,979	-	-	67,979
Licenses, permits and inspections	484,831	-	-	484,831
Swimming pool	31,485	-	-	31,485
Vehicle tag income	-	-	170,118	170,118
Other income	816,823	3,700	-	820,523
	<u>12,254,109</u>	<u>3,700</u>	<u>170,118</u>	<u>12,427,927</u>
Total revenues				
Expenditures:				
Current:				
Personnel	6,002,272	-	-	6,002,272
Retirement contributions	2,071,195	-	-	2,071,195
Hospital and medical insurance	1,000,013	-	-	1,000,013
Contractual	1,795,987	-	-	1,795,987
Commodities	298,300	-	-	298,300
Other	188,906	9,279	-	198,185
Legal department	74,817	-	-	74,817
Vehicle tag expense	-	-	47,379	47,379
Debt service:				
Principal	38,484	-	-	38,484
Interest	2,423	-	-	2,423
Capital outlay	48,392	-	14,880	63,272
	<u>11,520,789</u>	<u>9,279</u>	<u>62,259</u>	<u>11,592,327</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	733,320	(5,579)	107,859	835,600
Other financing uses:				
Transfers out	<u>(1,444,568)</u>	-	-	<u>(1,444,568)</u>
Net change in fund balances	(711,248)	(5,579)	107,859	(608,968)
Fund balances at beginning of year	<u>4,304,236</u>	<u>75,575</u>	<u>199,754</u>	<u>4,579,565</u>
Fund balances at end of year	<u>\$ 3,592,988</u>	<u>\$ 69,996</u>	<u>\$ 307,613</u>	<u>\$ 3,970,597</u>

See independent auditor's report.

**CORPORATE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
CORPORATE FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,940,197	\$ 3,824,783
Receivables:		
Property taxes	6,011,252	5,790,661
Accounts, net of allowance for uncollectible accounts	137,918	143,136
Due from other funds	175,225	230,226
Due from other governments	531,035	482,177
Prepaid items	-	195,793
Other	<u>642,401</u>	<u>434,829</u>
Total assets	<u>\$ 10,438,028</u>	<u>\$ 11,101,605</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 269,962	\$ 285,170
Accrued expenditures	98,064	273,994
Unearned revenue	91,922	120,759
Deposits held	<u>370,905</u>	<u>318,660</u>
Total liabilities	<u>830,853</u>	<u>998,583</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	<u>6,014,187</u>	<u>5,798,786</u>
<b>FUND BALANCES</b>		
Nonspendable	-	195,793
Unassigned	<u>3,592,988</u>	<u>4,108,443</u>
Total fund balances	<u>3,592,988</u>	<u>4,304,236</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,438,028</u>	<u>\$ 11,101,605</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
CORPORATE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property levies, net	\$ 5,754,767	\$ 5,624,468	\$ (130,299)	\$ 5,731,502
Utility	1,120,000	1,017,182	(102,818)	1,073,019
Intergovernmental	2,982,500	3,199,210	216,710	3,057,696
Charges for services	382,600	328,131	(54,469)	416,024
Fees by agreement	892,500	311,029	(581,471)	959,110
Fines, forfeitures and penalties	190,000	71,986	(118,014)	189,522
Grants	-	300,985	300,985	-
Investment income	140,000	67,979	(72,021)	216,362
Licenses, permits and inspections	327,900	484,831	156,931	388,226
Swimming pool	294,500	31,485	(263,015)	273,539
Other	770,886	816,823	45,937	908,233
Total revenues	<u>12,855,653</u>	<u>12,254,109</u>	<u>(601,544)</u>	<u>13,213,233</u>
Expenditures:				
Current:				
Personnel	6,522,074	6,002,272	519,802	6,121,968
Retirement contributions	2,072,267	2,071,195	1,072	2,081,050
Hospital and medical insurance	1,087,000	1,000,013	86,987	838,864
Contractual	1,986,209	1,795,987	190,222	1,822,195
Commodities	518,459	298,300	220,159	473,364
Other	276,200	188,906	87,294	167,727
Legal department	64,000	74,817	(10,817)	70,321
Debt service:				
Principal	41,500	38,484	3,016	36,870
Interest	-	2,423	(2,423)	3,530
Capital outlay	133,000	48,392	84,608	147,389
Total expenditures	<u>12,700,709</u>	<u>11,520,789</u>	<u>1,179,920</u>	<u>11,763,278</u>
Excess of revenues over expenditures	<u>154,944</u>	<u>733,320</u>	<u>578,376</u>	<u>1,449,955</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	5,000	-	(5,000)	-
Transfers out	(159,944)	(1,444,568)	(1,284,624)	(741,228)
Total other financing sources (uses)	<u>(154,944)</u>	<u>(1,444,568)</u>	<u>(1,289,624)</u>	<u>(741,228)</u>
Net change in fund balances	-	(711,248)	(711,248)	708,727
Fund balances at beginning of year	<u>4,304,236</u>	<u>4,304,236</u>	<u>-</u>	<u>3,595,509</u>
Fund balances at end of year	<u>\$ 4,304,236</u>	<u>\$ 3,592,988</u>	<u>\$ (711,248)</u>	<u>\$ 4,304,236</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
<b>General government:</b>				
Administration:				
Current:				
Personnel	\$ 241,517	\$ 235,332	\$ 6,185	\$ 274,970
Hospital and medical insurance	1,087,000	1,000,013	86,987	838,864
Contractual:				
Deductible insurance	20,000	12,284	7,716	32,007
Employee training and travel	2,000	837	1,163	452
Insurance - liability premium, IRMA	189,726	189,726	-	182,879
Maintenance and replacement of equipment	5,000	4,405	595	4,405
Memberships, dues and subscriptions	10,000	9,131	869	8,139
Postage	2,500	2,405	95	1,732
Printing, publishing and legal notices	4,000	3,279	721	3,222
Professional fees	98,000	64,374	33,626	101,852
Telephone	20,000	10,387	9,613	15,573
Commodities:				
Codifications	3,700	3,396	304	3,635
Office and departmental supplies	17,000	16,106	894	41,368
Other:				
Expense account - City officials	29,200	21,516	7,684	20,025
Other	226,500	156,784	69,716	106,916
	1,956,143	1,729,975	226,168	1,636,039
Total administration				
Legal department:				
Current:				
City attorney retainer	15,000	15,000	-	15,000
City prosecutor's retainer	23,000	33,977	(10,977)	23,000
Legal	26,000	25,840	160	32,321
	64,000	74,817	(10,817)	70,321
	Total legal department			
	\$ 2,020,143	\$ 1,804,792	\$ 215,351	\$ 1,706,360
	Total general government			

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b>Public safety:</b>				
Police department:				
Current:				
Personnel	\$ 3,555,939	\$ 3,365,147	\$ 190,792	\$ 3,291,932
Retirement contributions	2,072,267	2,071,195	1,072	2,081,050
Contractual:				
Dispatching	352,183	340,822	11,361	340,822
Employee training and travel	42,200	28,338	13,862	40,399
Maintenance and replacement of equipment	185,200	147,748	37,452	240,852
Memberships, dues and subscriptions	2,000	3,769	(1,769)	1,935
Postage	2,000	1,193	807	1,710
Telephone	25,000	37,958	(12,958)	25,634
Utilities	181,500	337,247	(155,747)	161,258
Commodities:				
Investigation and operation supplies	51,409	37,689	13,720	42,721
Office and departmental supplies	20,000	15,807	4,193	8,022
Total police department	<u>6,489,698</u>	<u>6,386,913</u>	<u>102,785</u>	<u>6,236,335</u>
Commissions - Police and Fire:				
Current:				
Personnel	4,000	4,000	-	4,000
Contractual:				
Employment and promotion	8,000	2,680	5,320	3,264
Legal expense	1,500	-	1,500	-
Memberships, dues and subscriptions	500	375	125	375
Total commissions	<u>14,000</u>	<u>7,055</u>	<u>6,945</u>	<u>7,639</u>
Total public safety	<u>\$ 6,503,698</u>	<u>\$ 6,393,968</u>	<u>\$ 109,730</u>	<u>\$ 6,243,974</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<b>Public works:</b>				
Building department:				
Current:				
Personnel	\$ 204,362	\$ 194,437	\$ 9,925	\$ 176,629
Contractual:				
Employee training and travel	3,000	250	2,750	848
Maintenance and replacement of equipment	100	-	100	-
Membership, dues, and subscriptions	800	475	325	709
Professional fees	12,000	6,869	5,131	10,264
Telephone	2,000	1,039	961	1,934
Commodities:				
Office and departmental supplies	8,100	10,239	(2,139)	7,304
Capital outlay:				
Purchase of equipment	<u>10,000</u>	<u>10,091</u>	<u>(91)</u>	<u>5,985</u>
Total building department	<u>240,362</u>	<u>223,400</u>	<u>16,962</u>	<u>203,673</u>
Building and grounds:				
Current:				
Personnel	375,000	360,638	14,362	350,858
Contractual:				
Employee training and travel	18,600	-	18,600	16,899
Maintenance and replacement of equipment	292,500	261,540	30,960	218,994
Membership, dues, and subscriptions	300	40	260	15
Professional fees	20,500	-	20,500	1,922
Commodities:				
Maintenance supplies	28,000	8,364	19,636	5,159
Office and departmental supplies	10,000	8,117	1,883	6,113
Capital outlay:				
Purchase of equipment	<u>20,000</u>	<u>8,108</u>	<u>11,892</u>	<u>23,926</u>
Total building and grounds	<u>764,900</u>	<u>646,807</u>	<u>118,093</u>	<u>623,886</u>

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
Motor vehicle maintenance:				
Current:				
Personnel	156,500	162,796	(6,296)	150,762
Contractual:				
Employee training and travel	10,800	5,688	5,112	8,267
Maintenance and replacement of equipment	89,500	64,560	24,940	71,531
Membership, dues, and subscriptions	200	-	200	261
Professional fees	5,000	869	4,131	2,400
Commodities:				
Maintenance supplies	87,000	40,899	46,101	76,927
Office and departmental supplies	8,000	7,630	370	5,556
Capital outlay:				
Purchase of equipment	45,000	2,175	42,825	47,156
Total motor vehicle maintenance	402,000	284,617	117,383	362,860
Total public works	\$ 1,407,262	\$ 1,154,824	\$ 252,438	\$ 1,190,419
 <b>Lake Katherine:</b>				
Current:				
Personnel	\$ 341,353	\$ 319,602	\$ 21,751	\$ 338,828
Contractual:				
Insurance	5,000	4,500	500	4,475
Maintenance and replacement of equipment	35,500	31,504	3,996	30,013
Telephone	10,000	14,334	(4,334)	10,388
Utilities	26,000	33,016	(7,016)	23,027
Commodities:				
Office and departmental supplies	1,500	1,301	199	1,600
Capital outlay:				
Purchase of equipment	3,000	1,969	1,031	2,426
Total Lake Katherine	\$ 422,353	\$ 406,226	\$ 16,127	\$ 410,757

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Recreation department:</b>				
Current:				
Personnel	\$ 1,037,048	\$ 857,459	\$ 179,589	\$ 996,741
Contractual:				
Employee training and travel	12,000	4,722	7,278	10,990
Maintenance and replacement of equipment	25,000	15,150	9,850	26,941
Membership, dues and subscriptions	17,000	12,374	4,626	14,972
Postage	8,000	5,243	2,757	9,502
Professional fees	82,000	56,587	25,413	72,389
Publicity and advertisement	30,000	11,718	18,282	27,915
Telephone	18,500	19,083	(583)	13,508
Utilities	15,000	6,580	8,420	8,007
Commodities:				
Maintenance supplies	12,000	14,286	(2,286)	13,173
Office and departmental supplies	7,500	4,779	2,721	8,289
Program supplies	202,000	105,103	96,897	195,842
Other:				
Other	20,500	10,606	9,894	40,786
Capital outlay:				
Purchase of equipment	32,000	14,702	17,298	36,032
Debt service:				
Principal	41,500	38,484	3,016	36,870
Interest	-	2,423	(2,423)	3,530
	<u>\$ 1,560,048</u>	<u>\$ 1,179,299</u>	<u>\$ 380,749</u>	<u>\$ 1,515,487</u>
<b>Total recreation department</b>				
<b>Swimming pool:</b>				
Current:				
Personnel	\$ 160,100	\$ 53,941	\$ 106,159	\$ 122,840
Contractual:				
Employee training and travel	5,500	2,722	2,778	6,208
Maintenance and replacement of equipment	33,500	8,870	24,630	24,684
Utilities	21,500	18,751	2,749	12,974
Commodities:				
Office and departmental supplies	49,750	14,575	35,175	51,252
	<u>\$ 270,350</u>	<u>\$ 98,859</u>	<u>\$ 171,491</u>	<u>\$ 217,958</u>
<b>Total swimming pool</b>				

See independent auditor's report.

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

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2020</b>			<b>2019</b>
	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	<b>Actual</b>
<b>Roads and construction:</b>				
Current:				
Personnel	\$ 446,255	\$ 448,920	\$ (2,665)	\$ 414,408
Contractual:				
Employee training and travel	1,100	-	1,100	720
Maintenance and replacement of equipment	(32,500)	(41,748)	9,248	(60,568)
Membership, dues, and subscriptions	500	253	247	221
Professional fees	31,000	21,527	9,473	41,290
Utilities	35,000	32,513	2,487	43,985
Commodities:				
Office and departmental supplies	12,500	10,009	2,491	6,403
Capital outlay:				
Purchase of equipment	23,000	11,347	11,653	31,864
Total roads and construction	\$ 516,855	\$ 482,821	\$ 34,034	\$ 478,323
Total corporate fund expenditures	\$ 12,700,709	\$ 11,520,789	\$ 1,179,920	\$ 11,763,278

See independent auditor's report.

**BEAUTIFICATION COMMITTEE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 BEAUTIFICATION COMMITTEE FUND  
 BALANCE SHEET  
 DECEMBER 31, 2020  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 70,596</u>	<u>\$ 75,575</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 600	\$ -
<b>FUND BALANCES</b>		
Unassigned	<u>69,996</u>	<u>75,575</u>
Total liabilities and fund balances	<u>\$ 70,596</u>	<u>\$ 75,575</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
 BEAUTIFICATION COMMITTEE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 2020  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 24,700	\$ 3,700	\$ (21,000)	\$ 28,258
Expenditures:				
Current:				
Other	<u>44,630</u>	<u>9,279</u>	<u>35,351</u>	<u>22,353</u>
Excess (deficiency) of revenues over expenditures	(19,930)	(5,579)	14,351	5,905
Fund balances at beginning of year	<u>75,575</u>	<u>75,575</u>	<u>-</u>	<u>69,670</u>
Fund balances at end of year	<u>\$ 55,645</u>	<u>\$ 69,996</u>	<u>\$ 14,351</u>	<u>\$ 75,575</u>

See independent auditor's report.

**VEHICLE LICENSE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
VEHICLE LICENSE FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 366,993</u>	<u>\$ 262,128</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 650	\$ 3,644
Due to other funds	<u>58,730</u>	<u>58,730</u>
Total liabilities	59,380	62,374
<b>FUND BALANCES</b>		
Unassigned	<u>307,613</u>	<u>199,754</u>
Total liabilities and fund balances	<u>\$ 366,993</u>	<u>\$ 262,128</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
VEHICLE LICENSE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Vehicle tag income	\$ 180,500	\$ 170,118	\$ (10,382)	\$ 184,056
Expenditures:				
Current:				
Other:				
Vehicle tag expense	55,000	47,379	7,621	57,063
Capital outlay	185,500	14,880	170,620	122,400
Total expenditures	240,500	62,259	178,241	179,463
Excess (deficiency) of revenues over expenditures	(60,000)	107,859	167,859	4,593
Fund balances at beginning of year	199,754	199,754	-	195,161
Fund balances at end of year	\$ 139,754	\$ 307,613	\$ 167,859	\$ 199,754

See independent auditor's report.

**CAPITAL PROJECTS FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
CAPITAL PROJECTS FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,636,253	\$ 2,091,224
Due from other governments	<u>292,650</u>	<u>103,197</u>
Total assets	<u>\$ 2,928,903</u>	<u>\$ 2,194,421</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 125,244	\$ 146,368
Unearned revenue	-	200,000
Due to other funds	<u>103,452</u>	<u>103,452</u>
Total liabilities	228,696	449,820
<b>FUND BALANCES</b>		
Assigned	<u>2,700,207</u>	<u>1,744,601</u>
Total liabilities and fund balances	<u>\$ 2,928,903</u>	<u>\$ 2,194,421</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Grants	\$ 310,000	\$ 494,318	\$ 184,318	\$ 8,987
Investment income	-	1,780	1,780	1,115
Other income	-	19,138	19,138	89,276
Total revenues	310,000	515,236	205,236	99,378
Expenditures:				
Capital outlay	1,695,000	959,198	735,802	952,004
Deficiency of revenues over expenditures	(1,385,000)	(443,962)	941,038	(852,626)
Other financing sources:				
Transfers in	114,944	1,399,568	1,284,624	686,228
Net change in fund balances	(1,270,056)	955,606	2,225,662	(166,398)
Fund balances at beginning of year	1,744,601	1,744,601	-	1,910,999
Fund balances at end of year	\$ 474,545	\$ 2,700,207	\$ 2,225,662	\$ 1,744,601

See independent auditor's report.

**MAJOR PROPRIETARY FUND**

**WATERWORKS AND SEWERAGE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Current assets:		
Cash and cash equivalents	\$ 8,419,889	\$ 8,387,970
Accounts receivable - water customers:		
Billed	464,447	347,236
Unbilled	908,183	915,365
Total current assets	9,792,519	9,650,571
Noncurrent assets:		
Capital assets:		
Land	45,849	45,849
Building and structures	3,578,933	3,578,933
Water distribution, storm and sanitary system	9,686,272	9,514,958
Equipment	1,671,072	1,509,836
Total	14,982,126	14,649,576
Less accumulated depreciation	(9,987,581)	(9,629,179)
Net capital assets	4,994,545	5,020,397
Total assets	14,787,064	14,670,968
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	232,780	115,037
Deferred outflows of resources related to other post-employment benefits	213,380	196,192
Total deferred outflows of resources	446,160	311,229

See independent auditor's report.

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	732,681	681,131
Accrued payroll	16,196	42,496
Current portion of long-term liabilities:		
Compensated absences	145,545	221,648
Installment contracts	<u>90,368</u>	<u>110,069</u>
Total current liabilities	<u>984,790</u>	<u>1,055,344</u>
Long-term liabilities:		
Compensated absences	48,515	73,882
Installment contracts	-	90,368
Net pension liability	115,809	245,546
Net other post-employment benefits liability	<u>394,392</u>	<u>357,651</u>
Total long-term liabilities	<u>558,716</u>	<u>767,447</u>
Total liabilities	<u>1,543,506</u>	<u>1,822,791</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	368,548	201,017
Deferred inflows of resources related to other post-employment benefits	<u>55,687</u>	<u>42,611</u>
Total deferred inflows of resources	<u>424,235</u>	<u>243,628</u>
<b>NET POSITION</b>		
Net investment in capital assets	4,904,177	4,464,509
Unrestricted	<u>8,361,306</u>	<u>8,451,269</u>
Total net position	<u>\$ 13,265,483</u>	<u>\$ 12,915,778</u>

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Operating revenues:				
Charges for services:				
Water sales	\$ 5,975,000	\$ 6,200,567	\$ 225,567	\$ 5,878,165
Sewer charges	1,102,000	1,096,007	(5,993)	1,118,385
User fees	500	10,339	9,839	300
Penalties	65,000	45,796	(19,204)	63,843
Sales of water meters	5,000	7,515	2,515	4,205
Other	30,276	31,601	1,325	31,205
Total operating revenues	<u>7,177,776</u>	<u>7,391,825</u>	<u>214,049</u>	<u>7,096,103</u>
Operating expenses:				
Personnel	1,417,000	1,191,875	225,125	1,468,378
Contractual	3,815,175	3,587,758	227,417	3,441,035
Commodities	1,774,000	1,612,314	161,686	490,715
Depreciation	-	390,132	(390,132)	325,023
Other	900,850	353,616	547,234	292,255
Total operating expenses	<u>7,907,025</u>	<u>7,135,695</u>	<u>771,330</u>	<u>6,017,406</u>
Operating income	<u>(729,249)</u>	<u>256,130</u>	<u>985,379</u>	<u>1,078,697</u>
Nonoperating revenue (expense):				
Investment income	130,000	100,641	(29,359)	165,410
Interest expense	-	(7,066)	(7,066)	(10,397)
Total nonoperating revenue (expense)	<u>130,000</u>	<u>93,575</u>	<u>(36,425)</u>	<u>155,013</u>
Change in net position	(599,249)	349,705	948,954	1,233,710
Net position at beginning of year	<u>12,915,778</u>	<u>12,915,778</u>	<u>-</u>	<u>11,682,068</u>
Net position at end of year	<u>\$ 12,316,529</u>	<u>\$ 13,265,483</u>	<u>\$ 948,954</u>	<u>\$ 12,915,778</u>
Other budgeted expenditure:				
Capital outlay	<u>\$ 2,050,000</u>	<u>\$ 364,280</u>	<u>\$ 1,685,720</u>	<u>\$ 430,373</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**WATERWORKS AND SEWERAGE FUND**  
**SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Personnel:				
Salaries	\$ 985,000	\$ 816,567	\$ 168,433	\$ 1,098,677
Hospital and medical insurance	275,000	307,629	(32,629)	257,335
IMRF, Social Security and Medicare	<u>157,000</u>	<u>67,679</u>	<u>89,321</u>	<u>112,366</u>
Total personnel	<u>1,417,000</u>	<u>1,191,875</u>	<u>225,125</u>	<u>1,468,378</u>
Contractual:				
General insurance	101,925	101,960	(35)	86,568
Maintenance service	26,000	18,065	7,935	25,128
Other	274,250	227,196	47,054	231,379
Postage	20,000	15,920	4,080	12,254
Professional fees	65,000	62,203	2,797	62,508
Purchase of water	3,200,000	3,044,127	155,873	2,903,624
Telephone	50,000	31,304	18,696	49,429
Utilities	<u>78,000</u>	<u>86,983</u>	<u>(8,983)</u>	<u>70,145</u>
Total contractual	<u>3,815,175</u>	<u>3,587,758</u>	<u>227,417</u>	<u>3,441,035</u>
Commodities:				
Gas and oil	58,000	58,000	-	62,000
Supplies:				
Departmental and office	25,000	21,940	3,060	8,612
Maintenance	<u>1,691,000</u>	<u>1,532,374</u>	<u>158,626</u>	<u>420,103</u>
Total commodities	<u>1,774,000</u>	<u>1,612,314</u>	<u>161,686</u>	<u>490,715</u>
Depreciation	<u>-</u>	<u>390,132</u>	<u>(390,132)</u>	<u>325,023</u>
Other:				
Administrative charges	304,775	304,770	5	269,300
Bad debt expense	361,075	7,216	353,859	5,993
Equipment purchases	<u>235,000</u>	<u>41,630</u>	<u>193,370</u>	<u>16,962</u>
Total other	<u>900,850</u>	<u>353,616</u>	<u>547,234</u>	<u>292,255</u>
Total operating expenses	<u>\$ 7,907,025</u>	<u>\$ 7,135,695</u>	<u>\$ 771,330</u>	<u>\$ 6,017,406</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,281,796	\$ 7,155,522
Payments to employees	(1,366,965)	(1,280,927)
Payments to suppliers	(5,146,687)	(4,218,407)
Net cash provided by operating activities	768,144	1,656,188
Cash flows from capital and related financing activities:		
Payments for purchases of capital assets	(364,280)	(74,922)
Payment of accounts payable used to finance prior year purchases of capital assets	(355,451)	-
Principal paid on capital debt	(110,069)	(114,460)
Interest paid on capital debt	(7,066)	(10,397)
Net cash used by capital and related financing activities	(836,866)	(199,779)
Cash flows from investing activities:		
Investment income received	100,641	165,410
Net change in cash and cash equivalents	31,919	1,621,819
Cash and cash equivalents at beginning of year	8,387,970	6,766,151
Cash and cash equivalents at end of year	\$ 8,419,889	\$ 8,387,970

See independent auditor's report.

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 256,130	\$ 1,078,697
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	390,132	325,023
(Increase) decrease in:		
Accounts receivable	(110,029)	59,419
Deferred outflows of resources related to pensions	(117,743)	453,607
Deferred outflows of resources related to other post-employment benefits	(17,188)	(96,220)
Increase (decrease) in:		
Accounts payable	407,001	5,598
Accrued payroll	(26,300)	13,058
Compensated absences	(101,470)	183,203
Net pension liability	(129,737)	(404,407)
Net other post-employments benefits liability	36,741	77,100
Deferred inflows of resources related to pensions	167,532	(64,735)
Deferred inflows of resources related to other post-employment benefits	<u>13,075</u>	<u>25,845</u>
Net cash provided by operating activities	<u>\$ 768,144</u>	<u>\$ 1,656,188</u>
Noncash capital and related financing activities:		
Purchases of capital assets financed with accounts payable	<u>\$ -</u>	<u>\$ 355,451</u>

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF PALOS HEIGHTS, ILLINOIS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<u>Special Revenue Funds</u>					<u>Capital Projects Funds</u>					<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Seizure and Forfeiture</u>	<u>Motor Fuel Tax</u>	<u>Social Security and IMRF</u>	<u>Special Recreation</u>	<u>Police DUI Fine</u>	<u>Cal Sag Trail</u>	<u>Business District</u>	<u>PEG Capital</u>	<u>127th and Harlem Tax Increment</u>	<u>Gateway Tax Increment</u>	<u>Bond and Interest</u>	
<b>ASSETS</b>												
Cash and cash equivalents	\$ 1,052,848	\$ 746,908	\$ 190,540	\$ 303,501	\$ 50,710	\$ 148,062	\$ 215,385	\$ 5,935	\$ 602,169	\$ 131,938	\$ 33,736	\$ 3,481,732
Receivables:												
Property taxes	-	-	663,882	176,434	-	-	-	-	-	-	405,907	1,246,223
Accounts	-	-	-	-	-	-	6,367	-	-	-	-	6,367
Due from other funds	-	-	-	-	-	-	35,391	-	-	-	-	35,391
Due from other governments	-	41,545	-	-	-	-	18,462	-	-	-	-	60,007
<b>Total assets</b>	<b>\$ 1,052,848</b>	<b>\$ 788,453</b>	<b>\$ 854,422</b>	<b>\$ 479,935</b>	<b>\$ 50,710</b>	<b>\$ 148,062</b>	<b>\$ 269,238</b>	<b>\$ 12,302</b>	<b>\$ 602,169</b>	<b>\$ 131,938</b>	<b>\$ 439,643</b>	<b>\$ 4,829,720</b>
<b>LIABILITIES</b>												
Accounts payable	\$ 11,678	\$ 1,491	\$ -	\$ 975	\$ -	\$ 131,499	\$ -	\$ 1,897	\$ -	\$ 316	\$ -	\$ 147,856
Due to other funds	2,731	10,312	-	-	-	-	-	35,391	-	-	-	48,434
<b>Total liabilities</b>	<b>14,409</b>	<b>11,803</b>	<b>-</b>	<b>975</b>	<b>-</b>	<b>131,499</b>	<b>-</b>	<b>1,897</b>	<b>35,391</b>	<b>316</b>	<b>-</b>	<b>196,290</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>												
Property taxes levied for future period	-	-	664,240	176,548	-	-	-	-	-	-	406,225	1,247,013
<b>FUND BALANCES</b>												
Restricted	1,038,439	776,650	87,202	150,045	33,438	-	187,574	10,405	566,778	131,622	33,418	3,015,571
Assigned	-	-	102,980	152,367	17,272	16,563	81,664	-	-	-	-	370,846
<b>Total fund balances</b>	<b>1,038,439</b>	<b>776,650</b>	<b>190,182</b>	<b>302,412</b>	<b>50,710</b>	<b>16,563</b>	<b>269,238</b>	<b>10,405</b>	<b>566,778</b>	<b>131,622</b>	<b>33,418</b>	<b>3,386,417</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,052,848</b>	<b>\$ 788,453</b>	<b>\$ 854,422</b>	<b>\$ 479,935</b>	<b>\$ 50,710</b>	<b>\$ 148,062</b>	<b>\$ 269,238</b>	<b>\$ 12,302</b>	<b>\$ 602,169</b>	<b>\$ 131,938</b>	<b>\$ 439,643</b>	<b>\$ 4,829,720</b>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2020**

	Special Revenue Funds					Capital Projects Funds			Debt Service Fund	Total Nonmajor Governmental Funds		
	Seizure and Forfeiture	Motor Fuel Tax	Social Security and IMRF	Special Recreation	Police DUI Fine	Cal Sag Trail	Business District	PEG Capital	127th and Harlem Tax Increment	Gateway Tax Increment	Bond and Interest	
Revenues:												
Taxes:												
Property levies, net	\$ -	\$ -	\$ 532,354	\$ 169,659	\$ -	\$ -	\$ -	\$ -	\$ 387,009	\$ 36,182	\$ 472,424	\$ 1,597,628
Business district sales	-	-	-	-	-	-	115,916	-	-	-	-	115,916
Intergovernmental	-	756,736	-	-	-	-	-	-	-	-	-	756,736
Fines, forfeitures and penalties	541,311	-	-	-	-	-	-	-	-	-	-	541,311
Investment income	9,267	3,562	-	-	-	-	1,383	-	5,556	1,122	-	20,890
Other income	20,263	-	-	-	22,460	-	-	25,125	-	-	-	67,848
Total revenues	<u>570,841</u>	<u>760,298</u>	<u>532,354</u>	<u>169,659</u>	<u>22,460</u>	<u>-</u>	<u>117,299</u>	<u>25,125</u>	<u>392,565</u>	<u>37,304</u>	<u>472,424</u>	<u>3,100,329</u>
Expenditures:												
Current:												
Personnel	76,746	-	-	-	-	-	-	-	6,470	10,560	-	93,776
Payroll taxes and retirement contributions	-	-	630,103	-	-	-	-	-	-	-	-	630,103
Contractual	-	-	-	-	-	-	4,212	-	3,825	6,424	-	14,461
Commodities	-	48,891	-	-	-	-	-	-	62	368	-	49,321
Other	534,100	-	-	210,575	20,952	-	-	14,720	-	-	-	780,347
Debt service:												
Principal	-	-	-	-	-	-	163,388	-	52,289	-	285,000	500,677
Interest	-	-	-	-	-	-	-	-	231,876	-	178,813	410,689
Capital outlay	-	416,454	-	-	-	-	-	-	-	-	-	416,454
Total expenditures	<u>610,846</u>	<u>465,345</u>	<u>630,103</u>	<u>210,575</u>	<u>20,952</u>	<u>-</u>	<u>167,600</u>	<u>14,720</u>	<u>294,522</u>	<u>17,352</u>	<u>463,813</u>	<u>2,895,828</u>
Excess (deficiency) of revenues over expenditures	<u>(40,005)</u>	<u>294,953</u>	<u>(97,749)</u>	<u>(40,916)</u>	<u>1,508</u>	<u>-</u>	<u>(50,301)</u>	<u>10,405</u>	<u>98,043</u>	<u>19,952</u>	<u>8,611</u>	<u>204,501</u>
Other financing sources:												
Proceeds from sale of capital assets	93,937	-	-	-	-	-	-	-	-	-	-	93,937
Transfers in	-	-	-	-	-	-	45,000	-	-	-	-	45,000
Total other financing sources	<u>93,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,937</u>
Net change in fund balances	53,932	294,953	(97,749)	(40,916)	1,508	-	(5,301)	10,405	98,043	19,952	8,611	343,438
Fund balances at beginning of year	984,507	481,697	287,931	343,328	49,202	16,563	274,539	-	468,735	111,670	24,807	3,042,979
Fund balances at end of year	<u>\$ 1,038,439</u>	<u>\$ 776,650</u>	<u>\$ 190,182</u>	<u>\$ 302,412</u>	<u>\$ 50,710</u>	<u>\$ 16,563</u>	<u>\$ 269,238</u>	<u>\$ 10,405</u>	<u>\$ 566,778</u>	<u>\$ 131,622</u>	<u>\$ 33,418</u>	<u>\$ 3,386,417</u>

See independent auditor's report.

**SPECIAL REVENUE FUNDS**

**SEIZURE AND FORFEITURE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
SEIZURE AND FORFEITURE FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 1,052,848</u>	<u>\$ 1,063,074</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 11,678	\$ 20,835
Due to other funds	<u>2,731</u>	<u>57,732</u>
Total liabilities	14,409	78,567
<b>FUND BALANCES</b>		
Restricted	<u>1,038,439</u>	<u>984,507</u>
Total liabilities and fund balances	<u>\$ 1,052,848</u>	<u>\$ 1,063,074</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SEIZURE AND FORFEITURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</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	\$ 541,311	\$ 461,811	\$ 489,301
Investment income	-	9,267	9,267	20,062
Other income	-	20,263	20,263	5,665
Total revenues	<u>79,500</u>	<u>570,841</u>	<u>491,341</u>	<u>515,028</u>
Expenditures:				
Current:				
Personnel	69,800	76,746	(6,946)	67,710
Other	<u>78,500</u>	<u>534,100</u>	<u>(455,600)</u>	<u>398,715</u>
Total expenditures	<u>148,300</u>	<u>610,846</u>	<u>(462,546)</u>	<u>466,425</u>
Excess (deficiency) of revenues over expenditures	(68,800)	(40,005)	28,795	48,603
Other financing sources:				
Proceeds from sale of capital assets	-	<u>93,937</u>	<u>93,937</u>	<u>57,500</u>
Net change in fund balances	(68,800)	53,932	122,732	106,103
Fund balances at beginning of year	<u>984,507</u>	<u>984,507</u>	-	<u>878,404</u>
Fund balances at end of year	<u>\$ 915,707</u>	<u>\$ 1,038,439</u>	<u>\$ 122,732</u>	<u>\$ 984,507</u>

See independent auditor's report.

**MOTOR FUEL TAX FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
MOTOR FUEL TAX FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 746,908	\$ 443,943
Due from other governments	<u>41,545</u>	<u>54,937</u>
Total assets	<u>\$ 788,453</u>	<u>\$ 498,880</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,491	\$ 6,871
Due to other funds	<u>10,312</u>	<u>10,312</u>
Total liabilities	11,803	17,183
<b>FUND BALANCES</b>		
Restricted	<u>776,650</u>	<u>481,697</u>
Total liabilities and fund balances	<u>\$ 788,453</u>	<u>\$ 498,880</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**MOTOR FUEL TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Intergovernmental	\$ 495,000	\$ 756,736	\$ 261,736	\$ 413,279
Investment income	-	3,562	3,562	9,577
Other income	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
Total revenues	<u>500,000</u>	<u>760,298</u>	<u>260,298</u>	<u>422,856</u>
Expenditures:				
Current:				
Commodities:				
Maintenance supplies	60,000	48,891	11,109	62,000
Capital outlay	<u>435,000</u>	<u>416,454</u>	<u>18,546</u>	<u>263,000</u>
Total expenditures	<u>495,000</u>	<u>465,345</u>	<u>29,655</u>	<u>325,000</u>
Excess of revenues over expenditures	5,000	294,953	289,953	97,856
Fund balances at beginning of year	<u>481,697</u>	<u>481,697</u>	<u>-</u>	<u>383,841</u>
Fund balances at end of year	<u>\$ 486,697</u>	<u>\$ 776,650</u>	<u>\$ 289,953</u>	<u>\$ 481,697</u>

See independent auditor's report.

**SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**  
**WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 190,540	\$ 289,275
Property taxes receivable	<u>663,882</u>	<u>663,988</u>
 Total assets	 <u>\$ 854,422</u>	 <u>\$ 953,263</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	<u>\$ 664,240</u>	<u>\$ 665,332</u>
 <b>FUND BALANCES</b>		
Restricted	87,202	173,753
Assigned	<u>102,980</u>	<u>114,178</u>
 Total fund balances	 <u>190,182</u>	 <u>287,931</u>
 Total deferred inflows of resources and fund balances	 <u>\$ 854,422</u>	 <u>\$ 953,263</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**SOCIAL SECURITY AND ILLINOIS MUNICIPAL RETIREMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 613,000	\$ 532,354	\$ (80,646)	\$ 542,163
Expenditures:				
Current:				
Payroll taxes and retirement contributions	<u>613,000</u>	<u>630,103</u>	<u>(17,103)</u>	<u>534,646</u>
Excess (deficiency) of revenues over expenditures	-	(97,749)	(97,749)	7,517
Fund balances at beginning of year	<u>287,931</u>	<u>287,931</u>	-	<u>280,414</u>
Fund balances at end of year	<u>\$ 287,931</u>	<u>\$ 190,182</u>	<u>\$ (97,749)</u>	<u>\$ 287,931</u>

See independent auditor's report.

**SPECIAL RECREATION FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
SPECIAL RECREATION FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 303,501	\$ 345,375
Property taxes receivable	<u>176,434</u>	<u>174,372</u>
Total assets	<u>\$ 479,935</u>	<u>\$ 519,747</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 975</u>	<u>\$ 1,619</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	<u>176,548</u>	<u>174,800</u>
<b>FUND BALANCES</b>		
Restricted	150,045	190,961
Assigned	<u>152,367</u>	<u>152,367</u>
Total fund balances	<u>302,412</u>	<u>343,328</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 479,935</u>	<u>\$ 519,747</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SPECIAL RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Property tax levies, net	\$ 181,000	\$ 169,659	\$ (11,341)	\$ 172,194
Expenditures:				
Current:				
Other:				
Special recreation association	<u>270,625</u>	<u>210,575</u>	<u>60,050</u>	<u>96,726</u>
Excess (deficiency) of revenues over expenditures	(89,625)	(40,916)	48,709	75,468
Fund balances at beginning of year	<u>343,328</u>	<u>343,328</u>	-	<u>267,860</u>
Fund balances at end of year	<u>\$ 253,703</u>	<u>\$ 302,412</u>	<u>\$ 48,709</u>	<u>\$ 343,328</u>

See independent auditor's report.

**POLICE DUI FINE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
POLICE DUI FINE FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 50,710</u>	<u>\$ 49,202</u>
<b>FUND BALANCES</b>		
Restricted	33,438	31,930
Assigned	<u>17,272</u>	<u>17,272</u>
Total fund balances	<u>\$ 50,710</u>	<u>\$ 49,202</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**POLICE DUI FINE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ 10,000	\$ 22,460	\$ 12,460	\$ 30,425
Expenditures:				
Current:				
Other	<u>10,000</u>	<u>20,952</u>	<u>(10,952)</u>	<u>27,234</u>
Excess of revenues over expenditures	-	1,508	1,508	3,191
Fund balances at beginning of year	<u>49,202</u>	<u>49,202</u>	<u>-</u>	<u>46,011</u>
Fund balances at end of year	<u>\$ 49,202</u>	<u>\$ 50,710</u>	<u>\$ 1,508</u>	<u>\$ 49,202</u>

See independent auditor's report.

**CAL SAG TRAIL FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
CAL SAG TRAIL FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 148,062</u>	<u>\$ 148,062</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 131,499	\$ 131,499
<b>FUND BALANCES</b>		
Assigned	<u>16,563</u>	<u>16,563</u>
Total liabilities and fund balances	<u>\$ 148,062</u>	<u>\$ 148,062</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
CAL SAG TRAIL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Other:				
Bike trail maintenance	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Deficiency of revenues over expenditures	(10,000)	-	10,000	-
Fund balances at beginning of year	<u>16,563</u>	<u>16,563</u>	<u>-</u>	<u>16,563</u>
Fund balances at end of year	<u>\$ 6,563</u>	<u>\$ 16,563</u>	<u>\$ 10,000</u>	<u>\$ 16,563</u>

See independent auditor's report.

**BUSINESS DISTRICT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
BUSINESS DISTRICT FUND  
BALANCE SHEET  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 215,385	\$ 220,646
Due from other funds	35,391	35,391
Due from other governments	<u>18,462</u>	<u>18,502</u>
 Total assets	 <u>\$ 269,238</u>	 <u>\$ 274,539</u>
 <b>FUND BALANCES</b>		
Restricted	\$ 187,574	\$ 184,034
Assigned	<u>81,664</u>	<u>90,505</u>
 Total fund balances	 <u>\$ 269,238</u>	 <u>\$ 274,539</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
BUSINESS DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Business district sales tax	\$ 110,000	\$ 115,916	\$ 5,916	\$ 106,094
Investment income	<u>2,000</u>	<u>1,383</u>	<u>(617)</u>	<u>4,095</u>
Total revenues	<u>112,000</u>	<u>117,299</u>	<u>5,299</u>	<u>110,189</u>
Expenditures:				
Current:				
Contractual:				
Professional fees	10,000	4,212	5,788	1,800
Debt service:				
Principal	50,000	163,388	(113,388)	112,279
Interest	<u>95,000</u>	<u>-</u>	<u>95,000</u>	<u>23,308</u>
Total expenditures	<u>155,000</u>	<u>167,600</u>	<u>(12,600)</u>	<u>137,387</u>
Deficiency of revenues over expenditures	(43,000)	(50,301)	(7,301)	(27,198)
Other financing sources:				
Transfers in	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>55,000</u>
Net change in fund balances	2,000	(5,301)	(7,301)	27,802
Fund balances at beginning of year	<u>274,539</u>	<u>274,539</u>	<u>-</u>	<u>246,737</u>
Fund balances at end of year	<u>\$ 276,539</u>	<u>\$ 269,238</u>	<u>\$ (7,301)</u>	<u>\$ 274,539</u>

See independent auditor's report.

**PEG CAPITAL FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 PEG CAPITAL FUND  
 BALANCE SHEET  
 DECEMBER 31, 2020  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,935	\$ -
Accounts receivable	<u>6,367</u>	<u>-</u>
Total assets	<u>\$ 12,302</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,897	\$ -
<b>FUND BALANCES</b>		
Restricted	<u>10,405</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,302</u>	<u>\$ -</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**PEG CAPITAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	2020			2019
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Revenues:				
Other income	\$ -	\$ 25,125	\$ 25,125	\$ -
Expenditures:				
Current:				
Other:				
Supplies	-	14,720	(14,720)	-
Excess of revenues over expenditures	-	10,405	10,405	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ 10,405</u>	<u>\$ 10,405</u>	<u>\$ -</u>

See independent auditor's report.

**CAPITAL PROJECTS FUNDS**

**127TH AND HARLEM TAX INCREMENT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**127TH AND HARLEM TAX INCREMENT FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**  
**WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 602,169</u>	<u>\$ 504,263</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 137
Due to other funds	<u>35,391</u>	<u>35,391</u>
Total liabilities	35,391	35,528
<b>FUND BALANCES</b>		
Restricted	<u>566,778</u>	<u>468,735</u>
Total liabilities and fund balances	<u>\$ 602,169</u>	<u>\$ 504,263</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**127TH AND HARLEM TAX INCREMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 370,000	\$ 387,009	\$ 17,009	\$ 368,009
Investment income	<u>2,000</u>	<u>5,556</u>	<u>3,556</u>	<u>8,748</u>
Total revenues	<u>372,000</u>	<u>392,565</u>	<u>20,565</u>	<u>376,757</u>
Expenditures:				
Current:				
Personnel	5,000	6,470	(1,470)	5,376
Contractual:				
Professional fees	42,500	3,825	38,675	10,274
Commodities:				
Supplies:				
Departmental and office	200	62	138	184
Debt service:				
Principal	-	52,289	(52,289)	-
Interest	<u>285,000</u>	<u>231,876</u>	<u>53,124</u>	<u>215,710</u>
Total expenditures	<u>332,700</u>	<u>294,522</u>	<u>38,178</u>	<u>231,544</u>
Excess of revenues over expenditures	39,300	98,043	58,743	145,213
Fund balances at beginning of year	<u>468,735</u>	<u>468,735</u>	<u>-</u>	<u>323,522</u>
Fund balances at end of year	<u>\$ 508,035</u>	<u>\$ 566,778</u>	<u>\$ 58,743</u>	<u>\$ 468,735</u>

See independent auditor's report.

**GATEWAY TAX INCREMENT FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 GATEWAY TAX INCREMENT FUND  
 BALANCE SHEET  
 DECEMBER 31, 2020  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 131,938</u>	<u>\$ 111,807</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 316	\$ 137
<b>FUND BALANCES</b>		
Restricted	<u>131,622</u>	<u>111,670</u>
Total liabilities and fund balances	<u>\$ 131,938</u>	<u>\$ 111,807</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
 GATEWAY TAX INCREMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
 IN FUND BALANCES - BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 2020  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
Revenues:				
Property tax levies, net	\$ 28,000	\$ 36,182	\$ 8,182	\$ 27,662
Investment income	500	1,122	622	2,228
Total revenues	<u>28,500</u>	<u>37,304</u>	<u>8,804</u>	<u>29,890</u>
Expenditures:				
Current:				
Personnel	5,000	10,560	(5,560)	5,498
Contractual:				
Professional fees	65,500	6,424	59,076	6,026
Commodities:				
Supplies:				
Departmental and office	500	368	132	137
Total expenditures	<u>71,000</u>	<u>17,352</u>	<u>53,648</u>	<u>11,661</u>
Excess (deficiency) of revenues over expenditures	(42,500)	19,952	62,452	18,229
Fund balances at beginning of year	<u>111,670</u>	<u>111,670</u>	<u>-</u>	<u>93,441</u>
Fund balances at end of year	<u>\$ 69,170</u>	<u>\$ 131,622</u>	<u>\$ 62,452</u>	<u>\$ 111,670</u>

See independent auditor's report.

**DEBT SERVICE FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
 BOND AND INTEREST FUND  
 BALANCE SHEET  
 DECEMBER 31, 2020  
 WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,736	\$ 25,979
Property taxes receivable	<u>405,907</u>	<u>403,786</u>
Total assets	<u>\$ 439,643</u>	<u>\$ 429,765</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	\$ 406,225	\$ 404,958
<b>FUND BALANCES</b>		
Restricted	<u>33,418</u>	<u>24,807</u>
Total deferred inflows of resources and fund balances	<u>\$ 439,643</u>	<u>\$ 429,765</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**BOND AND INTEREST FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2020**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</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	\$ 463,838	\$ 472,424	\$ 8,586	\$ 471,693
Expenditures:				
Debt service:				
Principal	285,000	285,000	-	275,000
Interest	178,838	178,813	25	187,063
Total expenditures	463,838	463,813	25	462,063
Excess of revenues over expenditures	-	8,611	8,611	9,630
Fund balances at beginning of year	-	24,807	24,807	15,177
Fund balances at end of year	\$ -	\$ 33,418	\$ 33,418	\$ 24,807

See independent auditor's report.

**NONMAJOR PROPRIETARY FUND**

**METRA STATION PARKING FUND**

**CITY OF PALOS HEIGHTS, ILLINOIS  
METRA STATION PARKING FUND  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 100,801	\$ 100,996
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	<u>13</u>	<u>1,135</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 100,788</u>	<u>\$ 99,861</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
METRA STATION PARKING FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE  
IN NET POSITION - BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2020</u>			<u>2019</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	\$ 50,000	\$ 11,752	\$ (38,248)	\$ 46,107
Operating expenses:				
Personnel	20,000	9,712	10,288	20,000
Contractual:				
Maintenance	20,000	15	19,985	22,690
Commodities:				
Supplies:				
Departmental and office	<u>10,000</u>	<u>1,098</u>	<u>8,902</u>	<u>2,914</u>
Total operating expenses	<u>50,000</u>	<u>10,825</u>	<u>39,175</u>	<u>45,604</u>
Operating income	-	927	927	503
Net position at beginning of year	<u>99,861</u>	<u>99,861</u>	<u>-</u>	<u>99,358</u>
Net position at end of year	<u>\$ 99,861</u>	<u>\$ 100,788</u>	<u>\$ 927</u>	<u>\$ 99,861</u>

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
METRA STATION PARKING FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Receipts from users	\$ 11,752	\$ 46,107
Payments to employees	(9,712)	(20,000)
Payments to suppliers	(2,235)	(24,694)
Net cash provided (used) by operating activities	(195)	1,413
Cash and cash equivalents at beginning of year	100,996	99,583
Cash and cash equivalents at end of year	\$ 100,801	\$ 100,996
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 927	\$ 503
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Increase (decrease) in accounts payable	(1,122)	910
Net cash provided (used) by operating activities	\$ (195)	\$ 1,413

See independent auditor's report.

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**ILLINOIS GRANT ACCOUNTABILITY AND TRANSPARENCY**  
**CONSOLIDATED YEAR-END FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2020**

CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
422-11-0970	Open Space Land Acquisition & Development	356,956	-	-	356,956
494-00-0967	High-Growth Cities Program	26,370	-	-	26,370
494-00-1488	Motor Fuel Tax Program	438,976	-	-	438,976
494-10-0343	State and Community Highway Safety / National Priority Safety Program	-	13,377	-	13,377
494-42-0495	Local Surface Transportation Program	3,428	134,018	-	137,446
	Other grant programs and activities	-	894,430	-	894,430
	All other costs not allocated	-	-	20,733,384	20,733,384
	Totals:	825,730	1,041,825	20,733,384	22,600,939

See independent auditor's report.

**STATISTICAL SECTION**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental activities:										
Net investment in capital assets	\$ 23,996,463	\$ 23,914,248	\$ 23,712,812	\$ 24,257,020	\$ 23,621,767	\$ 23,831,289	\$ 21,216,906	\$ 21,172,893	\$ 21,374,139	\$ 20,646,441
Restricted	2,982,153	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451	1,315,525
Unrestricted	<u>(19,484,414)</u>	<u>(20,645,325)</u>	<u>(19,053,188)</u>	<u>(18,463,759)</u>	<u>(15,946,493)</u>	<u>(15,762,127)</u>	<u>59,727</u>	<u>4,225,787</u>	<u>3,730,432</u>	<u>3,691,358</u>
Total governmental activities net position	<u>7,494,202</u>	<u>5,896,210</u>	<u>6,818,150</u>	<u>7,437,435</u>	<u>9,067,761</u>	<u>10,020,175</u>	<u>23,427,974</u>	<u>27,007,025</u>	<u>26,372,022</u>	<u>25,653,324</u>
Business-type activities:										
Net investment in capital assets	4,904,177	4,464,509	4,579,991	3,924,132	3,923,317	3,445,295	3,456,874	3,523,793	3,463,940	3,483,197
Unrestricted	<u>8,462,094</u>	<u>8,551,130</u>	<u>7,201,435</u>	<u>6,507,579</u>	<u>5,601,566</u>	<u>4,721,703</u>	<u>3,723,588</u>	<u>2,718,363</u>	<u>2,215,578</u>	<u>1,899,069</u>
Total business-type activities net position	<u>13,366,271</u>	<u>13,015,639</u>	<u>11,781,426</u>	<u>10,431,711</u>	<u>9,524,883</u>	<u>8,166,998</u>	<u>7,180,462</u>	<u>6,242,156</u>	<u>5,679,518</u>	<u>5,382,266</u>
Primary government:										
Net investment in capital assets	28,900,640	28,378,757	28,292,803	28,181,152	27,545,084	27,276,584	24,673,780	24,696,686	24,838,079	24,129,638
Restricted	2,982,153	2,627,287	2,158,526	1,644,174	1,392,487	1,951,013	2,151,341	1,608,345	1,267,451	1,315,525
Unrestricted	<u>(11,022,320)</u>	<u>(12,094,195)</u>	<u>(11,851,753)</u>	<u>(11,956,180)</u>	<u>(10,344,927)</u>	<u>(11,040,424)</u>	<u>3,783,315</u>	<u>6,944,150</u>	<u>5,946,010</u>	<u>5,590,427</u>
Total primary government net position	<u>\$ 20,860,473</u>	<u>\$ 18,911,849</u>	<u>\$ 18,599,576</u>	<u>\$ 17,869,146</u>	<u>\$ 18,592,644</u>	<u>\$ 18,187,173</u>	<u>\$ 30,608,436</u>	<u>\$ 33,249,181</u>	<u>\$ 32,051,540</u>	<u>\$ 31,035,590</u>

Notes:

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

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

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses:											
Governmental activities:											
General government	\$ 2,112,880	\$ 2,466,705	\$ 2,494,207	\$ 2,833,267		\$ 2,479,732	\$ 2,762,909	\$ 6,787,035	\$ 2,545,228	\$ 2,534,196	\$ 2,961,363
Police and emergency services	6,462,128	8,485,331	7,293,695	6,532,287		6,514,299	5,856,452	5,385,075	5,212,461	4,712,668	4,721,077
Public works	2,507,963	3,023,254	3,091,306	2,757,154		2,707,894	2,993,929	1,575,551	3,047,280	2,436,278	2,515,834
Recreation and culture	2,981,754	2,811,596	2,684,856	2,757,104		2,722,325	2,223,000	2,656,983	1,961,503	1,987,341	1,885,637
Interest	<u>380,775</u>	<u>401,484</u>	<u>417,703</u>	<u>433,167</u>		<u>416,120</u>	<u>384,395</u>	<u>263,036</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities expenses	<u>14,445,500</u>	<u>17,188,370</u>	<u>15,981,767</u>	<u>15,312,979</u>		<u>14,840,370</u>	<u>14,220,685</u>	<u>16,667,680</u>	<u>12,766,472</u>	<u>11,670,483</u>	<u>12,083,911</u>
Business-type activities:											
Waterworks and sewerage	7,142,761	6,027,803	5,898,952	6,143,184		5,242,435	5,229,808	4,692,038	4,702,865	4,488,776	3,905,705
Parking lot	<u>10,825</u>	<u>45,604</u>	<u>29,897</u>	<u>71,961</u>		<u>28,872</u>	<u>7,574</u>	<u>105,624</u>	<u>80,210</u>	<u>46,442</u>	<u>55,498</u>
Total business-type activities expenses	<u>7,153,586</u>	<u>6,073,407</u>	<u>5,928,849</u>	<u>6,215,145</u>		<u>5,271,307</u>	<u>5,237,382</u>	<u>4,797,662</u>	<u>4,783,075</u>	<u>4,535,218</u>	<u>3,961,203</u>
Total primary government expenses	<u>\$ 21,599,086</u>	<u>\$ 23,261,777</u>	<u>\$ 21,910,616</u>	<u>\$ 21,528,124</u>		<u>\$ 20,111,677</u>	<u>\$ 19,458,067</u>	<u>\$ 21,465,342</u>	<u>\$ 17,549,547</u>	<u>\$ 16,205,701</u>	<u>\$ 16,045,114</u>
Program revenues:											
Governmental activities:											
Charges for services:											
General government	\$ 983,080	\$ 988,306	\$ 959,010	\$ 1,322,879		\$ 888,883	\$ 1,355,366	\$ 1,058,746	\$ 1,202,625	\$ 1,004,837	\$ 1,022,992
Police and emergency services	613,297	678,823	732,105	410,973		387,605	440,247	881,261	590,298	258,190	116,767
Recreation and culture	342,514	1,232,649	1,268,539	1,162,422		916,804	819,044	706,382	704,767	685,238	859,327
Operating grants and contributions	-	-	-	-		-	14,598	93,533	-	274,325	172,558
Capital grants and contributions	<u>795,303</u>	<u>79,297</u>	<u>86,662</u>	<u>101,420</u>		<u>83,511</u>	<u>3,498,169</u>	<u>42,665</u>	<u>797,408</u>	<u>-</u>	<u>-</u>
Total governmental activities program revenues	<u>2,734,194</u>	<u>2,979,075</u>	<u>3,046,316</u>	<u>2,997,694</u>		<u>2,276,803</u>	<u>6,127,424</u>	<u>2,782,587</u>	<u>3,295,098</u>	<u>2,222,590</u>	<u>2,171,644</u>
Business-type activities:											
Charges for services:											
Waterworks and sewerage	7,352,709	7,060,693	7,084,162	7,208,273		6,540,007	6,468,985	5,666,296	5,253,317	4,761,295	3,815,506
Parking lot	11,752	46,107	50,731	51,038		52,292	55,607	56,376	57,362	51,295	53,573
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>5,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>7,364,461</u>	<u>7,106,800</u>	<u>7,134,893</u>	<u>7,259,311</u>		<u>6,597,457</u>	<u>6,524,592</u>	<u>5,722,672</u>	<u>5,310,679</u>	<u>4,812,590</u>	<u>3,869,079</u>
Total primary government program revenues	<u>\$ 10,098,655</u>	<u>\$ 10,085,875</u>	<u>\$ 10,181,209</u>	<u>\$ 10,257,005</u>		<u>\$ 8,874,260</u>	<u>\$ 12,652,016</u>	<u>\$ 8,505,259</u>	<u>\$ 8,605,777</u>	<u>\$ 7,035,180</u>	<u>\$ 6,040,723</u>

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net (expense) revenue:											
Governmental activities	\$ (11,711,306)	\$ (14,209,295)	\$ (12,935,451)	\$ (12,315,285)		\$ (12,563,567)	\$ (8,093,261)	\$ (13,885,093)	\$ (9,471,374)	\$ (9,447,893)	\$ (9,912,267)
Business-type activities	<u>210,875</u>	<u>1,033,393</u>	<u>1,206,044</u>	<u>1,044,166</u>		<u>1,326,150</u>	<u>1,287,210</u>	<u>925,010</u>	<u>527,604</u>	<u>277,372</u>	<u>(92,124)</u>
Total primary government net expense	<u>\$ (11,500,431)</u>	<u>\$ (13,175,902)</u>	<u>\$ (11,729,407)</u>	<u>\$ (11,271,119)</u>		<u>\$ (11,237,417)</u>	<u>\$ (6,806,051)</u>	<u>\$ (12,960,083)</u>	<u>\$ (8,943,770)</u>	<u>\$ (9,170,521)</u>	<u>\$ (10,004,391)</u>
General revenues and other changes in net position:											
Governmental activities:											
General revenues:											
Taxes:											
Property	\$ 7,222,096	\$ 7,313,223	\$ 6,795,656	\$ 6,336,789		\$ 6,022,995	\$ 5,504,839	\$ 5,108,109	\$ 4,539,275	\$ 4,478,335	\$ 4,585,072
Utility	1,017,182	1,073,019	1,128,801	1,131,427		1,164,686	1,208,116	1,316,295	1,310,520	1,312,430	1,376,227
Business district sales	115,916	106,094	108,926	110,569		113,327	106,958	79,793	60,289	43,579	17,665
Intergovernmental	3,955,946	3,470,975	3,183,251	3,016,498		3,019,553	3,127,378	3,042,806	3,029,783	2,888,338	2,689,690
Gain on dispositions of capital assets	-	-	-	23,184		1,132	55,856	18,488	32,821	-	-
Investment income (loss)	90,649	262,187	183,623	19,302		117,066	(88,666)	22,916	15,342	13,704	5,490
Other income	<u>907,509</u>	<u>1,061,857</u>	<u>915,909</u>	<u>974,165</u>		<u>1,172,394</u>	<u>704,405</u>	<u>717,635</u>	<u>1,118,347</u>	<u>1,430,205</u>	<u>850,950</u>
Total governmental activities	<u>13,309,298</u>	<u>13,287,355</u>	<u>12,316,166</u>	<u>11,611,934</u>		<u>11,611,153</u>	<u>10,618,886</u>	<u>10,306,042</u>	<u>10,106,377</u>	<u>10,166,591</u>	<u>9,525,094</u>
Business-type activities:											
General revenues:											
Investment income	100,641	165,410	100,501	45,510		26,674	2,212	6,205	3,290	2,085	9,585
Other income	<u>39,116</u>	<u>35,410</u>	<u>43,170</u>	<u>9,700</u>		<u>5,061</u>	<u>4,984</u>	<u>7,091</u>	<u>31,744</u>	<u>17,795</u>	<u>27,216</u>
Total business-type activities	<u>139,757</u>	<u>200,820</u>	<u>143,671</u>	<u>55,210</u>		<u>31,735</u>	<u>7,196</u>	<u>13,296</u>	<u>35,034</u>	<u>19,880</u>	<u>36,801</u>
Total primary government	<u>\$ 13,449,055</u>	<u>\$ 13,488,175</u>	<u>\$ 12,459,837</u>	<u>\$ 11,667,144</u>		<u>\$ 11,642,888</u>	<u>\$ 10,626,082</u>	<u>\$ 10,319,338</u>	<u>\$ 10,141,411</u>	<u>\$ 10,186,471</u>	<u>\$ 9,561,895</u>
Changes in net position:											
Governmental activities	\$ 1,597,992	\$ (921,940)	\$ (619,285)	\$ (703,351)		\$ (952,414)	\$ 2,525,625	\$ (3,579,051)	\$ 635,003	\$ 718,698	\$ (387,173)
Business-type activities	<u>350,632</u>	<u>1,234,213</u>	<u>1,349,715</u>	<u>1,099,376</u>		<u>1,357,885</u>	<u>1,294,406</u>	<u>938,306</u>	<u>562,638</u>	<u>297,252</u>	<u>(55,323)</u>
Total primary government	<u>\$ 1,948,624</u>	<u>\$ 312,273</u>	<u>\$ 730,430</u>	<u>\$ 396,025</u>		<u>\$ 405,471</u>	<u>\$ 3,820,031</u>	<u>\$ (2,640,745)</u>	<u>\$ 1,197,641</u>	<u>\$ 1,015,950</u>	<u>\$ (442,496)</u>

Notes:

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

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

See independent auditor's report.

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

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Utility Taxes</b>	<b>Business District Sales Taxes</b>	<b>Total</b>
2011	\$ 4,585,072	\$ 1,376,227	\$ 17,665	\$ 5,978,964
2012	4,478,335	1,312,430	43,579	5,834,344
2013	4,539,275	1,310,520	60,289	5,910,084
2014	5,108,109	1,316,295	79,793	6,504,197
2015	5,504,839	1,208,116	106,958	6,819,913
2016	6,022,995	1,164,686	113,327	7,301,008
2017	6,336,789	1,131,427	110,569	7,578,785
2018	6,795,656	1,128,801	108,926	8,033,383
2019	7,313,223	1,073,019	106,094	8,492,336
2020	7,222,096	1,017,182	115,916	8,355,194

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:										
Nonspendable	\$ -	\$ 195,793	\$ 108,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	-	270,275
Unassigned	<u>3,970,597</u>	<u>4,383,772</u>	<u>3,751,432</u>	<u>3,674,664</u>	<u>3,817,145</u>	<u>4,038,720</u>	<u>3,865,733</u>	<u>3,758,815</u>	<u>3,748,541</u>	<u>3,231,955</u>
Total General Fund	<u>\$ 3,970,597</u>	<u>\$ 4,579,565</u>	<u>\$ 3,860,340</u>	<u>\$ 3,674,664</u>	<u>\$ 3,817,145</u>	<u>\$ 4,038,720</u>	<u>\$ 3,865,733</u>	<u>\$ 3,758,815</u>	<u>\$ 3,748,541</u>	<u>\$ 3,502,230</u>
All other governmental funds:										
Restricted	\$ 3,015,571	\$ 2,652,094	\$ 2,173,703	\$ 1,655,585	\$ 1,559,973	\$ 6,113,031	\$ 2,151,341	\$ 1,608,345	\$ 1,267,451	\$ 1,331,145
Assigned	<u>3,071,053</u>	<u>2,135,486</u>	<u>2,289,266</u>	<u>2,610,086</u>	<u>3,032,758</u>	<u>2,307,944</u>	<u>1,871,738</u>	<u>1,789,931</u>	<u>1,058,161</u>	<u>1,306,027</u>
Total all other governmental funds	<u>\$ 6,086,624</u>	<u>\$ 4,787,580</u>	<u>\$ 4,462,969</u>	<u>\$ 4,265,671</u>	<u>\$ 4,592,731</u>	<u>\$ 8,420,975</u>	<u>\$ 4,023,079</u>	<u>\$ 3,398,276</u>	<u>\$ 2,325,612</u>	<u>\$ 2,637,172</u>

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:										
Taxes	\$ 8,355,194	\$ 8,492,336	\$ 8,033,383	\$ 7,578,785	\$ 7,301,008	\$ 6,819,913	\$ 6,504,197	\$ 5,910,084	\$ 5,834,344	\$ 5,978,964
Intergovernmental	3,955,946	3,470,975	3,183,251	3,016,498	3,019,553	3,127,378	3,042,806	3,029,783	2,888,338	2,689,690
Charges for services	328,131	416,024	411,831	411,883	408,175	475,846	472,623	440,352	470,015	444,107
Fees by agreement	311,029	959,110	979,796	880,689	634,863	555,699	459,016	415,314	370,778	384,570
Fines, forfeitures and penalties	613,297	678,823	732,105	410,973	381,864	440,247	840,207	535,115	258,190	323,701
Grants	795,303	8,987	86,662	101,420	83,511	197,542	136,801	800,241	274,325	145,473
Investment income (loss)	90,649	262,187	183,623	19,302	117,066	(88,666)	22,916	15,342	13,704	5,490
Licenses, permits and inspections	654,949	572,282	547,179	910,996	480,708	879,520	534,551	714,897	534,822	388,950
Swimming pool	31,485	273,539	288,743	281,733	281,941	263,345	247,366	289,453	314,460	309,886
Other	907,509	1,061,857	915,909	974,165	1,178,135	702,014	739,870	1,109,157	1,430,205	1,041,909
<b>Total revenues</b>	<b><u>16,043,492</u></b>	<b><u>16,196,120</u></b>	<b><u>15,362,482</u></b>	<b><u>14,586,444</u></b>	<b><u>13,886,824</u></b>	<b><u>13,372,838</u></b>	<b><u>13,000,353</u></b>	<b><u>13,259,738</u></b>	<b><u>12,389,181</u></b>	<b><u>11,712,740</u></b>
Expenditures:										
Current:										
General government	2,538,194	2,349,717	2,515,146	2,442,055	2,261,309	2,344,161	2,297,550	2,297,358	2,245,369	2,931,256
Public safety	7,025,766	6,737,633	6,128,083	5,877,546	6,043,242	5,681,116	5,141,101	4,801,300	4,600,370	4,580,413
Public works	1,183,341	1,175,352	1,195,725	954,429	1,035,369	1,237,195	1,113,560	1,219,498	1,479,566	1,133,309
Recreational department	1,837,381	2,162,070	2,171,691	2,143,767	2,141,026	1,797,910	2,058,670	1,610,632	1,555,626	1,723,479
Roads and construction	471,474	446,459	493,191	502,641	548,192	595,813	437,385	393,819	413,649	423,476
Debt service:										
Principal retirement	539,161	424,149	416,911	413,754	211,109	20,818	7,003	-	-	-
Interest charges and fees	413,112	429,611	446,740	462,724	579,268	452,854	61,335	-	-	-
Capital outlay	1,438,924	1,484,793	1,646,521	2,290,069	5,388,447	3,354,261	1,250,528	1,909,376	2,159,850	1,142,568
<b>Total expenditures</b>	<b><u>15,447,353</u></b>	<b><u>15,209,784</u></b>	<b><u>15,014,008</u></b>	<b><u>15,086,985</u></b>	<b><u>18,207,962</u></b>	<b><u>15,484,128</u></b>	<b><u>12,367,132</u></b>	<b><u>12,231,983</u></b>	<b><u>12,454,430</u></b>	<b><u>11,934,501</u></b>
Excess (deficiency) of revenues over expenditures	596,139	986,336	348,474	(500,541)	(4,321,138)	(2,111,290)	633,221	1,027,755	(65,249)	(221,761)
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	93,937	57,500	34,500	31,000	89,900	84,151	34,000	55,183	-	-
Transfers in	1,444,568	741,228	715,794	1,274,147	1,289,093	983,639	721,105	916,250	553,948	858,090
Transfers out	(1,444,568)	(741,228)	(715,794)	(1,274,147)	(1,289,093)	(983,639)	(721,105)	(916,250)	(553,948)	(858,090)
<b>Total other financing sources (uses)</b>	<b><u>93,937</u></b>	<b><u>57,500</u></b>	<b><u>34,500</u></b>	<b><u>31,000</u></b>	<b><u>271,319</u></b>	<b><u>6,682,173</u></b>	<b><u>98,500</u></b>	<b><u>55,183</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Net change in fund balances	\$ 690,076	\$ 1,043,836	\$ 382,974	\$ (469,541)	\$ (4,049,819)	\$ 4,570,883	\$ 731,721	\$ 1,082,938	\$ (65,249)	\$ (221,761)
Debt service as a percentage of non-capital expenditures	<u>6.661%</u>	<u>5.978%</u>	<u>6.089%</u>	<u>6.518%</u>	<u>6.150%</u>	<u>5.192%</u>	<u>0.604%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>

See independent auditor's report.

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

<u>Levy Year</u>	<u>Real Property</u>	<u>Less Tax-exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Taxable Value (1)</u>	<u>Total Direct Tax Rate</u>
2010	\$ 568,529,766	N/A	\$ 568,529,766	1,705,589,298	0.818
2011	464,228,742	N/A	464,228,742	1,392,686,226	0.952
2012	428,610,174	N/A	428,610,174	1,285,830,522	1.062
2013	399,740,670	N/A	399,740,670	1,199,222,010	1.236
2014	393,578,232	N/A	393,578,232	1,180,734,696	1.326
2015	379,844,244	N/A	379,844,244	1,139,532,732	1.562
2016	396,160,414	N/A	396,160,414	1,188,481,242	1.568
2017	458,253,064	N/A	458,253,064	1,374,759,192	1.459
2018	442,987,918	N/A	442,987,918	1,328,963,754	1.589
2019	436,996,291	N/A	436,996,291	1,310,988,873	1.590

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

Data Source: Cook County, Illinois Tax Extension Division

N/A - Information is not available.

See independent auditor's report.

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

Levy Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
City of Palos Heights:										
Corporate	0.438	0.438	0.379	0.421	0.438	0.438	0.438	0.438	0.437	0.436
Bond and interest	0.111	0.109	0.106	0.122	0.128	0.000	0.000	0.000	0.000	0.000
Police pension	0.488	0.481	0.403	0.358	0.339	0.288	0.232	0.129	0.105	0.075
IMRF	0.065	0.066	0.069	0.084	0.079	0.074	0.064	0.062	0.049	0.036
Recreation	0.140	0.144	0.142	0.168	0.178	0.185	0.184	0.165	0.135	0.099
Police protection	0.247	0.251	0.263	0.294	0.290	0.241	0.214	0.164	0.135	0.099
Social security	0.061	0.060	0.062	0.082	0.070	0.060	0.064	0.062	0.050	0.036
Special recreation	0.040	0.040	0.035	0.039	0.040	0.040	0.040	0.040	0.040	0.037
<b>Total City of Palos Heights</b>	<b>1.590</b>	<b>1.589</b>	<b>1.459</b>	<b>1.568</b>	<b>1.562</b>	<b>1.326</b>	<b>1.236</b>	<b>1.060</b>	<b>0.951</b>	<b>0.818</b>
Overlapping governments:										
City of Palos Heights Library Fund	0.379	0.287	0.279	0.350	0.375	0.403	0.364	0.498	0.377	0.342
Cook County	0.454	0.489	0.496	0.533	0.552	0.568	0.560	0.531	0.462	0.423
Cook County Forest Preserve District	0.059	0.060	0.062	0.063	0.069	0.069	0.069	0.063	0.058	0.051
Consolidated Elections	0.030	0.000	0.031	0.000	0.034	0.000	0.031	0.000	0.025	0.000
So. Cook Co. Mosquito Abatement District	0.018	0.017	0.016	0.017	0.017	0.017	0.016	0.014	0.012	0.010
Metropolitan Water Reclamation Dist. of Chicago	0.389	0.396	0.402	0.406	0.426	0.430	0.417	0.370	0.320	0.274
Palos Township	0.067	0.064	0.060	0.068	0.070	0.066	0.063	0.057	0.050	0.040
Palos Twp General Assistance	0.010	0.009	0.008	0.008	0.088	0.007	0.006	0.005	0.005	0.004
Palos Twp Road and Bridge	0.053	0.051	0.047	0.054	0.055	0.052	0.049	0.046	0.042	0.033
Worth Township	0.069	0.070	0.067	0.078	0.078	0.076	0.073	0.068	0.060	0.050
Worth Township General Assistance	0.017	0.017	0.017	0.019	0.020	0.020	0.018	0.017	0.015	0.013
Worth Township Road and Bridge	0.033	0.034	0.033	0.037	0.039	0.037	0.035	0.033	0.030	0.025
North Palos Fire Protection District	1.320	1.106	1.032	1.161	1.198	1.134	1.076	0.974	0.869	0.701
Palos Fire Protection District	1.183	1.134	1.058	1.215	1.255	1.201	1.153	1.047	0.709	0.557
Palos Heights Fire Protection District	1.074	1.025	0.829	0.934	0.934	0.927	0.891	0.814	0.727	0.583
Worth Park District	0.486	0.474	0.455	0.506	0.520	0.503	0.461	0.420	0.375	0.308
South Palos Sanitary District	0.377	0.366	0.345	0.409	0.421	0.406	0.392	0.361	0.331	0.253
School District 118	2.988	2.882	2.714	3.106	3.212	3.133	2.989	2.743	2.457	2.011
School District 127	5.868	6.268	5.915	6.781	6.994	6.702	6.096	5.533	4.952	4.062
School District 128	3.035	2.949	2.803	3.146	3.284	3.136	3.001	2.755	2.460	1.967
Community High School District 218	3.821	3.458	3.719	4.164	4.247	4.049	3.775	3.442	3.037	2.482
Consolidated High School District 230	2.488	2.425	2.287	2.778	2.879	2.770	2.641	2.438	2.180	1.812
Community College District 524	0.393	0.384	0.365	0.406	0.419	0.403	0.375	0.346	0.311	0.256
<b>Total Direct and Overlapping Tax Rate Per \$100 of Assessed Valuation</b>	<b>26.201</b>	<b>25.554</b>	<b>24.499</b>	<b>27.807</b>	<b>28.748</b>	<b>27.435</b>	<b>25.787</b>	<b>23.635</b>	<b>20.815</b>	<b>17.075</b>

Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
PRINCIPAL PROPERTY TAXPAYERS  
DECEMBER 31, 2020**

<u>Taxpayer</u>	<u>2019</u>			<u>2010</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	\$ 13,911,026	1	3.18 %	\$ 9,800,894	1	1.72 %
Jetco Properties	6,142,207	2	1.41	-	-	-
Palos Heights Properties	5,636,336	3	1.29	8,842,716	2	1.56
Everest College	4,534,432	4	1.04	-	-	-
Ridgeland Nursing	4,058,276	5	0.93	2,621,009	6	0.46
Costa Construction	3,107,439	6	0.71	-	-	-
St. George Corp.	2,485,890	7	0.57	4,376,618	4	0.77
Advocate Healthcare	2,348,732	8	0.54	2,597,608	7	0.46
Reagan Corp	2,275,652	9	0.52	2,392,487	8	0.42
Vasili C Siampos	1,867,121	10	0.43	2,319,775	9	0.41
James Lambert	-	-	-	5,695,737	3	1.00
First Midwest Bank	-	-	-	3,288,041	5	0.58
Leon & Kathryn Gombis	-	-	-	2,228,932	10	0.39
<b>Total</b>	<u>\$ 46,367,111</u>		<u>10.62 %</u>	<u>\$ 44,163,817</u>		<u>7.77 %</u>

\* Includes only those parcels with 2019 equalized assessed valuation of approximately \$100,000 and over.

\*\* Includes only those parcels with 2010 equalized assessed valuation of approximately \$140,000 and over.

Source: Office of the Cook County Clerk

See independent auditor's report.

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

Tax levy year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Equalized assessed valuation	<u>\$ 436,996,291</u>	<u>\$ 442,987,918</u>	<u>\$ 458,253,064</u>	<u>\$ 396,160,414</u>	<u>\$ 379,844,244</u>	<u>\$ 393,578,232</u>	<u>\$ 399,740,670</u>	<u>\$ 428,610,174</u>	<u>\$ 464,228,742</u>	<u>\$ 568,529,766</u>
Tax rates (per \$100 of equalized assessed valuation):										
Park and recreation	0.1398	0.1439	0.1423	0.1678	0.1782	0.1845	0.1845	0.1646	0.1353	0.0987
Police pension	0.4884	0.4813	0.4028	0.3575	0.3390	0.2879	0.2319	0.1286	0.1054	0.0752
Social security and I.M.R.F.	0.1255	0.1256	0.1304	0.1657	0.1486	0.1348	0.1282	0.1243	0.0987	0.0720
Corporate	0.4375	0.4375	0.3785	0.4212	0.4375	0.4375	0.4375	0.4375	0.4375	0.4363
Police protection	0.2471	0.2509	0.2634	0.2946	0.2900	0.2414	0.2139	0.1646	0.1353	0.0987
Handicapped fund	0.0400	0.0400	0.0346	0.0385	0.0400	0.0400	0.0400	0.0400	0.0400	0.0371
Bond and interest	0.1113	0.1094	0.1065	0.1226	0.1279	0.0000	0.0000	0.0000	0.0000	0.0000
Total tax rates	<u>1.5896</u>	<u>1.5886</u>	<u>1.4585</u>	<u>1.5679</u>	<u>1.5612</u>	<u>1.3261</u>	<u>1.2360</u>	<u>1.0596</u>	<u>0.9522</u>	<u>0.8180</u>
Rate difference	<u>0.0010</u>	<u>0.1301</u>	<u>(0.1094)</u>	<u>0.0067</u>	<u>0.2351</u>	<u>0.0901</u>	<u>0.1764</u>	<u>0.1074</u>	<u>0.1342</u>	<u>0.0373</u>
Tax extensions:										
Park and recreation	\$ 610,921	\$ 637,243	\$ 652,043	\$ 664,757	\$ 677,054	\$ 726,186	\$ 737,375	\$ 705,550	\$ 628,101	\$ 561,139
Police pension	2,134,290	2,132,100	1,845,988	1,416,273	1,287,500	1,133,000	927,000	551,050	489,297	427,534
Social security and I.M.R.F.	548,430	556,552	597,400	656,438	564,549	526,802	512,710	532,768	458,194	409,341
Corporate	1,911,859	1,938,072	1,734,394	1,668,628	1,661,819	1,721,905	1,748,865	1,875,170	2,031,001	2,480,495
Police protection	1,079,818	1,111,250	1,207,058	1,167,089	1,101,556	950,220	854,988	705,550	628,101	561,139
Handicapped fund	174,799	177,195	158,573	152,522	151,938	157,431	159,896	171,444	185,691	210,925
Bond and interest	486,377	484,667	487,922	485,693	485,920	-	-	-	-	-
Total tax extensions	<u>\$ 6,946,494</u>	<u>\$ 7,037,079</u>	<u>\$ 6,683,378</u>	<u>\$ 6,211,400</u>	<u>\$ 5,930,336</u>	<u>\$ 5,215,544</u>	<u>\$ 4,940,834</u>	<u>\$ 4,541,532</u>	<u>\$ 4,420,385</u>	<u>\$ 4,650,573</u>
Collections:										
Current	\$ 6,753,466	\$ 6,844,540	\$ 6,430,310	\$ 6,086,018	\$ 5,793,491	\$ 5,165,275	\$ 4,760,018	\$ 4,372,599	\$ 4,354,259	\$ 4,453,280
Subsequent	-	(9,749)	14,639	4,662	35,523	20,204	59,088	84,660	87,961	65,838
Total collections	<u>\$ 6,753,466</u>	<u>\$ 6,834,791</u>	<u>\$ 6,444,949</u>	<u>\$ 6,090,680</u>	<u>\$ 5,829,014</u>	<u>\$ 5,185,479</u>	<u>\$ 4,819,106</u>	<u>\$ 4,457,259</u>	<u>\$ 4,442,220</u>	<u>\$ 4,519,118</u>
Percent collected:										
Current	97.22 %	97.26 %	96.21 %	97.97 %	97.69 %	99.04 %	96.34 %	96.28 %	98.50 %	95.76 %
Subsequent	-	(0.14)	0.22	0.08	0.60	0.39	1.20	1.86	1.99	1.42
Total percent collected	<u>97.22 %</u>	<u>97.12 %</u>	<u>96.43 %</u>	<u>98.05 %</u>	<u>98.29 %</u>	<u>99.43 %</u>	<u>97.54 %</u>	<u>98.14 %</u>	<u>100.49 %</u>	<u>97.18 %</u>

See independent auditor's report.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds (1)</b>	<b>Alternate Revenue Bonds</b>	<b>Installment Contracts</b>	<b>Notes Payable</b>	<b>Installment Contract</b>			
2020	\$ 5,224,905	\$ -	\$ 23,323	\$ 3,430,191	\$ 90,368	\$ 8,678,419	1.59 %	\$ 693
2019	5,530,680	-	61,807	3,645,868	200,437	9,438,792	1.73	754
2018	5,827,417	-	98,677	3,758,147	314,897	9,999,138	1.83	799
2017	6,120,097	-	133,900	3,869,835	243,769	10,367,601	1.89	828
2016	6,403,686	-	189,768	3,967,221	433,488	10,994,163	2.01	878
2015	6,590,179	-	43,682	3,992,997	575,778	11,202,636	2.05	895
2014	-	-	64,500	3,992,997	-	4,057,497	0.74	324
2013	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-

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

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

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

<b>Fiscal Year</b>	<b>General Obligation Debt (1)</b>	<b>Less Amount Available in Debt Service Fund (2)</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (3)</b>	<b>Per Capita (4)</b>
2020	\$ 5,224,905	\$ -	\$ 5,224,905	0.40 %	\$ 417
2019	5,530,680	-	5,530,680	0.42	442
2018	5,827,417	-	5,827,417	0.42	466
2017	6,120,097	-	6,120,097	0.51	489
2016	6,403,686	-	6,403,686	0.56	512
2015	6,590,179	-	6,590,179	0.56	527
2014	-	-	-	-	-
2013	-	-	-	-	-
2012	-	-	-	-	-
2011	-	-	-	-	-

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

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

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT**  
**DECEMBER 31, 2020**

<u>Overlapping Agencies</u>	<u>2019 Equalized Assessed Valuation</u>	<u>Outstanding Debt</u>	<u>Applicable to City</u>	
			<u>Percent</u>	<u>Amount</u>
City of Palos Heights, direct debt	\$ 436,996,291	\$ 8,678,419 (1)	100.000 %	<u>\$ 8,678,419</u>
Overlapping agencies:				
Cook County	166,489,741,908	2,663,661,750	0.262	6,978,794
Cook County Forest Preserve District	166,489,741,908	130,450,000	0.262	341,779
Metropolitan Water Reclamation District	163,646,982,697	2,694,934,289 (2)	0.267	7,195,475
Palos Heights Fire Protection District	372,437,962	- (4)	87.523	-
South Palos Twp. Sanitary District	59,709,739	235,000 (2)	12.262	28,816
Schools:				
School District #118	808,297,319	6,310,000	26.470	1,670,257
School District #127	169,552,004	982,901 (3)	0.315	3,096
School District #128	306,761,690	875,000	72.502	634,393
High School District #218	2,320,298,381	33,205,000 (4)	9.608	3,190,336
High School District #230	4,839,084,913	26,035,000	4.421	1,151,007
Community College #524	10,120,385,779	42,140,000 (4)	4.317	<u>1,819,184</u>
Total overlapping agencies				<u>23,013,137</u>
Total overlapping general obligation bonded debt				<u>\$ 31,691,556</u>

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

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

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

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt limit	\$ 37,690,930	\$ 38,207,708	\$ 39,524,327	\$ 34,168,836	\$ 32,761,566	\$ 33,946,123	\$ 34,477,633	\$ 36,967,628	\$ 40,039,729	\$ 49,035,692
Total net debt applicable to limit	<u>5,338,596</u>	<u>5,792,924</u>	<u>6,240,991</u>	<u>6,497,766</u>	<u>7,026,942</u>	<u>7,209,639</u>	<u>64,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 32,352,334</u>	<u>\$ 32,414,784</u>	<u>\$ 33,283,336</u>	<u>\$ 27,671,070</u>	<u>\$ 25,734,624</u>	<u>\$ 26,736,484</u>	<u>\$ 34,413,133</u>	<u>\$ 36,967,628</u>	<u>\$ 40,039,729</u>	<u>\$ 49,035,692</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>14.16%</u>	<u>15.16%</u>	<u>15.79%</u>	<u>19.02%</u>	<u>21.45%</u>	<u>21.24%</u>	<u>0.19%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

**Legal Debt Margin Calculation for Fiscal Year 2020:**

Equalized assessed valuation of taxable property	\$ 436,996,291
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	37,690,930
Less debt applicable to limit	<u>5,338,596</u>
Legal debt margin	<u>\$ 32,352,334</u>

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

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

See independent auditor's report.

**CITY OF PALOS HEIGHTS, ILLINOIS  
 PLEDGED-REVENUE COVERAGE  
 DECEMBER 31, 2020**

<u>Fiscal Year</u>	<u>Pledged Revenue Collections</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2020	\$ 447,553	\$ 215,677	\$ 231,876	1.00
2019	351,297	112,279	239,018	1.00
2018	358,107	111,688	246,419	1.00
2017	349,701	97,386	252,315	1.00
2016	316,265	25,775	261,086	1.10
2015	271,092	-	253,954	1.07
2014	93,791	7,003	61,335	1.37

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

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

See independent auditor's report.

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal</b>	<b>Per Capita</b>	<b>Metro</b>	<b>Median Age</b>	<b>Education Level Age 25 and Older</b>		
		<b>Income (in thousands)</b>	<b>Income</b>	<b>Area Unemployment Rate</b>		<b>Four Years High School</b>	<b>One Year or More of College</b>	<b>Elementary Enrollment</b>
2020	12,515	\$ 546,092	\$ 43,635	8.70 %	50.9	8,597	6,404	2,843
2019	12,515	546,092	43,635	3.20	50.9	8,597	6,404	2,843
2018	12,515	546,092	43,635	3.90	50.9	8,597	6,404	2,843
2017	12,515	547,781	43,770	5.00	50.9	8,597	6,404	2,843
2016	12,515	547,781	43,770	5.70	50.9	8,597	6,404	2,843
2015	12,515	547,781	43,770	6.00	50.9	8,597	6,404	2,843
2014	12,515	547,781	43,770	6.20	50.9	8,597	6,404	2,843
2013	12,515	547,781	43,770	8.60	50.9	8,597	6,404	2,843
2012	12,515	547,781	43,770	8.80	50.9	8,597	6,404	2,843
2011	12,515	547,781	43,770	9.30	50.9	8,597	6,404	2,843

Data Sources:

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

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Function:										
Public safety - Police:										
Officers	29	29	27	28	27	29	28	26	27	27
Civilians	3	3	3	3	3	3	3	3	3	3
Public works	16	18	16	16	16	16	16	15	15	15
Recreation	8	7	7	6	7	6	6	6	6	6
Lake Katherine	4	4	4	4	3	3	3	3	3	3
General government	9	9	9	9	8	9	8	7	8	10
Motor vehicle maintenance	<u>2</u>	<u>3</u>	<u>3</u>							
Total	<u>71</u>	<u>72</u>	<u>68</u>	<u>68</u>	<u>66</u>	<u>68</u>	<u>66</u>	<u>62</u>	<u>65</u>	<u>67</u>

Source: City records

See independent auditor's report.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Function:</b>										
Public safety:										
Police department:										
Arrests	193	295	534	439	564	625	763	1,268	679	534
Traffic violations	308	1,100	1,310	1,415	1,536	1,562	918	2,449	4,150	2,072
Compliance violations	376	1,250	1,661	1,687	1,036	1,465	1,811	1,803	79	1,531
Public works:										
Streets resurfaced (in miles)	1.10	1.90	2.81	1.89	1.10	1.90	1.92	1.26	1.12	0.78
Building and community development:										
Building permits issued:										
Commercial	143	148	135	202	149	196	182	181	230	245
Residential	810	742	700	652	642	694	643	574	551	628
Building value	\$ 22,610,909	\$ 12,918,723	\$ 13,041,291	\$ 47,693,103	\$ 14,456,771	\$ 41,518,041	\$ 13,019,521	\$ 76,879,203	\$ 14,491,902	\$ 20,495,154
Number of dwelling units	5,058	5,058	5,057	5,057	5,057	5,057	5,057	5,057	5,057	5,057
Number of registered voters	9,745	9,423	9,174	9,174	9,174	9,174	9,174	11,611	11,611	11,611
Waterworks and sewerage:										
Number of properties served by the combined waterworks and sewerage system	5,177	5,177	5,176	5,176	5,176	5,176	5,176	5,176	5,176	5,176
Number of metered customers served by the combined waterworks and sewerage system	5,608	5,608	5,607	5,607	5,607	5,607	5,607	5,607	5,659	5,650
Number of metered customers served by the waterworks system only	2	2	2	2	2	2	2	2	2	2
Water main breaks	67	40	48	51	37	47	46	67	51	28
Average daily consumption (in 000's)	1,461	1,232	1,460	1,502	1,514	1,573	1,531	1,660	1,780	1,598
Gallons per customer	95	80	95	98	99	102	100	108	115	103
Gallons per capita	43	36	43	44	44	46	45	47	50	45
Total gallons purchased and pumped by the City (in 000's)	533,164	496,417	532,985	548,360	552,593	574,074	558,843	606,030	649,518	583,315
Total gallons billed (in 000's)	471,396	449,535	469,438	490,571	497,801	492,153	493,491	549,313	582,333	543,983

Source: City records

See independent auditor's report.

**SINGLE AUDIT SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palos Heights, Illinois, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Palos Heights, Illinois, and have issued our report thereon dated June 28, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

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

City of Palos Heights, Illinois' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Palos Heights, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Muller & Co., LLP*

Orland Park, Illinois  
June 28, 2021

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Palos Heights, Illinois' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Palos Heights, Illinois' major federal programs for the year ended December 31, 2020. City of Palos Heights, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Palos Heights, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Palos Heights, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Palos Heights, Illinois' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, City of Palos Heights, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 through 2020-005. Our opinion on each major federal program is not modified with respect to these matters.

City of Palos Heights, Illinois' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Palos Heights, Illinois' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of City of Palos Heights, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Palos Heights, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Palos Heights, Illinois' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-003 through 2020-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

City of Palos Heights, Illinois' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Palos Heights, Illinois' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Muller & Co., LLP*

Orland Park, Illinois  
June 28, 2021

**CITY OF PALOS HEIGHTS, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Justice</b>				
<i>Direct Award</i>				
Equitable Sharing Program	16.922	N/A	\$ -	\$ 95,008
Total U.S. Department of Justice			-	95,008
<b>U.S. Department of Transportation</b>				
Highway Planning and Construction Cluster				
<i>Passed through Illinois Department of Transportation</i>				
Highway Planning and Construction	20.205	P-91-004-20	-	23,096
Highway Planning and Construction	20.205	D-91-423-15	-	110,922
Total Highway Planning and Construction Cluster			-	134,018
Highway Safety Cluster				
<i>Passed through Illinois Department of Transportation</i>				
State and Community Highway Safety	20.600	343-15869	-	13,377
Total Highway Safety Cluster			-	13,377
Total U.S. Department of Transportation			-	147,395
<b>U.S. Department of the Treasury</b>				
<i>Direct Award</i>				
Equitable Sharing Program (M)	21.016	N/A	-	498,437
<i>Passed through Cook County, Illinois</i>				
COVID-19 - Coronavirus Relief Fund	20.019	PH001	-	300,985
Total U.S Department of the Treasury			-	799,422
Total expenditures of federal awards			\$ -	\$ 1,041,825

(M) - Major program

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

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award grant activity of City of Palos Heights, Illinois (City) under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3. INDIRECT COST RATE**

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

**NOTE 4. LOANS OR LOAN GUARANTEES**

During the year ended December 31, 2020, the City received no loans, loan guarantees or other federal assistance for the purpose of administering federal programs.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2020**

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: UNMODIFIED

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified?   X   Yes        None reported
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.016	Equitable Sharing Program

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

Auditee qualified as low-risk auditee?        Yes   X   No

**CITY OF PALOS HEIGHTS, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2020**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

***FINDING 2020-001 – PURCHASE ORDER POLICY***

***Criteria:*** An important element of internal controls over significant transaction cycles is for the City to have procedures in place to ensure purchases go through the appropriate levels of approvals.

***Condition:*** The City does not have a formal purchase order policy in place.

***Cause:*** The City had not yet established procedures relating to the processing of purchase orders.

***Effect:*** The results of these types of situations is the risk of unauthorized purchases.

***Recommendation:*** The City should establish a formal purchase order policy.

***Management's Response:*** Management agrees with this finding. See Corrective Action Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**

**SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS**

***FINDING 2020-002 – ACTIVITIES ALLOWED OR UNALLOWED***

<b>CFDA NUMBER</b>	21.016
<b>PROGRAM TITLE</b>	Equitable Sharing Program
<b>DEPARTMENT</b>	U.S. Department of Treasury
<b>AWARD YEAR</b>	2020

***Criteria:*** According to the Guide to Equitable Sharing for State, Local, and Tribal Law Enforcement Agencies, equitable shared funds must be used in accordance with the guide for law enforcement purposes that directly supplement the appropriated resources of the recipient law enforcement agency. Equitable shared funds are subject to the provisions of the Code of Federal Regulations (CFR) and must be used in a reasonable and necessary manner and not create the appearance of waste or extravagance.

***Condition:*** During our testing, we noted 5 out of the 40 disbursements selected for testing were not for activities allowed under program requirements. The 5 disbursements were paid to officers upon their passing of the Peace Officer Wellness Evaluation (POWER) test and were to be used for a credit to be redeemed for merchandise related to physical fitness. Per program requirements for uses of funds, this is unallowed.

***Questioned Costs:*** The total amount of disbursements that were deemed not allowed resulted in costs of \$1,125.

***Context:*** Out of a sample of 40, there were 5 instances where activities were not allowed under program guidance.

***Effect:*** Noncompliance with program requirements could result in loss of future shared equity funding.

***Cause:*** This was due to an oversight and misrepresentation of the guidance in which the Police Department initially thought the costs were allowed under program guidance.

***Recommendation:*** We recommended that the City and Police Department implement procedures to ensure disbursements spent with equitable sharing funds are for allowable costs. We recommend having a review in place after a cost has gone through initial review and approval to ensure the cost meets program requirements.

***Management's Response:*** Management agrees with this finding. See Corrective Action Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**

**SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS (CONTINUED)**

***FINDING 2020-003 – PROCUREMENT POLICY***

<b>CFDA NUMBER</b>	21.016
<b>PROGRAM TITLE</b>	Equitable Sharing Program
<b>DEPARTMENT</b>	U.S. Department of Treasury
<b>AWARD YEAR</b>	2020

***Criteria:*** Per 2 CFR section 200.318, non-Federal entities must have and use documented procurement procedures, consistent with State, Local, and tribal laws and regulations, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity’s documented procurement procedures must conform to the procurement standards identified in 2 CFR sections 200.317 through 200.327.

***Condition:*** The City's procurement policy does not include the essential elements as outlined in 2 CFR sections 200.317 through 200.327 set forth within the Uniform Guidance.

***Questioned Costs:*** None

***Context:*** There was an absence of certain Uniform Guidance elements within the City’s procurement policy.

***Effect:*** With the absence of a compliant policy, the City is at risk for noncompliance with other Federal programs as it relates to Federal procurement.

***Cause:*** The City was unaware of the Uniform Guidance requirements for procurement and written policies and procedures.

***Recommendation:*** The City should update their current procurement policy to be in line with current Uniform Guidance Standards set forth in 2 CFR sections 200.317 through 200.327.

***Management's Response:*** Management agrees with this finding. See Corrective Action Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2020**

**SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS (CONTINUED)**

***FINDING 2020-004 – PROCUREMENT – BID PROCESS***

<b>CFDA NUMBER</b>	21.016
<b>PROGRAM TITLE</b>	Equitable Sharing Program
<b>DEPARTMENT</b>	U.S Department of Treasury
<b>AWARD YEAR</b>	2020

**Criteria:** Per 2 CFR section 200.320, the Non-Federal entity must have and use documented procurement procedures, consistent with the standards of 2 CFR sections 200.317 – 200.319 for any methods of procurement used for the acquisition of property or services required under a Federal award or sub-award. Per 2 CFR section 200.320(c), there are specific circumstances in which noncompetitive procurement can be used.

**Condition:** During our testing, we noted 10 out of 40 items selected were required to go through the formal bidding process but did not due to the nature of the items. It was determined these items were noncompetitive procurement items due to their nature, however, they were not appropriately documented as to why they were noncompetitive in nature and why they did not go through the formal bidding process.

**Questioned Costs:** None

**Context:** Out of a sample of 40, there were 10 items that were not properly documented as to why there was not a competitive bid.

**Effect:** With the absence of a documented procurement decision, the City is at risk for noncompliance with other Federal programs as it relates to Federal procurement.

**Cause:** The City was unaware of the Uniform Guidance requirements for procurement and written policies and procedures.

**Recommendation:** The Police Department should document as to why an item, above the formal bidding threshold, is not required to go through a bidding process and document why it is determined to be a noncompetitive procurement item.

**Management's Response:** Management agrees with this finding. See Corrective Action Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2020**

**SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS (CONTINUED)**

***FINDING 2020-005 – SUSPENSION AND DEBARMENT***

<b>CFDA NUMBER</b>	21.016
<b>PROGRAM TITLE</b>	Equitable Sharing Program
<b>DEPARTMENT</b>	U.S. Department of Treasury
<b>AWARD YEAR</b>	2020

**Criteria:** Per 2 CFR Section 180.300, when a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the System for Award Management (SAM) exclusions, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

**Condition:** During the course of our testing, we noted the City and Police Department did not perform procedures over suspension and debarment before entering into a covered transaction.

**Questioned Costs:** None

**Context:** There was an absence of documentation in determining if vendors were suspended or debarred.

**Effect:** With the absence of a procedure and policy around suspension and debarment, the City could be entering into transactions with ineligible vendors.

**Cause:** The City was unaware of the Uniform Guidance requirements for procurement and written policies and procedures.

**Recommendation:** The City should establish written procedures for suspension and debarment and follow said procedures prior to entering into agreements and maintain the documentation for the required retention period. The City and Police Department should retain documentation to support the search of vendors on SAM's system of debarment and suspension listing.

**Management's Response:** Management agrees with this finding. See Corrective Action Plan.

**CITY OF PALOS HEIGHTS, ILLINOIS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 30, 2020**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*NONE*



**Mayor**

Robert S. Straz

**City Clerk**

Thomas Kantas

**City Treasurer**

James Daemicke, CPA

**CORRECTIVE ACTION PLAN**

Year Ended December 31, 2020

**Aldermen**

**WARD 1**

Jeffrey Key  
Donald Bylut

**WARD 2**

Jack Clifford  
Robert Basso

**WARD 3**

Heather Begley  
Brent Lewandowski

**WARD 4**

Michael McGrogan  
Jerry McGovern

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

2020-001 Purchase Order Policy

*Recommendation:* The auditors recommend that the City establish a formal purchase order policy

*Actions Taken or Planned:*

The City of Palos Heights will implement a formal purchasing policy to ensure that purchases are made in the same manner as appropriated funds and as may be applicable to Federal laws and regulations and standards.

*Person Responsible:* Jan Colvin

*Estimated Date of Completion:* December 31, 2021

## FINDINGS – FEDERAL AWARDS PROGRAM AUDITS

2020-002      Equitable Sharing Program, CFDA No. 21.016

*Recommendation:* The auditors recommend the City and Police Department implement procedures to ensure disbursements spent with equitable sharing funds are for allowable costs. We recommend having a review in place after a cost has gone through initial review and approval to ensure the cost meets program requirements.

*Actions Taken or Planned:*

The Police Department has implemented an Asset Forfeiture/Equitable Sharing Regulations and Inventory Procedure. Key personnel of the City of Palos Heights and Police Department will continue to seek guidance from the US Department of Treasury on allowable costs.

*Person Responsible:* Jan Colvin

*Estimated Date of Completion:* December 31, 2021

2020-003      Equitable Sharing Program, CFDA No. 21.016

*Recommendation:* The auditors recommend the City should update their current procurement policy to be in line with current Uniform Guidance Standards set forth in 2 CFR sections 200.317 through 200.327.

*Actions Taken or Planned:*

The City of Palos Heights will implement a formal purchasing policy to ensure that purchases are made in the same manner as appropriated funds and as may be applicable to Federal laws and regulations and standards.

*Person Responsible:* Jan Colvin

*Estimated Date of Completion:* December 31, 2021

2020-004      Equitable Sharing Program, CFDA No. 21.016

*Recommendation:* The auditors recommend the Police Department document as to why an item, above the formal bidding threshold, is not required to go through a bidding process and document why it is determined to be a noncompetitive procurement item.

*Actions Taken or Planned:*

The City of Palos Heights will implement a formal purchasing policy which will require a notation on all purchase orders above the formal bidding threshold to include the reason why a formal purchase did not go through the bidding process.

*Person Responsible:* Jan Colvin

*Estimated Date of Completion:* December 31, 2021

2020-005      Equitable Sharing Program, CFDA No. 21.016

*Recommendation:* The auditors recommend the City should establish written procedures for suspension and debarment and follow said procedures prior to entering into agreements and maintain the documentation for the required retention period. The City and Police Department should retain documentation to support the search of vendors on SAM's system of debarment and suspension listing.

*Actions Taken or Planned:*

The City of Palos Heights has implemented a procedure to ensure that vendors are not suspended, debarred or otherwise excluded. A formal Purchasing Policy will be implemented as soon as possible. Documentation will be retained to support the search of the SAM's system of the debarment and suspension listing.

*Person Responsible:* Jan Colvin

*Estimated Date of Completion:* December 31, 2021