

**Comprehensive Annual  
Financial Report  
City of Palos Hills, Illinois  
For the Year Ended  
April 30, 2019**

**CITY OF PALOS HILLS, ILLINOIS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**YEAR ENDED APRIL 30, 2019**

**Prepared by:  
Mr. Ken Nolan  
Treasurer**

**CITY OF PALOS HILLS, ILLINOIS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED APRIL 30, 2019**

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## **INTRODUCTORY SECTION**



# CITY OF PALOS HILLS

**GERALD R. BENNETT**  
Mayor

**RUDY A. MULDERINK**  
City Clerk

**KENNETH J. NOLAN**  
City Treasurer

## ALDERMEN

*Martin Kleefisch*  
*Mike Price*

October 28, 2019

*Pauline A. Stratton*  
*Mark Brachman*

*A. J. Pasek*  
*Mike Lebarre*

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

*Ricky L. Moore*  
*Joe Marrotta*

*Dawn M. Nowak*  
*Donna O'Connell*

The comprehensive annual financial report for the City of Palos Hills, Illinois, for the fiscal year ended April 30, 2019, is submitted herewith. The report has been prepared by the Treasurer's Office. The Mayor and the Treasurer are responsible for all financial transactions of the City of Palos Hills and for the contents of the comprehensive annual financial report. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

Generally accepted accounting principles (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 School Districts 117, 118, 230 and 524, North Palos Fire Protection District, and the Green Hills Public Library 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 therefore not included in the City's basic financial statements.

## The City and Its Services

The City of Palos Hills was incorporated as a City in 1958 and adopted the Mayor Alderman form of government. The Mayor, Clerk, Treasurer, and the ten Aldermen of the City Council are elected for four-year terms.

The City of Palos Hills is a residential community of 17,545 people. It is approximately twenty-two miles southwest of downtown Chicago in Cook County. The City of Palos Hills provides basic municipal services which include:

Administration	Police
Building and Zoning	Public Works
Community Resource and Recreation	P.A.T.S.E. **
E.S.D.A. *	Sewer and Water
Golf Course	

\* E.S.D.A. – Emergency Service and Disaster Agency

\*\* P.A.T.S.E. – Palos Area Transportation Service for the Elderly

## Major Initiatives

### **ECONOMIC CONDITION AND OUTLOOK**

The City's share of the total tax bill is less than 2.99% of the direct and overlapping rate. The City has adopted a Utility Tax of 4% and an Eating Tax of 1%. These funds are anticipated to replenish fund reserves by \$1.0M annual.

### **FOR THE YEAR**

The City of Palos Hills continues major infrastructure improvements in such areas as road resurfacing, drainage, improvements, and flood control. We maintain one of the lowest water and sewer rates in the area.

We have initiated several major programs and services for the health, safety, and welfare of our citizens. A Community Crime Prevention Program continues to be maintained by the Police Department that alerts the community by increasing their awareness along with the cooperation of the Police Department to prevent local crime. The Police Department is a participant of the Drug Enforcement Administration that returns thousands of dollars in additional revenue to the City. The City continues to modernize the Police Department. We have established a canine unit, a motorcycle unit, and two summer bicycle patrols.

The City of Palos Hills maintains a 45-acre golf course that was a former landfill site. This project and its capitalization resulted in no additional requirement for a tax increase and with its opening in July 1990; the City now generates revenues that sustain the golf course operations. The Golf Course includes a Pro Shop and Banquet facilities in which to generate additional revenues. The City retired the debt certificates on the Golf Course.

In addition to the Golf Course, debt was used for renovations of City Hall and the police department building.

The City merged the Park and Recreation Department and the Community Resource Department to form the Community Resource & Recreation Department. These services are through the General Fund, thereby eliminating additional taxation. The department has generated great enthusiasm and community pride in sponsoring recreational programs and special events for both youth and senior citizens in the community. In recognition of their activities, the State of Illinois has awarded the City its Home Town Award for 29 years. With the cooperation of local builders, funds are provided for Park Development.

The City continues to work on a major Sewer and Water Rehab project throughout the City. A fee assessed to our residents on their monthly water bill undertakes the funding for this project. The project was completed in December 2012. For the fiscal year, the City was MWRD ICAP compliant. The debt was retired on December 15, 2018. The city maintains a surplus in excess of 3.0 million dollars in the Sewer and Water Fund.

Phase I of the Pleasure lake development is complete. Pleasure Lake is the 30-acre Lake n' Park property which the City purchased in 2004. A walking path, a pedestrian bridge, and other recreational amenities were part of Phase I. Phase II will consist of construction of a Public Works and Police Facility on 9 acres of this property. Phase II is in process, and completion is taking place with a \$125,000 OLSAD grant.

For the 29<sup>th</sup> consecutive year, the City of Palos Hills has been name a recipient of the Tree City USA award.

The City continues to work with its software and hardware vendors to ensure up-to-date computerization of all its systems. The City has a web site that keeps our residents informed on events, City codes and the ability to make payments for their water bills.

## **FOR THE FUTURE**

The City of Palos Hills enters fiscal year 2020 on a sound financial basis. Budgeted revenue and expenditures for the General fund in 2020 are balanced. The Enterprise Fund's budgeted revenues and expenditures for 2020 are in balance. These two funds represent the majority of the financial activity of the City.

## **LONG-TERM FINANCIAL PLANNING**

The City of Palos Hills shall continue to pay down long-term capital debt service. The General Fund reserve is expected to increase with continued fiscal improved operations. Greater streamlining of General Fund operations in both staffing and expenditures should lead to a healthier fiscal condition in the long-term. Capital improvement projects will be delayed until federal or state funding grants become more available, along with the ability of the City of Palos Hills to fiscally be able to provide some local match.

## **Accounting System and Budgetary Control**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

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

## **Financial Highlights**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that includes its assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses.

## **Capital Assets**

The capital assets of the City are those assets used in the performance of general governmental functions. As of April 30, 2019, the capital assets of the City amounted to \$15,757,331. This amount represents the actual and estimated original cost, net of accumulated depreciation, of the assets and is less than their present replacement value. The City auditors, Mueller & Co., LLP, maintain the depreciation schedules that reflect the inventory of capital assets. Annual appraisals are used for the updating of replacement values for insurance purposes with the City providing historical cost information.

## **Debt Administration**

The City of Palos Hills has not been required to issue general obligation bonds since 1967 and has no current bond rating, as there are no outstanding general debt obligations.

## **Independent Audit**

In accordance with State statutes, Mueller & Co., LLP, of Orland Park, Illinois, conducted an independent audit of the fiscal 2019 comprehensive annual financial report. Mueller's audit included tests of the accounting records and accounting procedures in accordance with generally accepted auditing standards. They are not responsible for presentation of the financial statements nor for the information contained in them. However, their tests have allowed them to issue an unmodified opinion on the general purpose financial statements.

### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement to governmental units that publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The City of Palos Hills received the Certificate for thirty-one consecutive years since fiscal year 1998 through 2018.

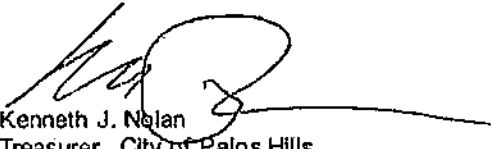
The City of Palos Hills is herewith submitting the enclosed financial report for fiscal year ended April 30, 2019, to re-apply for another Certificate of Achievement award. Since the Certificate is valid for a period of one year, the City will need to annually re-apply for certification. It is our goal of the City's Mayor and Council members to annually be eligible for the Certificate of Achievement award.

### **Acknowledgements**

The preparation of this report could not have been completed without the efficiency and dedication of the entire staff of the Treasurer's Office. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation.

I should also like to thank the Mayor and Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kenneth J. Nolan  
Treasurer, City of Palos Hills



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Palos Hills  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

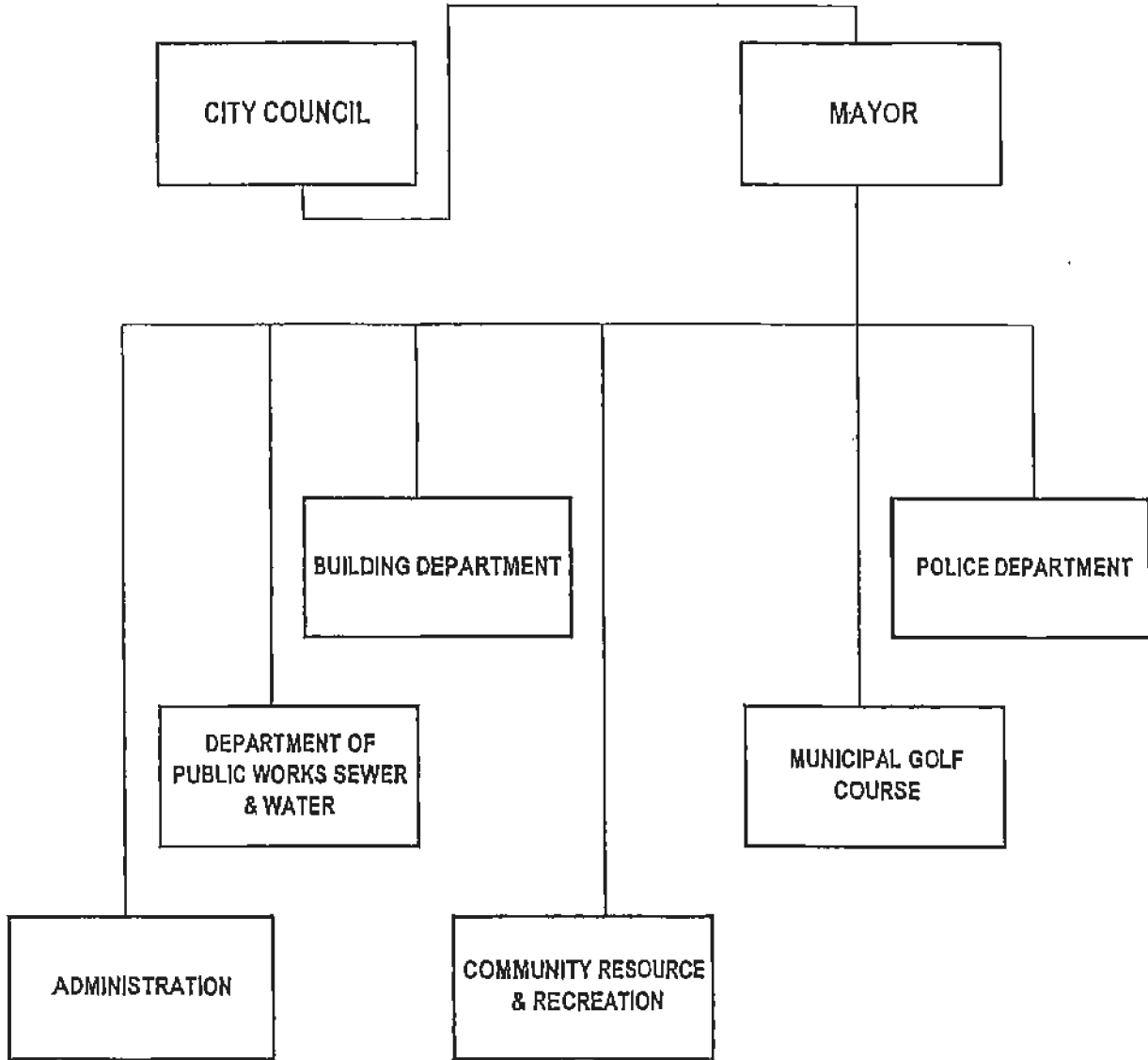
**April 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

City of Palos Hills, Illinois

Organizational Chart



**CITY OF PALOS HILLS, ILLINOIS  
OFFICERS AND OFFICIALS  
APRIL 30, 2019**

M A Y O R

GERALD R. BENNETT

A L D E R M E N

MARK BRACHMAN  
MARTIN KLEEFISCH  
MIKE LEBARRE  
JOE MARROTTA  
RICKY MOORE  
DAWN NOWAK  
DONNA O'CONNELL  
A.J. PASEK  
MIKE PRICE  
PAULINE STRATTON

C L E R K

RUDY A. MULDERINK

T R E A S U R E R

KENNETH J. NOLAN

C H I E F O F P O L I C E

PAUL MADIGAN

S E W E R A N D W A T E R C O M M I S S I O N E R

NICK OEFFLING

A T T O R N E Y

GEORGE PAPPAS

## **FINANCIAL SECTION**



# MUELLER & CO., LLP

14300 Ravinia Avenue, Suite 200 ■ Orland Park, Illinois ■ 60462

Ph: 708.349.6999 ■ Fax: 708.349.6639 ■ www.muellercpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council  
City of Palos Hills, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palos Hills, Illinois, as of and for the year then ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palos Hills, Illinois, as of April 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages xii through xx and employee retirement and postemployment benefit plan information on pages 60 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical, and other information 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 Hills, Illinois, for the year ended April 30, 2018, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, 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 Hills, Illinois, as a whole. The individual fund financial statements and schedules for the year ended April 30, 2018 included in the supplementary information 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 April 30, 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the April 30, 2018 individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements from which they have been derived.

*Muller & Co., LLP*

Orland Park, Illinois  
October 28, 2019

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

**City of Palos Hills, Illinois**  
**Management's Discussion and Analysis**

**April 30, 2019**

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The City of Palos Hills' (the "City") Management Discussion and Analysis (MD&A) is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 1).

**Using the Financial Section of this Comprehensive Annual Report**

Prior to GASB 34, the primary focus of local governmental financial statements had been summarized fund-type information on a current financial resource basis. This was modified with GASB 34 for the City's financial statements to present two kinds of statements, each with a different snapshot of the City's finances. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

**Government-Wide Financial Statements**

The government-wide financial statements (see pages 1-4) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Position (the "Unrestricted Net Position") (see pages 1-2) is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see pages 3-4) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the City's basic services, including police, public works, parks and administration. Shared state sales, local utility and shared state income taxes finance the majority of these services. The Business-type Activities reflect private sector-type operations (Waterworks and Sewerage and Golf), where the fee for service typically covers all or most of the cost of operation, including depreciation.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model's) fund types.

The Governmental Funds (see pages 5-11) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

The Fund Financial Statements also allow the government to address its Fiduciary Funds (Police Pension and Palos Area Transportation Service for the Elderly, see pages 18-19). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

## City of Palos Hills, Illinois

### Management's Discussion and Analysis (Continued)

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While the Business-type Activities column on the Business-type Fund Financial Statements (see pages 12-17) is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 6,9 and 10). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide financial statements).

#### Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – roads, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. The Governmental Accounting Standards Board Statement No. 34 (GASB 34) requires that these assets be valued and reported within the Governmental column of the Government-wide Financial Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City has chosen to depreciate assets over their useful lives. If a road project is considered maintenance – a recurring cost that does not extend the road's original useful life or expand its capacity – the cost of the project will be expensed. An "overlay" of a road will be considered maintenance whereas a "rebuild" of a road will be capitalized.

#### Government-Wide Financial Statements

##### Statement of Net Position

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7.3 million as of April 30, 2019.

A significant portion of the City's Net Position (203.2%) reflects its investment in capital assets (i.e.; land, land improvements, streets and bridges, storm sewers, water mains, buildings and vehicles) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Palos Hills, Illinois

Management’s Discussion and Analysis (Continued)

**Table 1**  
**Statement of Net Position**  
**as of April 30, 2019**  
**(in millions)**

	Governmental Activities	Business-Type Activities	Total Primary Government
	2019	2019	2019
Current Assets	\$ 14.7	\$ 1.9	\$ 16.6
Capital Assets	8.6	7.2	15.8
Total Assets	23.3	9.1	32.4
Deferred Outflows of Resources	4.7	1.3	6.0
Current Liabilities	0.6	0.3	0.9
Non Current Liabilities	25.0	2.7	27.7
Total Liabilities	25.6	3.0	28.6
Deferred Inflows of Resources	2.3	0.2	2.5
Net Position			
Net investment in capital assets	8.0	6.8	14.8
Restricted	0.6	-	0.6
Unrestricted	(8.5)	0.4	(8.1)
Total Net Position	\$ 0.1	\$ 7.2	\$ 7.3

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* for the year ended April 30, 2019 the information for the year ended April 30, 2018 is not comparable and, therefore, not presented. For more detailed information, see the Statement of Net Position (pages 1-2).

The City’s combined Net Position, which is the City’s equity, decreased from the prior year amount of \$8.6 million. Business-type activities Net Position decreased for a year-end balance of \$7.2 million. Governmental activities Net Position decreased by \$1.4 million for a year-end balance of \$0.1 million.

**Normal Impacts**

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

**Net Results of Activities** – which will impact (increase/decrease) current assets and unrestricted Net Position.

**Borrowing for Capital** – which will increase current assets and long-term debt.

**Spending Borrowed Proceeds on New Capital** – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

**Spending of Non-borrowed Current Assets on New Capital** – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted Net Position and increase invested in capital assets, net of debt.

**Principal Payment on Debt** – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted Net Position and increase invested in capital assets, net of debt.

**Reduction of Capital Assets through Depreciation** – which will reduce capital assets and invested in capital assets, net of debt.

## City of Palos Hills, Illinois

### Management's Discussion and Analysis (Continued)

#### Current Year Impacts

The decrease in Net Position for the governmental activities is primarily due to increased public works expenses, changes in the City's future liability to its retirees associated with the Illinois Municipal Retirement Fund (IMRF) and the increase in the liability recognized for postemployment benefits.

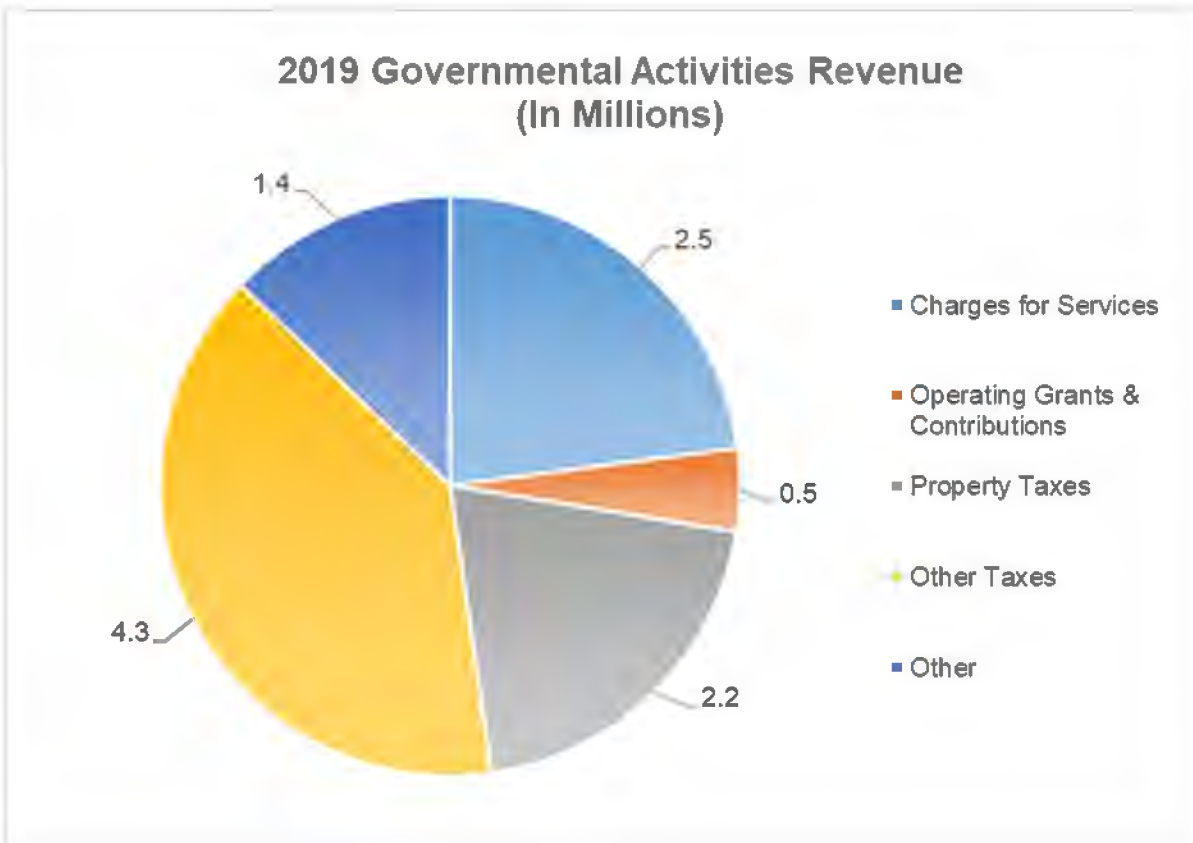
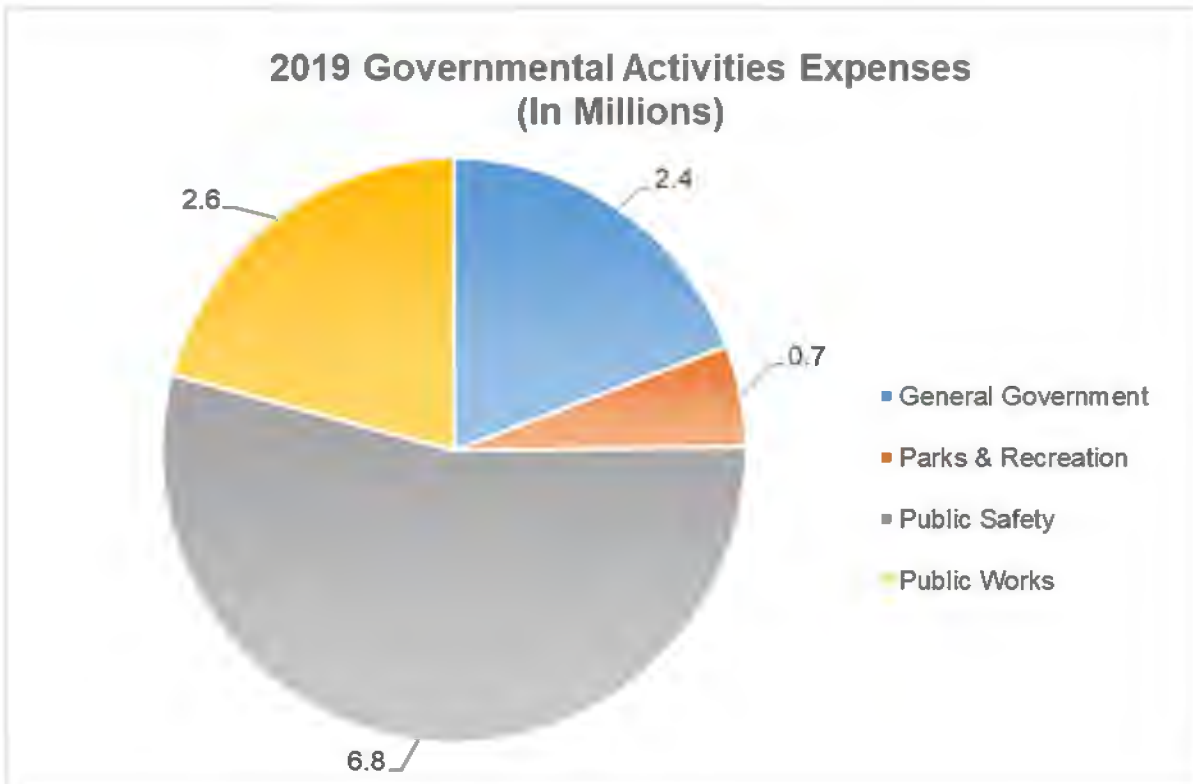
The City's governmental activities Net Position decreased by \$1.4 million in the current year primarily due to increased public works expenses related to several large projects undertaken during the year, including road maintenance projects, and the liability and related pension and postemployment benefit expenses. The City's business-type activities Net Position improved to breakeven before transfers in the current year, due primarily to improved operating results and increased water rates in the waterworks and sewerage fund.

#### Changes in Net Position

The following chart compares the revenue and expenses for the current fiscal year.

**Table 2**  
**Changes in Net Position**  
**For the Fiscal Years Ended April 30, 2019**  
**(in millions)**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 2.5	\$ 6.5	\$ 9.0
Operating Grants & Contributions	0.5	-	0.5
Program Revenues			-
Property Taxes	2.2	-	2.2
Other Taxes	4.3	-	4.3
Other	1.4	-	1.4
<b>Total Revenues</b>	<b>10.9</b>	<b>6.5</b>	<b>17.4</b>
<b>Expenses</b>			
General Government	2.4	-	2.4
Parks & Recreation	0.7	0.3	1.0
Public Safety	6.8	-	6.8
Public Works	2.6	5.9	8.5
Debt Service	0.1	-	0.1
<b>Total Expenses</b>	<b>12.6</b>	<b>6.2</b>	<b>18.8</b>
Change in Net Position b/f Transfers	(1.7)	0.3	(1.4)
Transfer	0.3	(0.3)	-
Change in Net Position	(1.4)	-	(1.4)
Ending Net Position	\$ 0.1	\$ 7.2	\$ 7.3



## City of Palos Hills, Illinois

### Management's Discussion and Analysis (Continued)

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There are eight basic impacts on revenues and expenses as reflected below:

#### Normal Impacts

##### Revenues:

**Economic Condition** – which can reflect a declining, stable or growing economic environment and has a substantial impact on state income, sales and utility tax revenue as well as public spending habits for building permits, elective user fees and volumes of consumption.

**Increase/Decrease in City Board approved rates** – while certain tax rates are set by statute, the City Board has significant authority to impose and periodically increase/decrease rates (water, wastewater, impact fee, building fees, home rule sales tax, etc.).

**Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring)** – certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

**Market Impacts on Investment income** – the City's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

##### Expenses:

**Introduction of New Programs** – within the functional expense categories (Public Safety, Public Works, General Government, Parks, etc.) individual programs may be added or deleted to meet changing community needs.

**Increase in Authorized Personnel** – changes in service demand may cause the City Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 58% of the City's operating costs.

**Salary Increases (annual adjustments and merit)** – the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.

**Inflation** – while overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity specific increases.

#### Current Year Impacts

##### Revenues:

The City's governmental activities total revenues increased by \$0.7 million when compared to the prior year amount of \$10.2 million.

The City's business-type activities total revenues remained relatively consistent with the prior year amount of \$6.5 million.

The Police Pension Fund investment returns significantly improved in 2019. Actuarial assumptions estimate that the City would return 6.75% annually for Pension Fund purposes, and the Police Pension Fund actual gain was \$1.5 million.

##### Expenses:

The City's total expenses for governmental activities for the year ended April 30, 2019, were \$12.6 million. The Public Safety activities accounted for the largest share of the total, which was \$6.8 million.

The City's total expenses for business-type activities for the year ended April 30, 2019, were \$6.2 million. The Public Works activities accounted for the largest share of the total, which was \$5.9 million. The City maintains its own wastewater treatment plant. Additionally, the City provides Lake Michigan water to its residents by purchasing its water supply from the Village of Oak Lawn. The waterworks and sewerage accounted for 95% of the total business-type activities. The remaining business-type activities expense related to the operations of the City golf course.

**City of Palos Hills, Illinois**

**Management's Discussion and Analysis (Continued)**

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

**Governmental Funds**

At April 30, 2019, the governmental funds (as presented on the balance sheet on page 5) reported a combined fund balance of \$13.0 million. Revenues and other financing sources exceeded expenditures and other financing uses in 2019 by \$5.8 million.

The General Fund experienced an operating surplus of \$0.3 million after other financing sources. This resulted in a year-end fund balance of \$3.8 million. Revenues increased by \$0.3 million and expenditures increased by \$0.2 million. Intergovernmental tax revenues increased by \$0.1 million over the prior year, and general government and public safety expenditures remained consistent with the prior year.

The Capital Projects Fund experienced a current year increase in fund balance of \$6.4 million, resulting in a year-end fund balance of \$8.5 million. The increase in fund balance is primarily the result of the issuance of debt certificates during the year. The only significant expenditures in this fund in the current year related to capital outlay, debt service principal and interest payments, and debt issuance costs. The ending fund balance will be used to finance future debt service payments along with future capital projects of the City.

The nonmajor governmental funds remained consistent with the prior year.

**General Fund Budgetary Highlights**

At the first City Council Committee meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing on May 1. The operating budget includes proposed expenditures and the means to finance them. The City had no budget amendments in 2019. The following is a table that reflects the original budget and the actual activity for the revenues and expenditures for the General Fund.

**Table 3  
General Fund Budgetary Highlights  
(in millions)**

	<b>Original Budget 2019</b>	<b>Actual 2019</b>	<b>Original Budget 2018</b>	<b>Actual 2018</b>
<b>Revenues &amp; Other Financing Sources</b>				
Taxes	\$ 6.5	\$ 6.5	\$ 6.3	\$ 6.4
Licenses, permits and fees	0.9	1.1	0.8	1.0
Intragovernmental	0.3	0.3	0.3	0.3
Fines and forfeitures	0.8	1.0	0.8	1.0
Other	0.1	-	0.1	-
Other financing sources	-	0.1	-	0.1
<b>Total Revenues</b>	<b>8.6</b>	<b>9.0</b>	<b>8.3</b>	<b>8.8</b>
<b>Expenditures and Other Financing Uses</b>				
General Government	1.8	1.9	1.8	1.8
Parks & Recreation	0.6	0.6	0.6	0.6
Public Safety	5.3	5.5	5.2	5.3
Public Works	0.6	0.7	0.5	0.6
Debt Service	-	0.2	-	0.3
Capital outlay	0.3	0.1	0.2	0.1
<b>Total Expenses</b>	<b>8.6</b>	<b>9.0</b>	<b>8.3</b>	<b>8.7</b>
Change in Fund Balance	\$ -	\$ -	\$ -	\$ 0.1

As shown above the General Fund planned a balanced budget, and actual results were as well. There are several factors to note regarding the budget actual comparison. The City does not budget debt service expenditures, which amounted to \$0.2 million in actual expenditures. Excess expenditures above the budgeted amounts were offset by under budgeted revenues. Taxes were at the budgeted amount, revenue from licenses permits and fees were higher than budget due to higher than expected activity.

## City of Palos Hills, Illinois

### Management's Discussion and Analysis (Continued)

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#### Capital Assets

At the end of the fiscal Year 2019, the City had a combined total of capital assets of \$15.8 million (after accumulated depreciation of \$23.2 million) invested in a broad range of capital assets including land, land improvements, buildings, vehicles, machinery and equipment, furniture and fixtures, streets, bridges, water mains, storm sewers and sanitary sewer lines. (See Table 4 below.)

The Net Capital Assets of the City increased by \$0.2 million over 2018.

For more detailed information related to capital assets see Note II. D. of the Basic Financial Statements.

**Table 4**  
**Total Capital Assets at Year-End**  
**Net of Depreciation**  
**(in millions)**

	<b>Net Additions /</b>		
	<b>Balance 4/30/18</b>	<b>Deletions</b>	<b>Balance 4/30/19</b>
Land	\$ 7.6	\$ -	\$ 7.6
Land Improvements	0.2	-	0.2
Buildings	2.5	-	2.5
Water Distribution and production facilities	4.2	(0.1)	4.1
Machinery & Equipment	0.3	0.1	0.4
Furniture & Fixtures	0.1	-	0.1
Vehicles	0.4	0.2	0.6
Infrastructure	0.3	-	0.3
<b>Total Capital Assets</b>	<b>\$ 15.6</b>	<b>\$ 0.2</b>	<b>\$ 15.8</b>

#### Debt Outstanding

The City has \$6.8 million in debt certificates outstanding at April 30, 2019. In the current year the City paid down \$0.8 million and issued \$6.2 million in principal related to the debt certificates.

The City also has \$0.4 million in installment contracts outstanding at April 30, 2019. The City continues to pay these down annually.

The City's legal debt limitation of \$23,564,283 is based on 8.625% of the 2018 equalized assessed valuation of \$365,315,955. Other than debt certificates the City has no outstanding general obligation debt.

For more detailed information related to debt outstanding see Note II. F. of the Basic Financial Statements.

#### Economic Factors

The financial condition of the Federal and State governments has had a dramatic effect on the City of Palos Hills during 2019 and is expected to continue into 2020. Grant assistance is extremely competitive and previously reliable state shared revenues (especially the income tax and use tax) have been materially reduced. The City will need to look internally and consider increasing other revenue sources and/or reduce expenditures until these larger governments get their finances in order.

The Illinois General Assembly is currently considering consolidating the Police Pension Funds across the State in order to be able to access higher returns on their investments. This consolidation should improve the investment return for the Fund and therefore reduce the unfunded pension obligation for the City. Additionally, the proposed legislation would remove the tax cap on the Police Pension levy allowing for greater funding of the Fund which would also help reduce the unfunded pension obligation.

**Management's Discussion and Analysis (Continued)**

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**Contacting The City's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Ken Nolan, Treasurer, City of Palos Hills, 10355 South Roberts Road, Palos Hills, Illinois 60465.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**APRIL 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,933,250	\$ 3,826,970	\$ 13,760,220
Receivables:			
Property taxes	1,111,352	-	1,111,352
Accounts	-	559,149	559,149
Other	328,242	-	328,242
Due from other governmental units	654,438	-	654,438
Internal balances	2,681,654	(2,681,654)	-
Prepaid items	35,869	222,265	258,134
Capital assets not being depreciated	5,404,581	2,215,779	7,620,360
Capital assets net of accumulated depreciation	<u>3,154,523</u>	<u>4,982,448</u>	<u>8,136,971</u>
 Total assets	 <u>23,303,909</u>	 <u>9,124,957</u>	 <u>32,428,866</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	4,595,826	1,216,258	5,812,084
Deferred outflows of resources related to other postemployment benefits	<u>68,754</u>	<u>39,588</u>	<u>108,342</u>
 Total deferred outflows of resources	 <u>4,664,580</u>	 <u>1,255,846</u>	 <u>5,920,426</u>

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

<b>LIABILITIES</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Accounts payable	305,308	246,127	551,435
Accrued payroll and compensated absences	140,830	67,058	207,888
Accrued interest	20,816	-	20,816
Deposits payable	136,730	-	136,730
Noncurrent liabilities:			
Due within one year	435,000	110,867	545,867
Due in more than one year	<u>24,599,862</u>	<u>2,616,505</u>	<u>27,216,367</u>
Total liabilities	<u>25,638,546</u>	<u>3,040,557</u>	<u>28,679,103</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for future period	1,088,621	-	1,088,621
Deferred inflows of resources related to pensions	1,155,843	120,632	1,276,475
Deferred inflows of resources related to other postemployment benefits	<u>10,147</u>	<u>40,346</u>	<u>50,493</u>
Total deferred inflows of resources	<u>2,254,611</u>	<u>160,978</u>	<u>2,415,589</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,952,721	6,790,259	14,742,980
Restricted for:			
Street maintenance	350,587	-	350,587
Police protection	240,990	-	240,990
Unrestricted (deficit)	<u>(8,468,966)</u>	<u>389,009</u>	<u>(8,079,957)</u>
Total net position	<u>\$ 75,332</u>	<u>\$ 7,179,268</u>	<u>\$ 7,254,600</u>

**CITY OF PALOS HILLS, ILLINOIS  
STATEMENT OF ACTIVITIES  
YEAR ENDED APRIL 30, 2019**

	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
Functions/programs:			
Governmental activities:			
General government	\$ 2,358,272	\$ 1,107,231	\$ -
Parks	704,778	306,483	-
Public safety	6,811,944	1,047,399	58,998
Public works	2,561,447	-	458,714
Interest on long-term debt	64,655	-	-
Total governmental activities	<u>12,501,096</u>	<u>2,461,113</u>	<u>517,712</u>
Business-type activities:			
Waterworks and sewerage	5,859,602	6,276,911	-
Golf course	354,955	225,409	-
Total business-type activities	<u>6,214,557</u>	<u>6,502,320</u>	<u>-</u>
Total functions/programs	<u>\$ 18,715,653</u>	<u>\$ 8,963,433</u>	<u>\$ 517,712</u>

General revenues:

  Taxes:

    Property

    Utility

  Intergovernmental - unrestricted:

    State income

    State sales

    Local use

    Personal property replacement

  Interest income

  Miscellaneous income

Transfers

Total general revenues and transfers

Changes in net position

Net position at beginning of year, as restated

Net position at end of year

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

**Net (Expense) Revenue and  
Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,251,041)	\$ -	\$ (1,251,041)
(398,295)	-	(398,295)
(5,705,547)	-	(5,705,547)
(2,102,733)	-	(2,102,733)
<u>(64,655)</u>	<u>-</u>	<u>(64,655)</u>
<u>(9,522,271)</u>	<u>-</u>	<u>(9,522,271)</u>
-	417,309	417,309
<u>-</u>	<u>(129,546)</u>	<u>(129,546)</u>
<u>-</u>	<u>287,763</u>	<u>287,763</u>
<u>(9,522,271)</u>	<u>287,763</u>	<u>(9,234,508)</u>
2,143,450	-	2,143,450
1,005,258	-	1,005,258
1,967,498	-	1,967,498
805,197	-	805,197
531,568	-	531,568
21,100	-	21,100
22,481	23,301	45,782
1,336,255	-	1,336,255
<u>318,729</u>	<u>(318,729)</u>	<u>-</u>
<u>8,151,536</u>	<u>(295,428)</u>	<u>7,856,108</u>
(1,370,735)	(7,665)	(1,378,400)
<u>1,446,067</u>	<u>7,186,933</u>	<u>8,633,000</u>
<u>\$ 75,332</u>	<u>\$ 7,179,268</u>	<u>\$ 7,254,600</u>

**FUND FINANCIAL STATEMENTS**

**CITY OF PALOS HILLS, ILLINOIS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**APRIL 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Motor Fuel Tax</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,601,237	\$ 1,841,801	\$ 326,850	\$ 163,362	\$ 9,933,250
Property taxes receivable	1,111,352	-	-	-	1,111,352
Other receivables	225,581	102,661	-	-	328,242
Due from other funds	93,659	6,707,680	14,013	232,679	7,048,031
Due from other governmental units	615,738	-	38,700	-	654,438
Advances to other funds	2,334,705	-	-	-	2,334,705
Prepaid items	35,869	-	-	-	35,869
	<u>\$ 12,018,141</u>	<u>\$ 8,652,142</u>	<u>\$ 379,563</u>	<u>\$ 396,041</u>	<u>\$ 21,445,887</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 195,449	\$ 80,883	\$ 28,976	\$ -	\$ 305,308
Accrued payroll	140,830	-	-	-	140,830
Deposits payable	136,730	-	-	-	136,730
Due to other funds	6,651,945	49,137	-	-	6,701,082
	<u>7,124,954</u>	<u>130,020</u>	<u>28,976</u>	<u>-</u>	<u>7,283,950</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes levied for future period	1,088,621	-	-	-	1,088,621
	<u>1,088,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088,621</u>
<b>FUND BALANCES</b>					
Nonspendable	2,370,574	-	-	-	2,370,574
Restricted	-	6,405,253	350,587	240,990	6,996,830
Committed	-	2,116,869	-	-	2,116,869
Assigned	-	-	-	155,051	155,051
Unassigned	1,433,992	-	-	-	1,433,992
	<u>3,804,566</u>	<u>8,522,122</u>	<u>350,587</u>	<u>396,041</u>	<u>13,073,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,018,141</u>	<u>\$ 8,652,142</u>	<u>\$ 379,563</u>	<u>\$ 396,041</u>	<u>\$ 21,445,887</u>

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

**CITY OF PALOS HILLS, ILLINOIS**  
**RECONCILIATION OF FUND BALANCES - TOTAL GOVERNMENTAL**  
**FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**APRIL 30, 2019**

Fund balances - total governmental funds \$ 13,073,316

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 in the funds. 8,559,104

Long-term liabilities, including bonds and debt certificates payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the funds. 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. Long-term liabilities and related accounts at year-end consist of the following:

Debt certificates	\$ (6,760,000)	
Unamortized issuance premium	(453,079)	
Unamortized issuance discount	8,617	
Accrued interest on long-term debt	(20,816)	
Compensated absences payable	(566,914)	
Net pension liabilities	(16,827,940)	
Total other postemployment benefits liability	<u>(435,546)</u>	
 Total		 (25,055,678)

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

Deferred outflows of resources related to pensions	\$ 4,595,826	
Deferred inflows of resources related to pensions	<u>(1,155,843)</u>	
 Total		 3,439,983

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are applicable to future periods, and, therefore, are not reported in the funds.

Deferred outflows of resources related to OPEB	\$ 68,754	
Deferred inflows of resources related to OPEB	<u>(10,147)</u>	
 Total		 <u>58,607</u>

Net position of governmental activities \$ 75,332

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

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED APRIL 30, 2019**

	<u>General</u>	<u>Capital Projects</u>	<u>Motor Fuel Tax</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 2,143,450	\$ -	\$ -	\$ -	\$ 2,143,450
Utility taxes	1,005,258	-	-	-	1,005,258
Licenses, permits and fees	1,142,374	1,181,396	-	-	2,323,770
Intergovernmental	3,325,363	-	458,714	58,998	3,843,075
Intragovernmental	260,000	-	-	-	260,000
Fines and forfeitures	1,046,739	-	-	-	1,046,739
Interest income	11,491	10,632	107	251	22,481
Miscellaneous income	119,609	-	-	47,250	166,859
	<u>9,054,284</u>	<u>1,192,028</u>	<u>458,821</u>	<u>106,499</u>	<u>10,811,632</u>
<b>Total revenues</b>					
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,853,062	-	-	-	1,853,062
Parks	629,564	-	-	-	629,564
Public safety	5,532,703	-	-	60,000	5,592,703
Public works	692,399	-	1,191,042	-	1,883,441
<b>Debt service:</b>					
Principal retirement	135,000	685,000	-	-	820,000
Interest and fees	29,355	27,400	-	-	56,755
Debt issuance costs	-	194,750	-	-	194,750
<b>Capital outlay:</b>					
General government	7,120	-	-	-	7,120
Public safety	16,565	-	-	209,144	225,709
Public works	4,028	710,327	-	-	714,355
	<u>8,899,796</u>	<u>1,617,477</u>	<u>1,191,042</u>	<u>269,144</u>	<u>11,977,459</u>
<b>Total expenditures</b>					
Excess (deficiency) of revenues over expenditures	<u>154,488</u>	<u>(425,449)</u>	<u>(732,221)</u>	<u>(162,645)</u>	<u>(1,165,827)</u>
<b>Other financing sources:</b>					
Debt certificates issued	-	6,145,000	-	-	6,145,000
Premium on debt certificates issued	-	455,003	-	-	455,003
Proceeds from sale of capital assets	51,800	-	-	5,900	57,700
Transfers in	81,965	236,764	-	-	318,729
	<u>133,765</u>	<u>6,836,767</u>	<u>-</u>	<u>5,900</u>	<u>6,976,432</u>
<b>Total other financing sources</b>					

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

	<u>General</u>	<u>Capital Projects</u>	<u>Motor Fuel Tax</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Net change in fund balances	288,253	6,411,318	(732,221)	(156,745)	5,810,605
Fund balances at beginning of year	<u>3,516,313</u>	<u>2,110,804</u>	<u>1,082,808</u>	<u>552,786</u>	<u>7,262,711</u>
Fund balances at end of year	<u>\$ 3,804,566</u>	<u>\$ 8,522,122</u>	<u>\$ 350,587</u>	<u>\$ 396,041</u>	<u>\$ 13,073,316</u>

**CITY OF PALOS HILLS, ILLINOIS  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED APRIL 30, 2019**

Net change in fund balances - total governmental funds \$ 5,810,605

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 those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$316,210) exceeded capitalized expenditures (\$125,025) in the current period. (191,185)

The net effect of the transactions involving the dispositions of capital assets is to decrease net position. (90,308)

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

Debt certificates issued	\$	(6,145,000)
Premium on debt certificates issued		(455,003)
Principal repayment of debt certificates		820,000
Amortization of issuance premium		5,832
Amortization of issuance discount		<u>(916)</u>

Total (5,775,087)

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. This is the amount by which accrued interest expense changed from the prior year. (7,900)

Compensated absences do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds. (57,596)  
(continued)

The accompanying notes are an integral part of financial statements.

**CITY OF PALOS HILLS, ILLINOIS  
RECONCILIATION OF THE NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS TO THE CHANGE IN NET  
POSITION OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED APRIL 30, 2019**

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

(1,092,022)

Other postemployment benefits do not require the use of current financial resources. Therefore, the change in this liability is not reported in the governmental funds.

32,758

Change in net position of governmental activities

\$ (1,370,735)  
(concluded)

The accompanying notes are an integral part of financial statements.

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 2,135,000	\$ 2,143,450	\$ 8,450
Utility taxes	1,145,000	1,005,258	(139,742)
Licenses, permits and fees	905,900	1,142,374	236,474
Intergovernmental	3,212,358	3,325,363	113,005
Intragovernmental	260,000	260,000	-
Fines and forfeitures	852,500	1,046,739	194,239
Interest income	10,000	11,491	1,491
Miscellaneous income	30,000	119,609	89,609
	<u>8,550,758</u>	<u>9,054,284</u>	<u>503,526</u>
<b>Total revenues</b>			
<b>Expenditures:</b>			
<b>Current:</b>			
General government	1,805,323	1,853,062	(47,739)
Parks	568,593	629,564	(60,971)
Public safety	5,366,144	5,532,703	(166,559)
Public works	598,098	692,399	(94,301)
<b>Debt service:</b>			
Principal retirement	-	135,000	(135,000)
Interest and fees	-	29,355	(29,355)
<b>Capital outlay:</b>			
General government	138,000	7,120	130,880
Public safety	128,800	16,565	112,235
Public works	5,800	4,028	1,772
	<u>8,610,758</u>	<u>8,899,796</u>	<u>(289,038)</u>
<b>Total expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(60,000)</u>	<u>154,488</u>	<u>214,488</u>
<b>Other financing sources:</b>			
Proceeds from sale of capital assets	-	51,800	51,800
Transfers in	20,000	81,965	61,965
	<u>20,000</u>	<u>133,765</u>	<u>113,765</u>
<b>Total other financing sources</b>			
<b>Net change in fund balances</b>	(40,000)	288,253	328,253
<b>Fund balances at beginning of year</b>	<u>3,516,313</u>	<u>3,516,313</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u>\$ 3,476,313</u>	<u>\$ 3,804,566</u>	<u>\$ 328,253</u>

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

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**APRIL 30, 2019**

	<b>Business-type Activities</b>		
	<b>Waterworks and Sewerage</b>	<b>Golf Course</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,766,942	\$ 60,028	\$ 3,826,970
<b>Receivables:</b>			
Accounts billed	46,894	-	46,894
Accounts unbilled	512,255	-	512,255
Prepaid items	222,265	-	222,265
Total current assets	4,548,356	60,028	4,608,384
<b>Noncurrent assets:</b>			
Advances to other funds	406,063	-	406,063
Capital assets not being depreciated	-	2,215,779	2,215,779
Capital assets being depreciated, net	4,836,646	145,802	4,982,448
Total noncurrent assets	5,242,709	2,361,581	7,604,290
Total assets	9,791,065	2,421,609	12,212,674
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	1,109,836	106,422	1,216,258
Deferred outflows of resources related to other postemployment benefits	36,849	2,739	39,588
Total deferred outflows of resources	1,146,685	109,161	1,255,846

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

	<b>Business-type Activities</b>		
	<b>Waterworks and Sewerage</b>	<b>Golf Course</b>	<b>Total Enterprise Funds</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	239,584	6,543	246,127
Accrued payroll and compensated absences	63,494	3,564	67,058
Due to other funds	346,949	-	346,949
Current portion of installment contracts	<u>61,585</u>	<u>49,282</u>	<u>110,867</u>
Total current liabilities	<u>711,612</u>	<u>59,389</u>	<u>771,001</u>
Noncurrent liabilities:			
Installment contracts, less current portion	276,263	20,838	297,101
Advances from other funds	-	2,740,768	2,740,768
Net pension liability	1,735,120	161,104	1,896,224
Total other postemployment benefits liability	<u>406,435</u>	<u>16,745</u>	<u>423,180</u>
Total noncurrent liabilities	<u>2,417,818</u>	<u>2,939,455</u>	<u>5,357,273</u>
Total liabilities	<u>3,129,430</u>	<u>2,998,844</u>	<u>6,128,274</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	110,382	10,250	120,632
Deferred inflows of resources related to other postemployment benefits	<u>39,956</u>	<u>390</u>	<u>40,346</u>
Total deferred inflows of resources	<u>150,338</u>	<u>10,640</u>	<u>160,978</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	4,498,798	2,291,461	6,790,259
Unrestricted	<u>3,159,184</u>	<u>(2,770,175)</u>	<u>389,009</u>
Total net position (deficit)	<u>\$ 7,657,982</u>	<u>\$ (478,714)</u>	<u>\$ 7,179,268</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS**  
**YEAR ENDED APRIL 30, 2019**

	<b>Business-type Activities</b>		
	<b>Waterworks and Sewerage</b>	<b>Golf Course</b>	<b>Total Enterprise Funds</b>
Operating revenues:			
Charges for services	\$ 6,220,470	\$ 180,899	\$ 6,401,369
Permits and fees	27,010	-	27,010
Retail and concession sales	-	42,911	42,911
Miscellaneous income	29,431	1,599	31,030
Total operating revenues	<u>6,276,911</u>	<u>225,409</u>	<u>6,502,320</u>
Operating expenses:			
Personnel	1,513,939	152,301	1,666,240
Employee benefits	926,921	26,382	953,303
Water purchases	2,138,866	-	2,138,866
Electrical energy	43,771	-	43,771
Systems maintenance	181,436	-	181,436
Cost of sales	-	13,419	13,419
Contractual services	379,027	45,793	424,820
Commodities and supplies	-	36,348	36,348
Intragovernmental	260,000	-	260,000
Rental, repairs, and maintenance	83,292	22,069	105,361
Miscellaneous	110,127	10,379	120,506
Depreciation	213,261	44,658	257,919
Total operating expenses	<u>5,850,640</u>	<u>351,349</u>	<u>6,201,989</u>
Operating income (loss)	<u>426,271</u>	<u>(125,940)</u>	<u>300,331</u>
Nonoperating revenue (expense):			
Interest income	23,301	-	23,301
Interest expense	(8,962)	(3,606)	(12,568)
Total nonoperating revenue (expense)	<u>14,339</u>	<u>(3,606)</u>	<u>10,733</u>

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

	<u>Business-type Activities</u>		
	<u>Waterworks and Sewerage</u>	<u>Golf Course</u>	<u>Total Enterprise Funds</u>
Income (loss) before transfers	440,610	(129,546)	311,064
Transfers out	<u>(318,729)</u>	<u>-</u>	<u>(318,729)</u>
Changes in net position (deficit)	121,881	(129,546)	(7,665)
Net position (deficit) at beginning of year, as restated	<u>7,536,101</u>	<u>(349,168)</u>	<u>7,186,933</u>
Net position (deficit) at end of year	<u>\$ 7,657,982</u>	<u>\$ (478,714)</u>	<u>\$ 7,179,268</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED APRIL 30, 2019**

	<u>Business-type Activities</u>		
	<u>Waterworks and Sewerage</u>	<u>Golf Course</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 6,248,312	\$ 225,409	\$ 6,473,721
Payments to suppliers	(3,353,072)	(131,874)	(3,484,946)
Payments for personnel	<u>(2,232,785)</u>	<u>(180,441)</u>	<u>(2,413,226)</u>
Net cash provided (used) by operating activities	<u>662,455</u>	<u>(86,906)</u>	<u>575,549</u>
Cash flows from noncapital financing activities:			
Advances received from other funds	827,738	128,545	956,283
Transfers to other funds	<u>(318,729)</u>	<u>-</u>	<u>(318,729)</u>
Net cash provided by noncapital financing activities	<u>509,009</u>	<u>128,545</u>	<u>637,554</u>
Cash flows from capital and related financing activities:			
Capital asset additions	(188,387)	(37,862)	(226,249)
Principal payments on installment contracts	(35,235)	(47,866)	(83,101)
Interest paid	<u>(8,962)</u>	<u>(3,606)</u>	<u>(12,568)</u>
Net cash used by capital and related financing activities	<u>(232,584)</u>	<u>(89,334)</u>	<u>(321,918)</u>
Cash flows from investing activities:			
Interest income received	<u>23,301</u>	<u>-</u>	<u>23,301</u>
Net increase (decrease) in cash and cash equivalents	962,181	(47,695)	914,486
Cash and cash equivalents at beginning of year	<u>2,804,761</u>	<u>107,723</u>	<u>2,912,484</u>
Cash and cash equivalents at end of year	<u>\$ 3,766,942</u>	<u>\$ 60,028</u>	<u>\$ 3,826,970</u>

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

	<b>Business-type Activities</b>		
	<b>Waterworks and Sewerage</b>	<b>Golf Course</b>	<b>Total Enterprise Funds</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 426,271	\$ (125,940)	\$ 300,331
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	213,261	44,658	257,919
(Increase) in:			
Receivables and other assets	(212,714)	-	(212,714)
Deferred outflows of resources related to pensions	(496,676)	(50,853)	(547,529)
Deferred outflows of resources related to other postemployment benefits	(36,849)	(2,739)	(39,588)
Increase (decrease) in:			
Accounts payable	27,562	(3,866)	23,696
Accrued payroll and compensated absences	15,911	(2,046)	13,865
Net pension liability	1,251,108	116,164	1,367,272
Total other postemployment benefits liability	87,492	888	88,380
Deferred inflows of resources related to pensions	(652,867)	(63,562)	(716,429)
Deferred inflows of resources related to other postemployment benefits	39,956	390	40,346
Net cash provided (used) by operating activities	<u>\$ 662,455</u>	<u>\$ (86,906)</u>	<u>\$ 575,549</u>
Noncash capital and related financing activities:			
Capital asset additions financed with debt	<u>\$ 373,083</u>	<u>\$ -</u>	<u>\$ 373,083</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION -**  
**PENSION TRUST AND AGENCY FUNDS**  
**APRIL 30, 2019**

<b>ASSETS</b>	<u><b>Pension Trust</b></u>	<u><b>Agency</b></u>
Cash and cash equivalents	\$ 425,992	\$ 75,240
Accrued interest receivable	92,535	-
Prepaid items	3,522	-
Investments:		
Corporate bonds	2,603,877	-
Municipal bonds	583,997	-
Mutual funds - bonds	46,561	-
Mutual funds - equities	13,125,461	-
U.S. government agencies	2,979,919	-
U.S. Treasury notes	<u>349,817</u>	<u>-</u>
Total assets	<u>20,211,681</u>	<u>\$ 75,240</u>
<b>LIABILITIES</b>		
Accounts payable	133,987	\$ 130
Accrued payroll	-	1,790
Due to other governmental units	<u>-</u>	<u>73,320</u>
Total liabilities	<u>133,987</u>	<u>\$ 75,240</u>
<b>NET POSITION</b>		
Net position restricted for pensions	<u>\$ 20,077,694</u>	

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

**CITY OF PALOS HILLS, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY  
NET POSITION - PENSION TRUST FUND  
YEAR ENDED APRIL 30, 2019**

Additions:		
Contributions:		
Employer	\$ 1,157,605	
Plan members	<u>281,618</u>	
Total contributions		\$ 1,439,223
Investment income	1,548,667	
Less investment expense	<u>(50,537)</u>	
Net investment income		<u>1,498,130</u>
Total additions		2,937,353
Deductions:		
Benefit payments	1,492,708	
Administrative expenses	<u>36,184</u>	
Total deductions		<u>1,528,892</u>
Change in net position		1,408,461
Net position at beginning of year		<u>18,669,233</u>
Net position at end of year		<u>\$ 20,077,694</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**B. Reporting Entity**

The City of Palos Hills, Illinois is located in Cook County, Illinois, and was first incorporated in 1958 under the provisions of the constitutional and general statutes of the state of Illinois. The City operates under an Aldermanic-Mayor form of government. The financial statements of the City include all operations of the City. The City provides a wide range of general municipal services, including police protection, garbage collection and disposal, parks and recreation, community planning and zoning, building inspection and safety, street building and maintenance, traffic control, animal control, street lighting, and general administrative services. In addition, water and sewer services and activities of a golf course are provided under an enterprise fund concept, with user charges set by the members of 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.

*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 and no stand-alone report is issued.

**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.

**CITY OF PALOS HILLS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED APRIL 30, 2019**

As 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 general government and waterworks and sewerage functions. 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 funds. 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 in the fund financial statements. 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 accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the City and accounted for in the General Fund include general services, parks and recreation, public safety, and public works.

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

The Motor Fuel Tax Fund, a special revenue fund, accounts for motor fuel tax allotments that are used for highways and streets throughout the City.

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 fund is the DEA / Customs Revenue Fund.

Capital projects funds 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 fund is the Park Development Fund.

The City reports the following major enterprise funds:

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, operations, maintenance, financing and related debt service, and billing and collection.

**CITY OF PALOS HILLS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED APRIL 30, 2019**

The Golf Course Fund accounts for the provision of golf course services to customers. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service.

Additionally, the City reports the following fiduciary fund types:

The pension trust fund accounts for the activities of the Police Pension Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

The City reports the following agency fund:

The Palos Area Transportation Services for the Elderly Fund is used to account for resources to be used for transportation services for the citizens of Palos Township and parts of the villages of Bridgeview, Hickory Hills, Orland Park, Willow Springs, and Worth.

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

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

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

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

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

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

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, utility 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 (within 60 days of year-end). 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 (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**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 the General Fund and enterprise funds. 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. At the first City Council meeting in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing on May 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 period May 1, 2018 to April 30, 2019 was enacted April 19, 2018.

**CITY OF PALOS HILLS, ILLINOIS**  
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4. For the year ended April 30, 2019, a legal budget was adopted for the General Fund, the Waterworks and Sewerage Fund, and the Golf Course Fund on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets were not adopted for special revenue and capital projects funds. These funds were primarily funded by grants and allotments, and effective budgetary control was alternately achieved by project approval.
6. The operating budget can be amended by the City Council as long as the amended budget remains within the legal expenditures ceiling set forth by the appropriations ordinance. Transfers between line items and departments may be made by doing the action. During fiscal year 2019, no supplementary budgetary appropriations were necessary. The legal control is at the fund level.

**2. Excess of Expenditures/Expenses over Appropriations**

For the year ended April 30, 2019, expenditures/expenses exceeded the appropriation in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 8,610,758	\$ 8,899,796	\$ (289,038)
Waterworks and Sewerage Fund	5,666,128	6,456,307	(790,179)
Golf Course Fund	361,210	402,821	(41,611)

The overexpenditure in the General Fund was funded by greater than anticipated revenues. The overexpenditure in the Waterworks and Sewerage Fund was funded by greater than anticipated revenues and available net position. The overexpenditure in the Golf Course Fund was funded by advances from other funds.

**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.

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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. 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 market value. The investment in The Illinois Funds by participants is also reported at amortized cost.

**3. Prepaid Items**

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

**4. Capital Assets**

Capital assets, which include land, buildings, machinery and equipment, vehicles, furniture and fixtures, storm sewers, sanitary sewers, water distribution system, and infrastructure assets (e.g. streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. 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 acquisition value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	39 - 50
Furniture and fixtures	3 - 20
Infrastructure	25 - 40
Land improvements	20
Machinery and equipment	3 - 20
Vehicles	4 - 8
Water distribution, storm and sanitary system	40

**CITY OF PALOS HILLS, ILLINOIS**  
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**5. *Long-term Obligations***

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, 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.

**6. *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 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 and proprietary fund statements of net position. They are *deferred outflows of resources related to pensions* (see Notes III.A.1 and 2 for further discussion of deferred outflows of resources related to pensions) and *deferred outflows of resources related to other postemployment benefits* (see Note III.A.3 for further discussion of deferred outflows of resources related to other postemployment 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 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, *deferred revenue*, is reported in the government-wide statement of net position and governmental funds balance sheet. The City reports deferred revenue from two sources (property taxes that are levied for a future period and intergovernmental revenue). The other items, reported in the government-wide and proprietary fund statements of net position, are *deferred inflows of resources related to pensions*, (see Notes III.A.1 and 2 for further discussion of deferred inflows of resources related to pensions) and *deferred inflows of resources related to other postemployment benefits* (see Note III.A.3 for further discussion of deferred inflows of resources related to other postemployment benefits).

**CITY OF PALOS HILLS, ILLINOIS  
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**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.

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 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.

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**10. Fund Net Deficit**

The Golf Course had a net deficit of \$478,714 as of April 30, 2019. The City plans to eliminate this deficit in the future through revenue increases and expense reductions.

**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**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. The liability for unused vacation benefits is reported as incurred in the government-wide and proprietary fund financial statements. A liability for unused vacation benefits is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, an expense/expenditure is reported and a liability is recognized for the portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" at retirement. The General Fund is the primary governmental fund that is expected to be used to liquidate the accumulated liabilities.

**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.

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The principal operating revenue of the Waterworks and Sewerage enterprise fund is charges to customers for sales and services. The Waterworks and Sewerage 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 the Waterworks and Sewerage Fund 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.

Water and sewerage services are billed on a monthly basis. Estimated unbilled water and sewerage services at April 30, 2019 were \$512,255. This amount is included in accounts receivable.

The principal operating revenue of the Golf Course Fund is charges to customers for sales and services. Operating expenses for the Golf Course Fund include golf course maintenance, 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, deferred outflows of resources, liabilities, and deferred 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 other postemployment benefits liabilities and the deferred outflows/inflows of resources related to pensions and other postemployment benefits. 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 and schedules included in the supplementary information section in order to provide an understanding of the operations of these funds.

**CITY OF PALOS HILLS, ILLINOIS  
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**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

Cash and investments as of April 30, 2019 was comprised of the following:

	<u>Government- wide</u>	<u>Fiduciary</u>	<u>Total</u>
Cash on hand	\$ 300	\$ -	\$ 300
Deposits with financial institutions	13,307,198	501,232	13,808,430
Illinois Funds money market accounts	452,722	-	452,722
Investments	<u>-</u>	<u>19,689,632</u>	<u>19,689,632</u>
Total	<u>\$ 13,760,220</u>	<u>\$ 20,190,864</u>	<u>\$ 33,951,084</u>

***Deposits***

The City maintains a cash pool that is available for use by all funds. The Police Pension Fund also holds other deposits and investments separately from those of other funds.

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 deposit policy for custodial credit risk is to have all deposits either insured or collateralized with securities held by the pledging institutions. As of April 30, 2019, \$12,627,615 of the City's bank balances of \$13,442,626 was uninsured and collateralized with securities held by the pledging financial institutions.

**CITY OF PALOS HILLS, ILLINOIS**  
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***Investments***

As of April 30, 2019, the Police Pension Fund had the following investments:

Type of Investment	Fair Value	Credit Quality Ratings (1)	Investment Maturities (in Years) (2)			
			Less than 1	1 - 5	6 - 10	More than 10
Corporate bonds	\$ 257,926	A1	\$ -	\$ 257,926	\$ -	\$ -
Corporate bonds	401,140	A2	-	401,140	-	-
Corporate bonds	571,435	A3	-	571,435	-	-
Corporate bonds	938,912	Baa1	101,662	776,350	60,900	-
Corporate bonds	434,464	Baa2	-	203,990	230,474	-
Municipal bonds	254,305	Aa1	-	199,089	-	55,216
Municipal bonds	329,692	Aa2	95,129	234,563	-	-
Mutual funds - bonds	46,561	NR	N/A	N/A	N/A	N/A
Mutual funds - equities	13,125,461	NR	N/A	N/A	N/A	N/A
U.S. government agencies:						
FFCB	793,467	Aaa	116,707	224,044	452,716	-
FHLB	1,827,663	Aaa	176,763	1,252,052	398,848	-
GNMA	2,456	NA	-	-	-	2,456
FNMA	356,333	Aaa	-	-	356,333	0
U.S. Treasury notes	349,817	NA	299,842	49,975	-	-
Total	<u>\$ 19,689,632</u>		<u>\$ 790,103</u>	<u>\$ 4,170,564</u>	<u>\$ 1,499,271</u>	<u>\$ 57,672</u>

- (1) Ratings are provided where applicable to indicate associated *Credit Risk*. NA indicates not available. NR indicates that the investment is not rated. The ratings were from Moody's Investors Services.
- (2) *Interest Rate Risk* is estimated using weighted average years to maturity.

***Investment Policies***

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

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City limits the investment portfolio to specific maturities not exceeding five years. The pension plan is exempt from this limitation. All investments carry a fixed rate of interest.

**CITY OF PALOS HILLS, ILLINOIS**  
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*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment program is derived from the terms and provisions of the Illinois Compiled Statutes Public Funds Investment Act (30 ILCS 235) which allows investment in instruments of the United States of America or its agencies, money market mutual funds with a minimum AA rating by at least two of the three largest credit rating agencies, public treasurer's investment pool and commercial paper with one of the three highest classifications by at least two of the three standard credit rating agencies. Pension funds may purchase investments as allowed by the Illinois Compiled Statutes. The City's investment policy will minimize credit risk by limiting investments to the safest type of securities, pre-qualifying financial institutions, broker/dealers, intermediaries, and advisors with which the City does business, and by diversifying the investment portfolio so that potential losses on individual securities will be minimized.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy does not restrict the amount of investments in any one issuer. More than 5% of the City's investments were invested in the following:

Federal Home Loan Bank	9.1 %
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*Custodial credit risk* is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The U.S. Treasury notes, U.S. agency securities, municipal bonds, and corporate bonds are held by the City's agent in the City's name. The Illinois Funds Investment Pool, mutual funds, and money market funds are not subject to custodial credit risk. The City's investments in money market accounts held in Illinois Funds are rated AAAM. The City does not have an investment policy with regards to custodial credit risk.

**B. Fair Value Measurements**

The Police Pension 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 Police Pension Fund had the following recurring fair value measurements as of April 30, 2019:

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

**CITY OF PALOS HILLS, ILLINOIS**  
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The following table summarizes the investments of the Police Pension Fund by fair value level as of April 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Debt issues:				
Corporate	\$ -	\$ 2,603,877	\$ -	\$ 2,603,877
Municipal	-	583,997	-	583,997
Mutual funds:				
Bonds	46,561	-	-	46,561
Equities	13,125,461	-	-	13,125,461
U.S. government agency obligations	-	2,979,919	-	2,979,919
U.S. Treasury notes	-	349,817	-	349,817
	<u>\$ 13,172,022</u>	<u>\$ 6,517,610</u>	<u>\$ -</u>	<u>\$ 19,689,632</u>

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

***Due from/to Other Funds***

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 49,137
General Fund	Waterworks and Sewerage Fund	44,522
Capital Projects Fund	Waterworks and Sewerage Fund	302,427
Capital Projects Fund	General Fund	6,405,253
Motor Fuel Tax Fund	General Fund	14,013
Nonmajor governmental funds:		
DEA / Customs Revenue Fund	General Fund	192,979
Park Development Fund	General Fund	<u>39,700</u>
Total		<u>\$ 7,048,031</u>

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures/expenses occur, transactions are recorded in the accounting system, and payments between funds are made. Interfund receivables and payables are expected to be repaid in the following fiscal year.

**CITY OF PALOS HILLS, ILLINOIS  
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***Advances to/from Other Funds***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Golf Course Fund	\$ 2,334,705
Waterworks and Sewerage Fund	Golf Course Fund	<u>406,063</u>
Total		<u>\$ 2,740,768</u>

The amounts payable to the General Fund and the Waterworks and Sewerage Fund relate to operating loans made to the Golf Course Fund. None of the balances are scheduled to be collected in the subsequent year.

***Interfund Transfers***

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Waterworks and Sewerage Fund	General Fund	\$ 81,965
Waterworks and Sewerage Fund	Capital Projects Fund	<u>236,764</u>
Total		<u>\$ 318,729</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.

**CITY OF PALOS HILLS, ILLINOIS**  
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**D. Capital Assets**

Capital asset activity for the year ended April 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,404,581	\$ -	\$ -	\$ 5,404,581
Capital assets, being depreciated:				
Buildings	4,582,256	35,643	-	4,617,899
Furniture and fixtures	288,085	-	-	288,085
Infrastructure	2,236,450	-	-	2,236,450
Land improvements	1,100,665	-	-	1,100,665
Machinery and equipment	1,306,270	25,173	-	1,331,443
Vehicles	2,369,144	64,209	(286,062)	2,147,291
Total capital assets being depreciated	<u>11,882,870</u>	<u>125,025</u>	<u>(286,062)</u>	<u>11,721,833</u>
Less accumulated depreciation for:				
Buildings	(2,185,855)	(108,581)	-	(2,294,436)
Furniture and fixtures	(254,781)	(7,470)	-	(262,251)
Infrastructure	(1,904,228)	(56,542)	-	(1,960,770)
Land improvements	(874,547)	(37,347)	-	(911,894)
Machinery and equipment	(1,180,457)	(39,609)	-	(1,220,066)
Vehicles	(2,046,986)	(66,661)	195,754	(1,917,893)
Total accumulated depreciation	<u>(8,446,854)</u>	<u>(316,210)</u>	<u>195,754</u>	<u>(8,567,310)</u>
Total capital assets being depreciated, net	<u>3,436,016</u>	<u>(191,185)</u>	<u>(90,308)</u>	<u>3,154,523</u>
Governmental activities capital assets, net	<u>\$ 8,840,597</u>	<u>\$ (191,185)</u>	<u>\$ (90,308)</u>	<u>\$ 8,559,104</u>

(continued)

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,215,779	\$ -	\$ -	\$ 2,215,779
Capital assets, being depreciated:				
Buildings	1,011,436	-	-	1,011,436
Furniture and fixtures	58,161	-	-	58,161
Land improvements	5,500	-	-	5,500
Machinery and equipment	3,608,659	197,386	-	3,806,045
Vehicles	1,250,762	401,946	-	1,652,708
Water distribution, storm and sanitary system	<u>13,051,585</u>	<u>-</u>	<u>-</u>	<u>13,051,585</u>
Total capital assets being depreciated	<u>18,986,103</u>	<u>599,332</u>	<u>-</u>	<u>19,585,435</u>
Less accumulated depreciation for:				
Buildings	(888,000)	(8,989)	-	(896,989)
Furniture and fixtures	(52,455)	(229)	-	(52,684)
Land improvements	(520)	(367)	-	(887)
Machinery and equipment	(3,417,323)	(67,211)	-	(3,484,534)
Vehicles	(1,163,151)	(90,625)	-	(1,253,776)
Water distribution, storm and sanitary system	<u>(8,823,619)</u>	<u>(90,498)</u>	<u>-</u>	<u>(8,914,117)</u>
Total accumulated depreciation	<u>(14,345,068)</u>	<u>(257,919)</u>	<u>-</u>	<u>(14,602,987)</u>
Total capital assets being depreciated, net	<u>4,641,035</u>	<u>341,413</u>	<u>-</u>	<u>4,982,448</u>
Business-type activities capital assets, net	<u>\$ 6,856,814</u>	<u>\$ 341,413</u>	<u>\$ -</u>	<u>\$ 7,198,227</u> (concluded)

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 126,484
Parks	31,621
Public safety	132,808
Public works	<u>25,297</u>
Total governmental activities	<u>\$ 316,210</u>
Business-type activities:	
Waterworks and sewerage	\$ 213,261
Golf course	<u>44,658</u>
Total business-type activities	<u>\$ 257,919</u>

**E. Short-term Debt**

***Business-type Activities***

On May 15, 2018, the Waterworks and Sewerage Fund entered into a line of credit agreement with a bank for the purchase of capital assets. Proceeds of \$373,083 were drawn on the line of credit and on February 15, 2019, the line of credit was converted to a term loan (detailed below) in accordance with the line of credit agreement.

Short-term debt activity during the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Line of credit	<u>\$ -</u>	<u>\$ 373,083</u>	<u>\$ (373,083)</u>	<u>\$ -</u>

**F. Long-term Liabilities**

***Governmental Activities***

***Debt Certificates***

Series 2003A, issued to finance public works projects, requiring retirement of principal on October 1 of each year through October 1, 2022. Interest is due on April 1 and October 1 at rates between 2.10% and 4.35%. Payments have been funded by the operations of the General Fund. Annual debt service requirements are as follows:

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Year Ending April 30,	Principal	Interest	Total
2020	\$ 145,000	\$ 23,154	\$ 168,154
2021	150,000	17,033	167,033
2022	155,000	10,549	165,549
2023	<u>165,000</u>	<u>3,589</u>	<u>168,589</u>
Total	<u>\$ 615,000</u>	<u>\$ 54,325</u>	<u>\$ 669,325</u>

Series 2019, issued to finance public works projects, requiring retirement of principal on December 15 of each year through December 15, 2038. Interest is due on June 15 and December 15 at a rate of 4.00%. Payments are to be funded by a capital improvement surcharge. Annual debt service requirements are as follows:

Year Ending April 30,	Principal	Interest	Total
2020	\$ 290,000	\$ 158,404	\$ 448,404
2021	210,000	234,200	444,200
2022	220,000	225,800	445,800
2023	230,000	217,000	447,000
2024	240,000	207,800	447,800
2025	250,000	198,200	448,200
2026	255,000	188,200	443,200
2027	270,000	178,000	448,000
2028	280,000	167,200	447,200
2029	290,000	156,000	446,000
2030	300,000	144,400	444,400
2031	315,000	132,400	447,400
2032	325,000	119,800	444,800
2033	340,000	106,800	446,800
2034	350,000	93,200	443,200
2035	365,000	79,200	444,200
2036	380,000	64,600	444,600
2037	395,000	49,400	444,400
2038	410,000	33,600	443,600
2039	<u>430,000</u>	<u>17,200</u>	<u>447,200</u>
Total	<u>\$ 6,145,000</u>	<u>\$ 2,771,404</u>	<u>\$ 8,916,404</u>

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***Business-type Activities***

*Installment Contracts*

Installment contract payable to finance multiple public works projects, due in semi-annual payments including interest at 4.50%, with the final payment to be made on February 15, 2024. Payments are to be funded by the operations of the Waterworks and Sewerage Fund. Annual debt service requirements are as follows:

Year Ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 61,585	\$ 14,760	\$ 76,345
2021	64,466	11,880	76,346
2022	67,441	8,905	76,346
2023	70,553	5,793	76,346
2024	<u>73,803</u>	<u>2,243</u>	<u>76,046</u>
Total	<u>\$ 337,848</u>	<u>\$ 43,581</u>	<u>\$ 381,429</u>

Installment contract payable for the purchase of golf course equipment, due in semi-annual payments including interest at 2.85%, with the final payment to be made on April 19, 2020. Payments are to be funded by the operations of the Golf Course Fund. Annual debt service requirements are as follows:

Year Ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 39,538</u>	<u>\$ 862</u>	<u>\$ 40,400</u>

Installment contract payable for the purchase of golf course equipment, due in semi-annual payments including interest at 4.50%, with the final payment to be made on April 19, 2022. Payments are to be funded by the operations of the Golf Course Fund. Annual debt service requirements are as follows:

Year Ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,744	\$ 1,291	\$ 11,035
2021	10,207	838	11,045
2022	<u>10,631</u>	<u>367</u>	<u>10,998</u>
Total	<u>\$ 30,582</u>	<u>\$ 2,496</u>	<u>\$ 33,078</u>

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Total future debt service requirements for the outstanding debt listed above are as follows:

Year Ending April 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 435,000	\$ 181,558	\$ 110,867	\$ 16,913	\$ 744,338
2021	360,000	251,233	74,673	12,718	698,624
2022	375,000	236,349	78,072	9,272	698,693
2023	395,000	220,589	70,553	5,793	691,935
2024	240,000	207,800	73,803	2,243	523,846
2025	250,000	198,200	-	-	448,200
2026	255,000	188,200	-	-	443,200
2027	270,000	178,000	-	-	448,000
2028	280,000	167,200	-	-	447,200
2029	290,000	156,000	-	-	446,000
2030	300,000	144,400	-	-	444,400
2031	315,000	132,400	-	-	447,400
2032	325,000	119,800	-	-	444,800
2033	340,000	106,800	-	-	446,800
2038	350,000	93,200	-	-	443,200
2037	365,000	79,200	-	-	444,200
2038	380,000	64,600	-	-	444,600
2037	395,000	49,400	-	-	444,400
2038	410,000	33,600	-	-	443,600
2039	430,000	17,200	-	-	447,200
Total	<u>\$ 6,760,000</u>	<u>\$ 2,825,729</u>	<u>\$ 407,968</u>	<u>\$ 46,939</u>	<u>\$ 10,040,636</u>

Long-term liability activity for the year ended April 30, 2019 was as follows:

	Beginning Balance	Additions	Adjustments/ Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Debt certificates	\$ 1,435,000	\$ 6,145,000	\$ (820,000)	\$ 6,760,000	\$ 435,000
Unamortized issuance premium	3,908	455,003	(5,832)	453,079	-
Unamortized issuance discount	(9,536)	-	919	(8,617)	-
Compensated absences payable	509,318	156,096	(98,500)	566,914	-
Net pension liabilities:					
Police pension	15,718,131	2,171,082	(2,592,786)	15,296,427	-
Illinois Municipal Retirement Fund	427,215	244,385	859,913	1,531,513	-
Total other postemployment benefits liability	409,697	47,218	(21,369)	435,546	-
Total governmental activity long-term liabilities	<u>\$ 18,493,733</u>	<u>\$ 9,218,784</u>	<u>\$ (2,677,655)</u>	<u>\$ 25,034,862</u>	<u>\$ 435,000</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Waterworks and Sewerage:					
Installment contracts payable	\$ -	\$ 373,083	\$ (35,235)	\$ 337,848	\$ 61,585
Net pension liability:					
Illinois Municipal Retirement Fund	484,012	276,876	974,232	1,735,120	-
Total other postemployment benefits liability	<u>318,943</u>	<u>44,061</u>	<u>43,431</u>	<u>406,435</u>	<u>-</u>
Total Waterworks and Sewerage long-term liabilities	<u>802,955</u>	<u>694,020</u>	<u>982,428</u>	<u>2,479,403</u>	<u>61,585</u>
Golf Course:					
Installment contracts payable	117,986	-	(47,866)	70,120	49,282
Net pension liability:					
Illinois Municipal Retirement Fund	44,940	25,707	90,457	161,104	-
Total other postemployment benefits liability	<u>15,857</u>	<u>1,815</u>	<u>(927)</u>	<u>16,745</u>	<u>-</u>
Total Golf Course long-term liabilities	<u>178,783</u>	<u>27,522</u>	<u>41,664</u>	<u>247,969</u>	<u>49,282</u>
Total business-type activity long-term liabilities	<u>\$ 981,738</u>	<u>\$ 721,542</u>	<u>\$ 1,024,092</u>	<u>\$ 2,727,372</u>	<u>\$ 110,867</u>

The net pension liabilities and total other postemployment benefits obligation reflected in governmental activity long-term liabilities have typically been liquidated by the General Fund in prior years.

***Legal Debt Margin***

The maximum total indebtedness the City is legally allowed to have outstanding at any one time is established by state statute. The limit is computed as follows:

Assessed valuation - 2018 tax year	<u>\$ 356,315,955</u>
Statutory debt limit (8.625% of assessed value)	\$ 30,732,251
Less debt outstanding:	
Debt certificates	(6,760,000)
Installment contracts	<u>(407,968)</u>
Legal debt margin	<u>\$ 23,564,283</u>

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**G. Fund Balances**

As of April 30, 2019, fund balances were comprised of the following:

	General Fund	Capital Projects Fund	Motor Fuel Tax Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Advances to other funds	\$ 2,334,705	\$ -	\$ -	\$ -	\$ 2,334,705
Prepaid items	<u>35,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,869</u>
Total nonspendable	<u>2,370,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,370,574</u>
Restricted:					
Capital projects	-	6,405,253	-	-	6,405,253
Street maintenance	-	-	350,587	-	350,587
Police protection	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,990</u>	<u>6,646,243</u>
Total restricted	<u>-</u>	<u>6,405,253</u>	<u>350,587</u>	<u>240,990</u>	<u>6,996,830</u>
Committed:					
Capital projects and debt service	<u>-</u>	<u>2,116,869</u>	<u>-</u>	<u>-</u>	<u>2,116,869</u>
Assigned:					
Park development	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,051</u>	<u>155,051</u>
Unassigned	<u>1,433,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,433,992</u>
Total	<u>\$ 3,804,566</u>	<u>\$ 8,522,122</u>	<u>\$ 350,587</u>	<u>\$ 396,041</u>	<u>\$ 13,073,316</u>

**H. Change in Accounting Principle**

During the year ended April 30, 2019, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

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

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The restatement of beginning net position (deficit) is summarized as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities		
	Waterworks and Sewerage	Golf Course		
Net position (deficit) at April 30, 2018, as previously reported	\$ 1,364,005	\$ 7,855,044	\$ (333,311)	\$ 7,521,733
Change in reporting of prior other postemployment benefits obligation	491,759	-	-	-
Total other postemployment benefits liability	<u>(409,697)</u>	<u>(318,943)</u>	<u>(15,857)</u>	<u>(334,800)</u>
Total	<u>82,062</u>	<u>(318,943)</u>	<u>(15,857)</u>	<u>(334,800)</u>
Net position (deficit) at April 30, 2018, as restated	<u>\$ 1,446,067</u>	<u>\$ 7,536,101</u>	<u>\$ (349,168)</u>	<u>\$ 7,186,933</u>

**III. OTHER INFORMATION**

**A. Employee Retirement and Postemployment 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. The City also maintains the Retiree Health Care Plan which is a defined benefit healthcare plan. The information presented in the following notes for these plans is the most current information available as of April 30, 2019.

**1. Police Pension Plan**

*Description of Plan.* The Police Pension Plan is a single-employer defined benefit pension plan that is administered by the Police Pension Fund's Board of Trustees. The Police Pension Fund's Board of Trustees consists of six members. Two members are appointed by the president of the Board of Trustees, two members are elected by the active sworn members, and two members are elected by retired and/or disabled participants.

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 City accounts for the Plan as a pension trust fund and no stand-alone report is issued by the Police Pension Fund.

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*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 one-half of the change in the Consumer Price Index for the preceding calendar year.

*Employees Covered by Benefit Terms.* At April 30, 2019, the Police Pension Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not receiving benefits	4
Active plan members	<u>30</u>
 Total	 <u>58</u>
 Number of participating employers	 <u>1</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 amounts 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 April 30, 2019, the City's contribution was 41.5% of covered payroll.

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

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

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

*Net Pension Liability.* The City's net pension liability was measured as of April 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method - Entry-age normal

Inflation - 2.50%

Salary increases - Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance

Investment rate of return - 6.75%

Asset valuation method - 5-year smoothed market, no corridor

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Mortality rates were as follows:

For active employees, the RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 was used.

For disabled members, the RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment projected by Scale BB to 2015 with a 150% load for participants under age 50 was used.

The actuarial assumptions used in the April 30, 2019 valuation were based on the results of an actuarial experience study for the period May 1, 2018 - April 30, 2019.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Police Pension Plan's target asset allocation as of April 30, 2019 (see the discussion of the Police Pension Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	41 %	7.60 %
Core fixed income	38	5.10
International equity	8	7.80
Real estate	6	6.80
Other	<u>7</u>	5.50
Total	<u>100 %</u>	

*Single Discount Rate.* A Single Discount Rate of 6.75% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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.

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For the year ended April 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 8.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Changes in the Net Pension Liability.* Changes in the City's net pension liability for the year ended April 30, 2019 were as follows:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at April 30, 2018	\$ 34,387,364	\$ 18,669,233	\$ 15,718,131
Changes for the year:			
Service cost	715,224	-	715,224
Interest on the total pension liability	2,275,064	-	2,275,064
Differences between expected and actual experience	(510,823)	-	(510,823)
Contributions - employees	-	281,618	(281,618)
Contributions - employer	-	1,157,605	(1,157,605)
Net investment income	-	1,498,130	(1,498,130)
Benefit payments, including refunds of employee contributions	(1,489,542)	(1,489,542)	-
Administrative expense	-	(36,184)	36,184
Net changes	<u>989,923</u>	<u>1,411,627</u>	<u>(421,704)</u>
Balances at April 30, 2019	<u>\$ 35,377,287</u>	<u>\$ 20,080,860</u>	<u>\$ 15,296,427</u>

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

	1% Lower <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Higher <u>(7.75%)</u>
City's net pension liability	<u>\$ 20,044,125</u>	<u>\$ 15,296,427</u>	<u>\$ 11,361,299</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.

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*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended April 30, 2019, the City recognized pension expense of \$2,171,082. At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 3,620,459	\$ 819,304
Net difference between projected and actual earnings on Plan investments	<u>-</u>	<u>230,487</u>
Total	<u>\$ 3,620,459</u>	<u>\$ 1,049,791</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending April 30 as follows:

2020	\$ 624,224
2021	372,830
2022	441,154
2023	476,197
2024	476,197
Thereafter	<u>180,066</u>
Total	<u>\$ 2,570,668</u>

**2. Illinois Municipal Retirement Fund**

*Plan Description.* The City's defined benefit pension plan for employees that are not in positions covered by the Police Pension Plan provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The City's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

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

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
- One-half of the increase in the Consumer Price Index of the original pension amount.

*Employees Covered by Benefit Terms.* As of December 31, 2018, the following employees of the City and were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	57
Inactive plan members entitled to but not yet receiving benefits	63
Active plan members	<u>62</u>
Total	<u><u>182</u></u>

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

*Contributions.* As set by statute, the City's Regular Plan 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 contribution rates were 10.62% and 11.03% for calendar years 2019 and 2018, respectively. For the fiscal year ended April 30, 2019, the City contributed \$337,803 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 the IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute. Contributions for the year ended April 30, 2019 are reported in the financial statements as follows:

Governmental activities	\$ 160,350
Business-type activities:	
Waterworks and Sewerage	163,022
Golf Course	<u>14,431</u>
 Total contributions	 <u>\$ 337,803</u>

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2018. 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, 2018:

- The Actuarial Cost Method used was Entry Age Normal.
- The Asset Valuation Method used was Market Related Value that reflects five-year averaging of investment gains and losses, subject to a 20% corridor.
- The Inflation Rate was assumed to be 2.5%.
- Projected Salary Increases were expected to be 3.39% to 14.25%, including inflation.
- The Investment Rate of Return was assumed to be 7.25%.
- Retirement rates vary by age and sex.
- 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. Among the active members, 75% of males and 70% of females were assumed to be married.

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

- The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	37 %	7.15 %
Fixed income	28	3.75
International equities	18	7.25
Alternatives	7	3.20 - 8.50
Real estate	9	6.25
Cash equivalents	<u>1</u>	2.50
Total	<u>100 %</u>	

*Single Discount Rate.* A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine this Single Discount Rate assumed that the plan members' 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 member rate. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

*Changes in the Net Pension Liability.* Changes in the net pension liability for the year ended December 31, 2018 were as follows:

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at December 31, 2017	\$ 17,152,233	\$ 16,196,066	\$ 956,167
Changes for the year:			
Service cost	271,449	-	271,449
Interest on the total pension liability	1,266,912	-	1,266,912
Differences between expected and actual experience	334,032	-	334,032
Changes of assumptions	522,733	-	522,733
Contributions - employees	-	138,921	(138,921)
Contributions - employer	-	330,393	(330,393)
Net investment income (loss)	-	(894,216)	894,216
Benefit payments, including refunds of employee contributions	(791,585)	(791,585)	-
Other changes	<u>-</u>	<u>348,458</u>	<u>(348,458)</u>
Net changes	<u>1,603,541</u>	<u>(868,029)</u>	<u>2,471,570</u>
Balances at December 31, 2018	<u>\$ 18,755,774</u>	<u>\$ 15,328,037</u>	<u>\$ 3,427,737</u>

The net pension liability as of April 30, 2019 is reported on the financial statements as follows:

Governmental activities	\$ 1,531,513
Business-type activities:	
Waterworks and Sewerage	1,735,120
Golf Course	<u>161,104</u>
Total net pension liability	<u>\$ 3,427,737</u>

*Sensitivity of the Net Pension Liability to Changes in the Single 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 would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Higher <u>(8.25%)</u>
City's net pension liability	<u>\$ 5,806,295</u>	<u>\$ 3,427,737</u>	<u>\$ 1,481,649</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

*Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* For the year ended April 30, 2019, the City recognized pension expense of \$546,968. Pension expense for the year ended April 30, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 244,385
Business-type activities:	
Waterworks and Sewerage	276,876
Golf Course	<u>25,707</u>
 Total pension expense	 <u>\$ 546,968</u>

At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred amounts to be recognized in pension expense in future periods:		
Differences between expected and actual experience	\$ 605,668	\$ -
Changes of assumptions	366,958	218,061
Changes in proportionate share	8,623	8,623
Net difference between projected and actual earnings on Plan investments	<u>1,099,147</u>	<u>-</u>
 Total deferred amounts to be recognized in pension expense in future periods	 2,080,396	 226,684
 Employer contributions made subsequent to the measurement date	 <u>111,229</u>	 <u>-</u>
 Total deferred amounts related to pensions	 <u>\$ 2,191,625</u>	 <u>\$ 226,684</u>
Deferred amounts related to pensions are reported in the financial statements as follows:		
Governmental activities	\$ 975,367	\$ 106,052
Business-type activities:		
Waterworks and Sewerage	1,109,836	110,382
Golf Course	<u>106,422</u>	<u>10,250</u>
 Total	 <u>\$ 2,191,625</u>	 <u>\$ 226,684</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

\$111,229 reported as deferred outflows of resources related to pensions resulting from employer contributions made subsequent to the measurement date will be recognized as a reduction of the net position liability in the reporting period ending April 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in years ending April 30 as follows:

2020	\$	713,427
2021		477,680
2022		240,626
2023		<u>421,979</u>
Total	\$	<u>1,853,712</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.

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

	<u>PPP</u>	<u>IMRF</u>	<u>Total</u>
Deferred outflows of resources	\$ 3,620,459	\$ 2,191,625	\$ 5,812,084
Net pension liabilities	15,296,427	3,427,737	18,724,164
Deferred inflows of resources	1,049,791	226,684	1,276,475
Pension expense	2,171,082	546,968	2,718,050
Pension expenditures	1,157,605	337,803	1,495,408

**4. Retiree Health Care Plan**

*Plan Description.* In addition to providing the pension benefits described above, the City provides postemployment 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.

**CITY OF PALOS HILLS, ILLINOIS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 YEAR ENDED APRIL 30, 2019**

*Benefits Provided.* Employees and their spouses are eligible to continue health care coverage into retirement on the City’s plan upon or after attaining age 50 with at least 20 years of service. Retirees must pay the full monthly premium. Coverage is provided to the retiree until attainment of age 65. A retired employee who elects retiree coverage under the eligibility provisions may also at the same time elect medical coverage for his or her spouse and other dependents. If dependent coverage is not elected at that time, it cannot be elected at a later time.

For police officer retirees electing to retire prior to May 1, 2016, the City offers to pay \$200 per month toward the employee-only medical premium. For police officer retirees who retire on May 1, 2016 or after, the City agrees to pay \$300 per month toward the employee-only medical premium. The City’s obligation shall be limited to the duration of this collective bargaining agreement and shall not continue thereafter unless and to the extent a successor agreement provides for further coverage. For the duration and term of the agreement, the City shall pay the stated amount until the earlier of the time that the retiree (a) becomes covered under another group health plan, (b) attains age 65, or (c) becomes eligible for Social Security disability benefits. The City cannot be responsible for future increases in the cost of retiree or dependent medical coverage, and reserves the right to make changes in benefits or other terms or conditions of such medical coverage including, without limitation, the insurer, the use or absence of any HMO, PPO or other managed care delivery method, provided such changes are made for active bargaining unit members, and reserves the right to terminate coverage for retirees and their dependents upon enactment of legislative changes.

Police officers that suffer a catastrophic injury or are killed in the line of duty may receive 100% City paid lifetime coverage for the employee, their spouse, and each dependent child under the Public Safety Employee Benefits Act.

*Employees Covered by Benefit Terms.* As of April 30, 2019, the following employees of the City were covered by the benefit terms:

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

*Total OPEB Liability.* The City’s total OPEB liability of \$858,726 was measured as of April 30, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial Assumption and Other Inputs.* The total OPEB liability in the April 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

- The Actuarial Cost Method used was Entry Age Normal (Alternative Measurement Method).
- Salary increases were expected to be 4.00%, including inflation.
- The discount rate of 3.21% was based on the S&P Municipal Bond 20 Year High-Grade Rate Index as of April 30 2019.

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

- Healthcare cost trend rate was expected to be between 5.00% and 5.50% initially, reduced by decrements to an ultimate rate of 4.50% in fiscal year 2029.
- Mortality rates were based on the RP-2014 Combined Annuitant Mortality Table for males and females. The Mortality Table reflects recent rates developed by the Society of Actuaries.
- 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 April 30, 2019 were as follows:

	<u>Total OPEB Liability</u>
Balance at April 30, 2018	\$ <u>744,497</u>
Changes for the year:	
Service cost	42,463
Interest expense	26,692
Differences between expected and actual experience	(9,231)
Changes in assumptions or other inputs	34,399
Other changes	<u>19,906</u>
Net changes	<u>114,229</u>
Balance at April 30, 2019	<u>\$ 858,726</u>

The total OPEB liability as of April 30, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 435,546
Business-type activities	
Waterworks and Sewerage	406,435
Golf Course	<u>16,745</u>
Total OPEB liability	<u>\$ 858,726</u>

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

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

	<u>1% Lower (2.21%)</u>	<u>Current Discount Rate (3.21%)</u>	<u>1% Higher (4.21%)</u>
Total OPEB liability	<u>\$ 768,970</u>	<u>\$ 858,726</u>	<u>\$ 958,537</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:

	<u>1% Lower (Varies)</u>	<u>Current Healthcare Cost Trend Rates (Varies)</u>	<u>1% Higher (Varies)</u>
Total OPEB liability	<u>\$ 994,825</u>	<u>\$ 858,726</u>	<u>\$ 746,543</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended April 30, 2019, the City recognized OPEB expense of \$93,094. OPEB expense for the year ended April 30, 2019 is reported in the financial statements as follows:

Governmental activities	\$ 47,218
Business-type activities	<u>45,876</u>
Total OPEB expense	<u>\$ 93,094</u>

At April 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

<u>Deferred Amounts Related to OPEB</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 8,419
Changes in assumptions and other inputs	77,855	11,587
Change in proportionate share	<u>30,487</u>	<u>30,487</u>
Total	<u>\$ 108,342</u>	<u>\$ 50,493</u>

**CITY OF PALOS HILLS, ILLINOIS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities	\$ 68,754	\$ 10,147
Business-type activities:		
Waterworks and Sewerage	36,849	39,956
Golf Course	<u>2,739</u>	<u>390</u>
Total	<u>\$ 108,342</u>	<u>\$ 50,493</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in years ending April 30 as follows:

2020	\$ 5,581
2021	5,581
2022	5,581
2023	5,581
2024	5,581
Thereafter	<u>29,944</u>
Total	<u>\$ 57,849</u>

**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In response to this exposure the City participates in the Intergovernmental Risk Management Agency (IRMA), which is an organization of municipalities and special districts in northeastern Illinois that have formed an association under the Illinois Intergovernmental Cooperation's Statute to pool their risk management needs. The City pays annual premiums to IRMA for its workers' compensation, general liability and property coverage.

The City assumes the first \$1,000 of each occurrence, and IRMA has a mix of self-insurance and commercial insurance at various amounts above that level. The City appoints one delegate, along with an alternate delegate, to represent the City on the Board of Directors. The City does not exercise any control over the activities of the Agency beyond its representation on the Board of Directors.

The City, along with IRMA's other members, has a contractual obligation to fund any deficit of IRMA attributable to a membership year during which it was a member. Supplemental contributions may be required to fund these deficits. There have been no supplemental contributions in any of the past three years.

**CITY OF PALOS HILLS, ILLINOIS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED APRIL 30, 2019**

The City carries commercial insurance for its employee health insurance coverage.

The City has not had significant reductions in insurance coverage during the current year, nor did settlements exceed insurance coverage in any of the last three years.

**C. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City of Palos Hills, IL 457 DC Plan, available to all City employees, permits them to defer a portion of their salary until future years. During the year ended April 30, 2019, employees contributed \$48,167 to the plan. The City made no contributions to the plan during the year.

**D. Subsequent Events**

Management has evaluated subsequent events through October 28, 2019, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability:			
Service cost	\$ 715,224	\$ 719,309	\$ 702,851
Interest on the total pension liability	2,275,064	2,208,025	2,082,632
Differences between expected and actual experience	(510,823)	(468,251)	488,481
Benefit payments, including refunds of employee contributions	(1,489,542)	(1,445,893)	(1,391,331)
Other changes	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>
Net change in total pension liability	989,923	963,190	1,932,633
Total pension liability at beginning of year	<u>34,387,364</u>	<u>33,424,174</u>	<u>31,491,541</u>
Total pension liability at end of year	<u>\$ 35,377,287</u>	<u>\$ 34,387,364</u>	<u>\$ 33,424,174</u>
Plan fiduciary net position:			
Contributions - employees	\$ 281,618	\$ 295,218	\$ 267,934
Contributions - employer	1,157,605	1,124,093	1,122,832
Net investment income (loss)	1,498,130	1,303,308	1,377,528
Benefit payments, including refunds of employee contributions	(1,489,542)	(1,445,893)	(1,391,331)
Administrative expense	<u>(36,184)</u>	<u>(22,128)</u>	<u>(18,074)</u>
Net change in plan fiduciary net position	1,411,627	1,254,598	1,358,889
Plan fiduciary net position at beginning of year	<u>18,669,233</u>	<u>17,414,635</u>	<u>16,055,746</u>
Plan fiduciary net position at end of year	<u>\$ 20,080,860</u>	<u>\$ 18,669,233</u>	<u>\$ 17,414,635</u>
City's net pension liability at end of year	<u>\$ 15,296,427</u>	<u>\$ 15,718,131</u>	<u>\$ 16,009,539</u>
Plan fiduciary net position as a percentage of total pension liability	<u>56.76 %</u>	<u>54.29 %</u>	<u>52.10 %</u>
Covered payroll	<u>\$ 2,787,116</u>	<u>\$ 2,787,153</u>	<u>\$ 2,635,273</u>
City's net pension liability as a percentage of covered payroll	<u>548.83 %</u>	<u>563.95 %</u>	<u>607.51 %</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.

<u>2016</u>	<u>2015</u>
\$ 707,740	\$ 539,226
1,633,125	1,796,841
5,658,802	(4,939,389)
(1,297,044)	(1,205,003)
-	1,425,086
6,702,623	(2,383,239)
<u>24,788,918</u>	<u>27,172,157</u>
<u>\$ 31,491,541</u>	<u>\$ 24,788,918</u>
\$ 258,502	\$ 261,173
1,027,227	968,938
(202,567)	1,098,939
(1,297,044)	(1,205,003)
(24,778)	(22,792)
(238,660)	1,101,255
<u>16,294,406</u>	<u>15,193,151</u>
<u>\$ 16,055,746</u>	<u>\$ 16,294,406</u>
<u>\$ 15,435,795</u>	<u>\$ 8,494,512</u>
<u>50.98 %</u>	<u>65.73 %</u>
<u>\$ 2,632,956</u>	<u>\$ 2,563,776</u>
<u>586.25 %</u>	<u>331.33 %</u>

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

**SCHEDULE OF CITY CONTRIBUTIONS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,871,450	\$ 1,853,268	\$ 1,829,193
Contributions in relation to the actuarially determined contribution	<u>1,157,605</u>	<u>1,124,093</u>	<u>1,122,832</u>
Contribution deficiency	<u>\$ 713,845</u>	<u>\$ 729,175</u>	<u>\$ 706,361</u>
Covered payroll	<u>\$ 2,787,116</u>	<u>\$ 2,787,153</u>	<u>\$ 2,635,273</u>
Contributions as a percentage of covered payroll	<u>41.53 %</u>	<u>40.33 %</u>	<u>42.61 %</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.

**NOTES TO SCHEDULES**

*Valuation Date.* Actuarially determined contribution rates are calculated as of April 30, 2019.

*Methods and Assumptions used to Determine Contribution Rates:*

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market, no corridor
Inflation	2.50%
Salary increases	Graded rates from 4.86% at age 25 to 1.12% at age 55, plus 2.50% inflation allowance
Investment rate of return	6.75%

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	<u>8.40 %</u>	<u>7.88 %</u>	<u>8.91 %</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.

<u>2016</u>	<u>2015</u>
\$ 1,729,848	\$ 1,039,262
<u>1,027,227</u>	<u>968,938</u>
<u>\$ 702,621</u>	<u>\$ 70,324</u>
<u>\$ 2,632,956</u>	<u>\$ 2,563,776</u>
<u>39.01 %</u>	<u>37.79 %</u>

<u>2016</u>	<u>2015</u>
<u>0.09 %</u>	<u>7.90 %</u>

**CITY OF PALOS HILLS, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION -  
ILLINOIS MUNICIPAL RETIREMENT FUND  
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST FOUR CALENDAR YEARS**

	<u>2018</u>	<u>2017</u>
Total pension liability:		
Service cost	\$ 271,449	\$ 281,892
Interest on the total pension liability	1,266,912	1,189,300
Difference between expected and actual experience	334,032	818,034
Changes of assumptions	522,733	(486,158)
Benefit payments, including refunds of employee contributions	<u>(791,585)</u>	<u>(734,454)</u>
Net change in total pension liability	1,603,541	1,068,614
Total pension liability at beginning of year	<u>17,152,233</u>	<u>16,083,619</u>
Total pension liability at end of year	<u>\$ 18,755,774</u>	<u>\$ 17,152,233</u>
Plan fiduciary net position:		
Contributions - employees	\$ 138,921	\$ 168,495
Contributions - employer	330,393	314,842
Net investment income (loss)	(894,216)	2,408,383
Benefit payments, including refunds of employee contributions	(791,585)	(734,454)
Other changes	<u>348,458</u>	<u>(107,869)</u>
Net change in plan fiduciary net position	(868,029)	2,049,397
Plan fiduciary net position at beginning of year	<u>16,196,066</u>	<u>14,146,669</u>
Plan fiduciary net position at end of year	<u>\$ 15,328,037</u>	<u>\$ 16,196,066</u>
Net pension liability at end of year	<u>\$ 3,427,737</u>	<u>\$ 956,167</u>
Plan fiduciary net position as a percentage of total pension liability	<u>81.72 %</u>	<u>94.43 %</u>
Covered payroll	<u>\$ 2,995,399</u>	<u>\$ 2,870,028</u>
Net pension liability as a percentage of covered payroll	<u>114.43 %</u>	<u>33.32 %</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 accountant's report.

<u>2016</u>	<u>2015</u>
\$ 278,154	\$ 292,097
1,125,196	1,089,532
100,605	(370,643)
(39,110)	37,589
<u>(569,757)</u>	<u>(482,172)</u>
895,088	566,403
<u>15,188,531</u>	<u>14,622,128</u>
<u>\$ 16,083,619</u>	<u>\$ 15,188,531</u>
\$ 124,210	\$ 120,960
317,701	307,777
894,244	67,932
(569,757)	(482,172)
<u>107,480</u>	<u>(354,825)</u>
873,878	(340,328)
<u>13,272,791</u>	<u>13,613,119</u>
<u>\$ 14,146,669</u>	<u>\$ 13,272,791</u>
<u>\$ 1,936,950</u>	<u>\$ 1,915,740</u>
<u>87.96 %</u>	<u>87.39 %</u>
<u>\$ 2,760,224</u>	<u>\$ 2,688,005</u>
<u>70.17 %</u>	<u>71.27 %</u>

**CITY OF PALOS HILLS, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION -  
ILLINOIS MUNICIPAL RETIREMENT FUND  
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST FOUR FISCAL YEARS**

	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 337,803	\$ 321,358
Actual contribution	337,803	321,358
Contribution excess	\$ -	\$ -
Covered payroll	\$ 3,032,392	\$ 2,915,651
Actual contribution as a percentage of covered payroll	11.14 %	11.02 %

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 Contribution Rate:*

Actuarial cost method	Aggregate entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27-year closed period
Asset valuation method	Market Related Value that reflects five-year averaging of investment gains and losses, subject to a 20% corridor
Price inflation	2.50%
Salary increases	3.39% to 14.25%, including inflation
Investment rate of return	7.25%
Retirement age	Varies by age and sex.

See independent auditor's report.

<u>2017</u>	<u>2016</u>
\$ 320,773	\$ 310,024
<u>320,773</u>	<u>310,024</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,820,626</u>	<u>\$ 2,702,890</u>
<u>11.37 %</u>	<u>11.47 %</u>

**CITY OF PALOS HILLS, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION -  
ILLINOIS MUNICIPAL RETIREMENT FUND  
(SCHEDULES TO BE BUILT PROSPECTIVELY)**

**Mortality**

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Healthy Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience. Among the active members, 75% of males and 70% of females were assumed to be married.

*Other Information:*

There were no benefit changes during the year.

See independent auditor's report.

**CITY OF PALOS HILLS  
 REQUIRED SUPPLEMENTARY INFORMATION -  
 RETIREE HEALTH CARE PLAN  
 LAST TEN FISCAL YEARS  
 (SCHEDULE TO BE BUILT PROSPECTIVELY)**

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

	<b>2019</b>
Total OPEB liability:	
Service cost	\$ 42,463
Interest expense	26,692
Differences between expected and actual experience	(9,231)
Changes in assumptions or other inputs	34,399
Other changes	19,906
Net change in total OPEB liability	114,229
Total OPEB liability at beginning of year	744,497
Total OPEB liability at end of year	\$ 858,726
Covered-employee payroll	\$ 5,102,248
Total OPEB liability as a percentage of covered-employee payroll	16.83 %

Notes to schedule:

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

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

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL FUND  
BALANCE SHEET  
APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,601,237	\$ 1,726,386
Property taxes receivable	1,111,352	1,061,383
Other receivables	225,581	246,557
Due from other funds	93,659	45,373
Due from other governmental units	615,738	474,299
Advances to other funds	2,334,705	2,206,432
Prepaid items	35,869	38,150
Total assets	\$ 12,018,141	\$ 5,798,580
<b>LIABILITIES</b>		
Accounts payable	\$ 195,449	\$ 202,775
Accrued payroll	140,830	128,771
Deposits payable	136,730	131,340
Due to other funds	6,651,945	775,612
Total liabilities	7,124,954	1,238,498
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes levied for future period	1,088,621	1,043,769
<b>FUND BALANCES</b>		
Nonspendable:		
Advances to other funds	2,334,705	2,206,432
Prepaid items	35,869	38,150
Unassigned	1,433,992	1,271,731
Total fund balances	3,804,566	3,516,313
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,018,141	\$ 5,798,580

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>		<u>Variance with Final Budget Positive (Negative)</u>	<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Property taxes	\$ 2,135,000	\$ 2,143,450	\$ 8,450	\$ 2,170,247
Utility taxes	1,145,000	1,005,258	(139,742)	1,023,765
Licenses, permits and fees:				
Business licenses	95,000	108,386	13,386	124,825
Animal licenses	400	660	260	1,185
Building permits	232,500	454,075	221,575	237,049
Franchise fees	310,000	272,770	(37,230)	303,912
Recreational fees	268,000	306,483	38,483	299,703
Intergovernmental	3,212,358	3,325,363	113,005	3,269,636
Intragovernmental	260,000	260,000	-	260,000
Fines and forfeitures	852,500	1,046,739	194,239	1,033,215
Interest income	10,000	11,491	1,491	4,678
Miscellaneous income	<u>30,000</u>	<u>119,609</u>	<u>89,609</u>	<u>18,031</u>
Total revenues	<u>8,550,758</u>	<u>9,054,284</u>	<u>503,526</u>	<u>8,746,246</u>
<b>Expenditures:</b>				
Current:				
Personnel	5,301,648	5,567,418	(265,770)	5,296,043
Pension benefits	1,125,000	1,157,605	(32,605)	1,124,093
Hospital and medical insurance	553,000	488,122	64,878	554,275
Contractual	380,450	467,147	(86,697)	399,699
Commodities	307,800	274,737	33,063	251,630
Repairs and maintenance	160,200	207,275	(47,075)	162,100
Other	361,560	387,597	(26,037)	406,894
Legal department	148,500	157,827	(9,327)	137,648
Debt service:				
Principal retirement	-	135,000	(135,000)	259,457
Interest and fees	-	29,355	(29,355)	41,091
Capital outlay	<u>272,600</u>	<u>27,713</u>	<u>244,887</u>	<u>52,526</u>
Total expenditures	<u>8,610,758</u>	<u>8,899,796</u>	<u>(289,038)</u>	<u>8,685,456</u>

See independent auditor's report.

	<u>2019</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>2018</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	(60,000)	154,488	214,488	60,790
Other financing sources:				
Proceeds from sale of capital assets	-	51,800	51,800	-
Transfers in	20,000	81,965	61,965	93,452
Total other financing sources	20,000	133,765	113,765	93,452
Net change in fund balances	(40,000)	288,253	328,253	154,242
Fund balances at beginning of year	3,516,313	3,516,313	-	3,362,071
Fund balances at end of year	<u>\$ 3,476,313</u>	<u>\$ 3,804,566</u>	<u>\$ 328,253</u>	<u>\$ 3,516,313</u>

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>		<u>Variance with Final Budget Positive (Negative)</u>	<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
General government:				
City administration:				
Salaries	\$ 476,423	\$ 491,788	\$ (15,365)	\$ 475,968
Insurance	200,000	225,610	(25,610)	228,424
Office equipment	5,300	4,539	761	4,788
Office supplies	7,700	7,598	102	7,737
Miscellaneous	<u>60,700</u>	<u>60,287</u>	<u>413</u>	<u>82,048</u>
Total city administration	<u>750,123</u>	<u>789,822</u>	<u>(39,699)</u>	<u>798,965</u>
Vehicle tax:				
Printing forms	<u>500</u>	<u>3,801</u>	<u>(3,301)</u>	<u>1,571</u>
Employee benefits:				
Health and welfare insurance	548,000	488,122	59,878	554,275
Workmen's compensation claims	5,000	-	5,000	-
General liability claims	1,000	-	1,000	-
Social Security	110,000	119,038	(9,038)	112,913
Illinois Municipal Retirement Fund	155,000	154,624	376	141,202
Accrued unemployment compensation	<u>5,000</u>	<u>5,601</u>	<u>(601)</u>	<u>6,361</u>
Total employee benefits	<u>824,000</u>	<u>767,385</u>	<u>56,615</u>	<u>814,751</u>
Legal:				
City attorney	9,000	9,000	-	9,000
City prosecutor	39,000	39,000	-	30,000
Outside professional services	80,000	94,749	(14,749)	83,623
Legal - union labor	<u>20,500</u>	<u>15,078</u>	<u>5,422</u>	<u>15,025</u>
Total legal	<u>148,500</u>	<u>157,827</u>	<u>(9,327)</u>	<u>137,648</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**YEAR ENDED APRIL 30, 2019**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>		<u>Variance with Final Budget Positive (Negative)</u>	<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Other:				
Audit	60,000	69,370	(9,370)	63,755
Advisory boards and commissions	22,200	64,857	(42,657)	17,383
Total other	<u>82,200</u>	<u>134,227</u>	<u>(52,027)</u>	<u>81,138</u>
Total general government	<u>1,805,323</u>	<u>1,853,062</u>	<u>(47,739)</u>	<u>1,834,073</u>
Parks:				
Salaries	338,843	363,777	(24,934)	349,216
Maintenance	25,000	42,771	(17,771)	28,270
Supplies	39,600	29,640	9,960	30,504
Field trips	10,000	10,437	(437)	8,930
Special events	123,150	166,652	(43,502)	150,094
Miscellaneous	32,000	16,287	15,713	20,664
Total parks	<u>568,593</u>	<u>629,564</u>	<u>(60,971)</u>	<u>587,678</u>
Public safety:				
Police protection:				
Salaries	3,850,544	3,993,844	(143,300)	3,846,364
Equipment rentals	23,200	26,289	(3,089)	22,581
Gasoline and maintenance	127,500	100,746	26,754	83,792
Ammunition, uniforms, and police supplies	84,500	91,777	(7,277)	91,376
Employee benefits - police pension	1,125,000	1,157,605	(32,605)	1,124,093
Animal control	1,000	1,232	(232)	407
Seminars and training	35,050	39,288	(4,238)	16,939
Miscellaneous	113,350	118,067	(4,717)	130,716
Total police protection	<u>5,360,144</u>	<u>5,528,848</u>	<u>(168,704)</u>	<u>5,316,268</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>		<u>2018</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Emergency Service Disaster Agency (ESDA):				
Training and association dues	500	-	500	-
Communication maintenance	500	380	120	551
Office supplies	<u>5,000</u>	<u>3,475</u>	<u>4,620</u>	<u>1,027</u>
Total ESDA	<u>6,000</u>	<u>3,855</u>	<u>2,145</u>	<u>1,578</u>
Total public safety	<u>5,366,144</u>	<u>5,532,703</u>	<u>(166,559)</u>	<u>5,317,846</u>
Public works:				
Building and zoning:				
Salaries	233,604	256,223	(22,619)	222,539
Consulting engineer	1,000	-	1,000	-
Miscellaneous	<u>13,560</u>	<u>10,571</u>	<u>2,989</u>	<u>10,950</u>
Total building and zoning	<u>248,164</u>	<u>266,794</u>	<u>(18,630)</u>	<u>233,489</u>
Building	<u>17,900</u>	<u>18,712</u>	<u>(812)</u>	<u>21,181</u>
Street lighting	<u>37,000</u>	<u>40,970</u>	<u>(3,970)</u>	<u>45,658</u>
Streets:				
Salaries	132,234	182,523	(50,289)	141,480
Materials	43,500	41,501	1,999	37,194
Vehicles	111,500	137,835	(26,335)	110,698
Miscellaneous	<u>7,800</u>	<u>4,064</u>	<u>3,736</u>	<u>3,085</u>
Total streets	<u>295,034</u>	<u>365,923</u>	<u>(70,889)</u>	<u>292,457</u>
Total public works	<u>598,098</u>	<u>692,399</u>	<u>(94,301)</u>	<u>592,785</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>		<u>2018</u>	
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Actual</u>
Debt service:				
Principal retirement	-	135,000	(135,000)	259,457
Interest and fees	-	29,355	(29,355)	41,091
Total debt service	-	164,355	(164,355)	300,548
Capital outlay:				
General government	138,000	7,120	130,880	7,407
Public safety	128,800	16,565	112,235	16,159
Public works	5,800	4,028	1,772	28,960
Total capital outlay	272,600	27,713	244,887	52,526
Total expenditures	<u>\$ 8,610,758</u>	<u>\$ 8,899,796</u>	<u>\$ (289,038)</u>	<u>\$ 8,685,456</u>

See independent auditor's report.

**CAPITAL PROJECTS FUND**

**CITY OF PALOS HILLS, ILLINOIS  
CAPITAL PROJECTS FUND  
BALANCE SHEET  
APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,841,801	\$ 2,038,116
Other receivables	102,661	102,427
Due from other funds	<u>6,707,680</u>	<u>65,662</u>
 Total assets	 <u>\$ 8,652,142</u>	 <u>\$ 2,206,205</u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 80,883	\$ 50,028
Due to other funds	<u>49,137</u>	<u>45,373</u>
 Total liabilities	 <u>130,020</u>	 <u>95,401</u>
 <b>FUND BALANCES</b>		
Restricted	6,405,253	-
Committed	<u>2,116,869</u>	<u>2,110,804</u>
 Total fund balances	 <u>8,522,122</u>	 <u>2,110,804</u>
 Total liabilities and fund balances	 <u>\$ 8,652,142</u>	 <u>\$ 2,206,205</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED APRIL 30, 2019  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
Revenues:		
Licenses, permits and fees:		
Capital improvement surcharge	\$ 1,181,396	\$ 1,086,960
Interest income	<u>10,632</u>	<u>2,914</u>
Total revenues	<u>1,192,028</u>	<u>1,089,874</u>
Expenditures:		
Debt service:		
Principal retirement	685,000	660,000
Interest and fees	27,400	53,800
Debt issuance costs	194,750	-
Capital outlay	<u>710,327</u>	<u>215,637</u>
Total expenditures	<u>1,617,477</u>	<u>929,437</u>
Excess (deficiency) of revenues over expenditures	<u>(425,449)</u>	<u>160,437</u>
Other financing sources:		
Debt certificates issued	6,145,000	-
Premium on debt certificates issued	455,003	-
Transfers in	<u>236,764</u>	<u>-</u>
Total other financing sources	<u>6,836,767</u>	<u>-</u>
Net change in fund balances	6,411,318	160,437
Fund balances at beginning of year	<u>2,110,804</u>	<u>1,950,367</u>
Fund balances at end of year	<u>\$ 8,522,122</u>	<u>\$ 2,110,804</u>

See independent auditor's report.

**MOTOR FUEL TAX FUND**

**CITY OF PALOS HILLS, ILLINOIS**  
**MOTOR FUEL TAX FUND**  
**BALANCE SHEET**  
**APRIL 30, 2019**  
**WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 326,850	\$ 1,074,821
Due from other funds	14,013	-
Due from other governmental units	<u>38,700</u>	<u>40,026</u>
Total assets	<u>\$ 379,563</u>	<u>\$ 1,114,847</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 28,976	\$ 32,039
<b>FUND BALANCES</b>		
Restricted	<u>350,587</u>	<u>1,082,808</u>
Total liabilities and fund balances	<u>\$ 379,563</u>	<u>\$ 1,114,847</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
MOTOR FUEL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<b>2019</b>	<b>2018</b>
Revenues:		
Intergovernmental	\$ 458,714	\$ 446,419
Interest income	107	1,895
Total revenues	458,821	448,314
Expenditures:		
Current:		
Public works	1,191,042	275,843
Excess (deficiency) of revenues over expenditures	(732,221)	172,471
Other financing uses:		
Transfers out	-	(11,303)
Net change in fund balances	(732,221)	161,168
Fund balances at beginning of year	1,082,808	921,640
Fund balances at end of year	\$ 350,587	\$ 1,082,808

See independent auditor's report.

**MAJOR PROPRIETARY FUNDS**

**WATERWORKS AND SEWERAGE FUND**

**CITY OF PALOS HILLS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF NET POSITION  
APRIL 30, 2019**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,766,942
Receivables:	
Accounts billed	46,894
Accounts unbilled	512,255
Prepaid items	<u>222,265</u>
Total current assets	<u>4,548,356</u>
Noncurrent assets:	
Advances to other funds	406,063
Capital assets being depreciated, net	<u>4,836,646</u>
Total noncurrent assets	<u>5,242,709</u>
Total assets	<u>9,791,065</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources related to pensions	1,109,836
Deferred outflows of resources related to other postemployment benefits	<u>36,849</u>
Total deferred outflows of resources	<u>1,146,685</u>

See independent auditor's report.

## **LIABILITIES**

Current liabilities:	
Accounts payable	239,584
Accrued payroll and compensated absences	63,494
Due to other funds	346,949
Current portion of installment contracts	<u>61,585</u>
Total current liabilities	<u>711,612</u>
Noncurrent liabilities:	
Installment contracts, less current portion	276,263
Net pension liability	1,735,120
Total other postemployment benefits liability	<u>406,435</u>
Total noncurrent liabilities	<u>2,417,818</u>
Total liabilities	<u>3,129,430</u>

## **DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	110,382
Deferred inflows of resources related to other postemployment benefits	<u>39,956</u>
Total deferred inflows of resources	<u>150,338</u>

## **NET POSITION**

Net investment in capital assets	4,498,798
Unrestricted	<u>3,159,184</u>
Total net position	<u>\$ 7,657,982</u>

**CITY OF PALOS HILLS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:			
Charges for services	\$ 5,692,552	\$ 6,220,470	\$ 527,918
Permits and fees	25,000	27,010	2,010
Miscellaneous income	<u>22,000</u>	<u>29,431</u>	<u>7,431</u>
Total operating revenues	<u>5,739,552</u>	<u>6,276,911</u>	<u>537,359</u>
Operating expenses:			
Personnel	1,457,684	1,513,939	(56,255)
Employee benefits	700,332	926,921	(226,589)
Water purchases	2,216,838	2,138,866	77,972
Electrical energy	41,050	43,771	(2,721)
Systems maintenance	158,760	181,436	(22,676)
Contractual services	414,050	379,027	35,023
Intragovernmental	260,000	260,000	-
Rental, repairs, and maintenance	46,300	83,292	(36,992)
Miscellaneous	90,150	110,127	(19,977)
Depreciation	-	213,261	(213,261)
Capital outlay	<u>219,964</u>	<u>561,470</u>	<u>(341,506)</u>
Total operating expenses including capitalized items	5,605,128	6,412,110	(806,982)
Less capitalized items	<u>(219,964)</u>	<u>(561,470)</u>	<u>341,506</u>
Total operating expenses	<u>5,385,164</u>	<u>5,850,640</u>	<u>(465,476)</u>
Operating income	<u>354,388</u>	<u>426,271</u>	<u>71,883</u>
Nonoperating revenue (expense):			
Interest income	2,000	23,301	21,301
Interest expense	<u>-</u>	<u>(8,962)</u>	<u>(8,962)</u>
Total nonoperating revenue (expense)	<u>2,000</u>	<u>14,339</u>	<u>12,339</u>

See independent auditor's report.

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
Income before transfers	356,388	440,610	84,222
Transfers out	<u>(75,424)</u>	<u>(318,729)</u>	<u>(243,305)</u>
Change in net position	280,964	121,881	(159,083)
Net position at beginning of year, as restated	<u>7,536,101</u>	<u>7,536,101</u>	<u>-</u>
Net position at end of year	<u>\$ 7,817,065</u>	<u>\$ 7,657,982</u>	<u>\$ (159,083)</u>
Other budgeted expenditures:			
Long-term debt principal	<u>\$ 61,000</u>	<u>\$ 35,235</u>	<u>\$ 25,765</u>

**CITY OF PALOS HILLS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Personnel:</b>			
Salaries and wages	\$ 1,457,684	\$ 1,513,939	\$ (56,255)
<b>Employee benefits:</b>			
Health and welfare	397,975	547,623	(149,648)
FICA Social Security tax	121,101	114,711	6,390
IMRF pension	<u>181,256</u>	<u>264,587</u>	<u>(83,331)</u>
Total employee benefits	<u>700,332</u>	<u>926,921</u>	<u>(226,589)</u>
Water purchases	<u>2,216,838</u>	<u>2,138,866</u>	<u>77,972</u>
Electrical energy	<u>41,050</u>	<u>43,771</u>	<u>(2,721)</u>
<b>Systems maintenance:</b>			
Materials for water installation	12,500	10,862	1,638
Materials for sewer installation	2,000	1,603	397
Materials for drainage	18,000	20,424	(2,424)
Meter purchases and repairs	11,000	17,745	(6,745)
Purification supplies	1,300	1,230	70
Laboratory services	11,960	7,568	4,392
Gasoline diesel	60,000	80,563	(20,563)
Maintenance:			
Lift stations	10,000	10,013	(13)
Sanitary sewers	30,000	28,345	1,655
Heating - fuel and light	<u>2,000</u>	<u>3,083</u>	<u>(1,083)</u>
Total systems maintenance	<u>158,760</u>	<u>181,436</u>	<u>(22,676)</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Contractual services:			
Computer supplies and rental	79,000	76,698	2,302
Office equipment	1,300	2,006	(706)
Postage	40,000	33,096	6,904
Telephone	4,250	4,347	(97)
Audit	27,000	22,585	4,415
Engineering	-	9,389	(9,389)
Liability insurance	260,000	226,681	33,319
Office supplies	2,500	4,225	(1,725)
Total contractual services	<u>414,050</u>	<u>379,027</u>	<u>35,023</u>
Intragovernmental	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Rental, repairs, and maintenance:			
Rentals - Kuechers	30,000	32,175	(2,175)
Tools and equipment rentals	16,300	26,638	(10,338)
Sewer system rehabilitation	-	24,479	(24,479)
Total rental, repairs, and maintenance	<u>46,300</u>	<u>83,292</u>	<u>(36,992)</u>
Miscellaneous	<u>90,150</u>	<u>110,127</u>	<u>(19,977)</u>
Depreciation	<u>-</u>	<u>213,261</u>	<u>(213,261)</u>
Capital outlay	<u>219,964</u>	<u>561,470</u>	<u>(341,506)</u>
Total operating expenses including capitalized items	5,605,128	6,412,110	(806,982)
Less capitalized items	<u>(219,964)</u>	<u>(561,470)</u>	<u>341,506</u>
Total operating expenses	<u>\$ 5,385,164</u>	<u>\$ 5,850,640</u>	<u>\$ (465,476)</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
WATERWORKS AND SEWERAGE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 2019**

Cash flows from operating activities:	
Receipts from customers and users	\$ 6,248,312
Payments to suppliers	(3,353,072)
Payments for personnel	<u>(2,232,785)</u>
Net cash provided by operating activities	<u>662,455</u>
Cash flows from noncapital financing activities:	
Advances from other funds	827,738
Transfers to other funds	<u>(318,729)</u>
Net cash provided by noncapital financing activities	<u>509,009</u>
Cash flows from capital and related financing activities:	
Capital asset additions	(188,387)
Principal payments on installment contracts	(35,235)
Interest paid	<u>(8,962)</u>
Net cash used by capital and related financing activities	<u>(232,584)</u>
Cash flows from investing activities:	
Interest income received	<u>23,301</u>
Net increase in cash and cash equivalents	962,181
Cash and cash equivalents at beginning of year	<u>2,804,761</u>
Cash and cash equivalents at end of year	<u>\$ 3,766,942</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 426,271
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	213,261
(Increase) in:	
Receivables and other assets	(212,714)
Deferred outflows of resources related to pensions	(496,676)
Deferred outflows of resources related to other postemployment benefits	(36,849)
Increase (decrease) in:	
Accounts payable	27,562
Accrued payroll and compensated absences	15,911
Net pension liability	1,251,108
Total other postemployment benefits liability	87,492
Deferred inflows of resources related to pensions	(652,867)
Deferred inflows of resources related to other postemployment benefits	<u>39,956</u>
Net cash provided by operating activities	<u>\$ 662,455</u>
Noncash capital and related financing activities:	
Capital asset additions financed with debt	<u>\$ 373,083</u>

See independent auditor's report.

**GOLF COURSE FUND**

**CITY OF PALOS HILLS, ILLINOIS  
GOLF COURSE FUND  
STATEMENT OF NET POSITION  
APRIL 30, 2019**

**ASSETS**

Current assets:	
Cash and cash equivalents	<u>\$ 60,028</u>
Noncurrent assets:	
Capital assets not being depreciated	2,215,779
Capital assets being depreciated, net	<u>145,802</u>
Total noncurrent assets	<u>2,361,581</u>
Total assets	<u>2,421,609</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources related to pensions	106,422
Deferred outflows of resources related to other postemployment benefits	<u>2,739</u>
Total deferred outflows of resources	<u>109,161</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	6,543
Accrued payroll and compensated absences	3,564
Current portion of installment contracts	<u>49,282</u>
Total current liabilities	<u>59,389</u>
Noncurrent liabilities:	
Installment contracts, less current portion	20,838
Advances from other funds	2,740,768
Net pension liability	161,104
Total other postemployment benefits liability	<u>16,745</u>
Total noncurrent liabilities	<u>2,939,455</u>
Total liabilities	<u>2,998,844</u>

See independent auditor's report.

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to pensions	10,250
Deferred inflows of resources related to other postemployment benefits	<u>390</u>
Total deferred inflows of resources	<u>10,640</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	2,291,461
Unrestricted	<u>(2,770,175)</u>
Total net position (deficit)	<u>\$ (478,714)</u>

**CITY OF PALOS HILLS, ILLINOIS  
GOLF COURSE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION (DEFICIT) - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Operating revenues:			
Charges for services	\$ 310,000	\$ 180,899	\$ (129,101)
Retail and concession sales	48,000	42,911	(5,089)
Miscellaneous income	<u>2,000</u>	<u>1,599</u>	<u>(401)</u>
Total operating revenues	<u>360,000</u>	<u>225,409</u>	<u>(134,591)</u>
Operating expenses:			
Personnel	166,250	152,301	13,949
Employee benefits	26,000	26,382	(382)
Cost of sales	18,000	13,419	4,581
Contractual services	47,860	45,793	2,067
Commodities and supplies	30,700	36,348	(5,648)
Rental, repairs, and maintenance	23,500	22,069	1,431
Miscellaneous	10,900	10,379	521
Depreciation	<u>-</u>	<u>44,658</u>	<u>(44,658)</u>
Total operating expenses	<u>323,210</u>	<u>351,349</u>	<u>(28,139)</u>
Operating income (loss)	36,790	(125,940)	(162,730)
Nonoperating expense:			
Interest expense	<u>(3,000)</u>	<u>(3,606)</u>	<u>(606)</u>
Change in net position (deficit)	33,790	(129,546)	(163,336)
Net position (deficit) at beginning of year, as restated	<u>(349,168)</u>	<u>(349,168)</u>	<u>-</u>
Net position (deficit) at end of year	<u>\$ (315,378)</u>	<u>\$ (478,714)</u>	<u>\$ (163,336)</u>
Other budgeted expenditures:			
Long-term debt principal	<u>\$ 35,000</u>	<u>\$ 47,866</u>	<u>\$ (12,866)</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GOLF COURSE FUND  
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Personnel:</b>			
Salaries and wages	\$ 92,250	\$ 84,680	\$ 7,570
Labor	<u>74,000</u>	<u>67,621</u>	<u>6,379</u>
Total personnel	<u>166,250</u>	<u>152,301</u>	<u>13,949</u>
<b>Employee benefits:</b>			
FICA Social Security tax	11,000	14,431	(3,431)
IMRF pension	<u>15,000</u>	<u>11,951</u>	<u>3,049</u>
Total employee benefits	<u>26,000</u>	<u>26,382</u>	<u>(382)</u>
<b>Cost of sales:</b>			
Food	15,000	13,036	1,964
Merchandise	<u>3,000</u>	<u>383</u>	<u>2,617</u>
Total cost of sales	<u>18,000</u>	<u>13,419</u>	<u>4,581</u>
<b>Contractual services:</b>			
Utilities	9,860	9,183	677
Insurance	28,000	28,424	(424)
Dues	1,700	1,483	217
Sales and use tax	4,500	3,442	1,058
Rental	500	515	(15)
Advertising	1,000	800	200
Uniforms	1,000	1,167	(167)
Postage	500	29	471
Licenses	<u>800</u>	<u>750</u>	<u>50</u>
Total contractual services	<u>47,860</u>	<u>45,793</u>	<u>2,067</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GOLF COURSE FUND  
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL  
YEAR ENDED APRIL 30, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Commodities and supplies:</b>			
Gasoline and lubricants	5,400	3,829	1,571
Seed, sod, and flowers	1,400	682	718
Fertilizer	5,000	12,213	(7,213)
Pesticides	5,000	8,299	(3,299)
Top soil	500	-	500
Sand	1,000	1,316	(316)
Trees and shrubs	-	462	(462)
Supplies	7,400	4,785	2,615
Irrigation and drainage	4,500	4,508	(8)
Gravel	500	254	246
	<u>30,700</u>	<u>36,348</u>	<u>(5,648)</u>
<b>Total commodities and supplies</b>			
<b>Rental, repairs, and maintenance:</b>			
Machinery	7,500	18,825	(11,325)
Building construction	-	1,444	(1,444)
Safety equipment/inspections	1,000	960	40
Maintenance equipment	15,000	-	15,000
Golf shop equipment	-	840	(840)
	<u>23,500</u>	<u>22,069</u>	<u>1,431</u>
<b>Total rental, repairs, and maintenance</b>			
<b>Miscellaneous:</b>			
Services provided	4,900	3,955	945
Other	6,000	6,424	(424)
	<u>10,900</u>	<u>10,379</u>	<u>521</u>
<b>Total miscellaneous</b>			
Depreciation	<u>-</u>	<u>44,658</u>	<u>(44,658)</u>
<b>Total operating expenses</b>	<u>\$ 323,210</u>	<u>\$ 351,349</u>	<u>\$ (28,139)</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GOLF COURSE FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED APRIL 30, 2019**

Cash flows from operating activities:	
Receipts from customers and users	\$ 225,409
Payments to suppliers	(131,874)
Payments for personnel	<u>(180,441)</u>
Net cash used by operating activities	<u>(86,906)</u>
Cash flows from noncapital financing activities:	
Advances received from other funds	<u>128,545</u>
Cash flows from capital and related financing activities:	
Capital asset additions	(37,862)
Principal payments on installment contracts	(47,866)
Interest paid	<u>(3,606)</u>
Net cash used by capital and related financing activities	<u>(89,334)</u>
Net decrease in cash and cash equivalents	(47,695)
Cash and cash equivalents at beginning of year	<u>107,723</u>
Cash and cash equivalents at end of year	<u><u>\$ 60,028</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (125,940)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	44,658
(Increase) decrease in:	
Deferred outflows of resources related to pensions	(50,853)
Deferred outflows of resources related to other postemployment benefits	(2,739)
Increase (decrease) in:	
Accounts payable	(3,866)
Accrued payroll and compensated absences	(2,046)
Net pension liability	116,164
Total other postemployment benefits liability	888
Deferred inflows of resources related to pensions	(63,562)
Deferred inflows of resources related to other postemployment benefits	<u>390</u>
Net cash used by operating activities	<u><u>\$ (86,906)</u></u>

See independent auditor's report.

**NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF PALOS HILLS, ILLINOIS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 APRIL 30, 2019  
 WITH COMPARATIVE TOTALS FOR APRIL 30, 2018**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	
	<u>DEA / Customs Revenue</u>	<u>Park Development</u>	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 48,011	\$ 115,351	\$ 163,362	\$ 323,897
Due from other funds	<u>192,979</u>	<u>39,700</u>	<u>232,679</u>	<u>228,889</u>
Total assets	<u>\$ 240,990</u>	<u>\$ 155,051</u>	<u>\$ 396,041</u>	<u>\$ 552,786</u>
<b>FUND BALANCES</b>				
Restricted	\$ 240,990	\$ -	\$ 240,990	\$ 305,358
Assigned	<u>-</u>	<u>155,051</u>	<u>155,051</u>	<u>247,428</u>
Total fund balances	<u>\$ 240,990</u>	<u>\$ 155,051</u>	<u>\$ 396,041</u>	<u>\$ 552,786</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED APRIL 30, 2019  
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>Special Revenue DEA / Customs Revenue</u>	<u>Capital Projects Park Development</u>	<u>Total Nonmajor Governmental Funds</u>	
			<u>2019</u>	<u>2018</u>
Revenues:				
Intergovernmental	\$ 58,998	\$ -	\$ 58,998	\$ 270,445
Interest income	176	75	251	229
Miscellaneous income	<u>18,550</u>	<u>28,700</u>	<u>47,250</u>	<u>46,712</u>
Total revenues	<u>77,724</u>	<u>28,775</u>	<u>106,499</u>	<u>317,386</u>
Expenditures:				
Current:				
Public safety	60,000	-	60,000	85,760
Capital outlay	<u>87,992</u>	<u>121,152</u>	<u>209,144</u>	<u>174,032</u>
Total expenditures	<u>147,992</u>	<u>121,152</u>	<u>269,144</u>	<u>259,792</u>
Excess (deficiency) of revenues over expenditures	(70,268)	(92,377)	(162,645)	57,594
Other financing sources:				
Proceeds from sale of capital assets	<u>5,900</u>	<u>-</u>	<u>5,900</u>	<u>-</u>
Net change in fund balances	(64,368)	(92,377)	(156,745)	57,594
Fund balances at beginning of year	<u>305,358</u>	<u>247,428</u>	<u>552,786</u>	<u>495,192</u>
Fund balances at end of year	<u>\$ 240,990</u>	<u>\$ 155,051</u>	<u>\$ 396,041</u>	<u>\$ 552,786</u>

See independent auditor's report.

**SPECIAL REVENUE FUND**

**DEA / CUSTOMS REVENUE FUND**

**CITY OF PALOS HILLS, ILLINOIS  
DEA / CUSTOMS REVENUE FUND  
BALANCE SHEET  
APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 48,011	\$ 116,169
Due from other funds	<u>192,979</u>	<u>189,189</u>
Total assets	<u>\$ 240,990</u>	<u>\$ 305,358</u>
<b>FUND BALANCES</b>		
Restricted	<u>\$ 240,990</u>	<u>\$ 305,358</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
DEA / CUSTOMS REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
Revenues:		
Intergovernmental	\$ 58,998	\$ 270,445
Interest income	176	87
Miscellaneous income	<u>18,550</u>	<u>-</u>
Total revenues	<u>77,724</u>	<u>270,532</u>
Expenditures:		
Current:		
Public safety	60,000	85,760
Capital outlay	<u>87,992</u>	<u>113,301</u>
Total expenditures	<u>147,992</u>	<u>199,061</u>
Excess (deficiency) of revenues over expenditures	(70,268)	71,471
Other financing sources:		
Proceeds from sale of capital assets	<u>5,900</u>	<u>-</u>
Net change in fund balances	(64,368)	71,471
Fund balances at beginning of year	<u>305,358</u>	<u>233,887</u>
Fund balances at end of year	<u>\$ 240,990</u>	<u>\$ 305,358</u>

See independent auditor's report.

**CAPITAL PROJECTS FUND**

**PARK DEVELOPMENT FUND**

**CITY OF PALOS HILLS, ILLINOIS  
 PARK DEVELOPMENT FUND  
 BALANCE SHEET  
 APRIL 30, 2019  
 WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 115,351	\$ 207,728
Due from other funds	<u>39,700</u>	<u>39,700</u>
Total assets	<u>\$ 155,051</u>	<u>\$ 247,428</u>

<b>FUND BALANCES</b>		
Assigned	<u>\$ 155,051</u>	<u>\$ 247,428</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
 PARK DEVELOPMENT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 YEAR ENDED APRIL 30, 2019  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
Revenues:		
Interest income	\$ 75	\$ 142
Miscellaneous income	<u>28,700</u>	<u>46,712</u>
Total revenues	28,775	46,854
Expenditures:		
Capital outlay	<u>121,152</u>	<u>60,731</u>
Deficiency of revenues over expenditures	(92,377)	(13,877)
Fund balances at beginning of year	<u>247,428</u>	<u>261,305</u>
Fund balances at end of year	<u><u>\$ 155,051</u></u>	<u><u>\$ 247,428</u></u>

See independent auditor's report.

**FIDUCIARY FUNDS**

**PENSION TRUST FUND**

**POLICE PENSION FUND**

**CITY OF PALOS HILLS, ILLINOIS  
POLICE PENSION FUND  
STATEMENT OF FIDUCIARY NET POSITION  
APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR APRIL 30, 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 425,992	\$ 450,934
Accrued interest receivable	92,535	99,317
Prepaid items	3,522	-
Investments:		
Corporate bonds	2,603,877	2,618,245
Municipal bonds	583,997	621,074
Mutual funds - bonds	46,561	46,845
Mutual funds - equities	13,125,461	11,829,445
U.S. government agencies	2,979,919	3,118,760
U.S. Treasury notes	<u>349,817</u>	<u>6,985</u>
Total assets	20,211,681	18,791,605
<b>LIABILITIES</b>		
Accounts payable	<u>133,987</u>	<u>122,372</u>
<b>NET POSITION</b>		
Net position restricted for pensions	<u>\$ 20,077,694</u>	<u>\$ 18,669,233</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
POLICE PENSION FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED APRIL 30, 2019  
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED APRIL 30, 2018**

	<u>2019</u>	<u>2018</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Employer	\$ 1,157,605	\$ 1,124,093
Plan members	<u>281,618</u>	<u>295,218</u>
<b>Total contributions</b>	<u>1,439,223</u>	<u>1,419,311</u>
Investment income	1,548,667	1,347,561
Less investment expense	<u>(50,537)</u>	<u>(44,253)</u>
<b>Net investment income</b>	<u>1,498,130</u>	<u>1,303,308</u>
<b>Total additions</b>	<u>2,937,353</u>	<u>2,722,619</u>
<b>Deductions:</b>		
Benefit payments	1,492,708	1,445,893
Administrative expenses	<u>36,184</u>	<u>22,128</u>
<b>Total deductions</b>	<u>1,528,892</u>	<u>1,468,021</u>
<b>Change in net position</b>	1,408,461	1,254,598
<b>Net position at beginning of year</b>	<u>18,669,233</u>	<u>17,414,635</u>
<b>Net position at end of year</b>	<u>\$ 20,077,694</u>	<u>\$ 18,669,233</u>

See independent auditor's report.

**AGENCY FUND**

**PALOS AREA TRANSPORTATION SERVICES  
FOR THE ELDERLY FUND**

**CITY OF PALOS HILLS, ILLINOIS**  
**PALOS AREA TRANSPORTATION SERVICES FOR THE ELDERLY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**YEAR ENDED APRIL 30, 2019**

	<u>Balance at</u> <u>May 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>April 30, 2019</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 73,818	\$ 83,432	\$ 82,010	\$ 75,240
<b>LIABILITIES</b>				
Accounts payable	\$ 404	\$ -	\$ 274	\$ 130
Accrued payroll	1,667	123	-	1,790
Due to other governmental units	<u>71,747</u>	<u>83,309</u>	<u>81,736</u>	<u>73,320</u>
Total liabilities	<u>\$ 73,818</u>	<u>\$ 83,432</u>	<u>\$ 82,010</u>	<u>\$ 75,240</u>

See independent auditor's report.

**SCHEDULES OF CAPITAL ASSETS USED IN THE  
OPERATIONS OF GOVERNMENTAL FUNDS**

**CITY OF PALOS HILLS, ILLINOIS  
SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATIONS  
OF GOVERNMENTAL FUNDS - BY SOURCE  
APRIL 30, 2019**

**ASSETS**

Governmental funds capital assets:	
Land	\$ 5,404,581
Buildings	4,617,899
Furniture and fixtures	288,085
Infrastructure	2,236,450
Land improvements	1,100,665
Machinery and equipment	1,331,443
Vehicles	<u>2,147,291</u>
 Total governmental funds capital assets	 <u>\$ 17,126,414</u>

**INVESTMENT IN GOVERNMENTAL FUNDS  
CAPITAL ASSETS BY SOURCE**

Investment in governmental funds capital assets by source:	
Source of capital assets inseparable prior to May 1, 2001	\$ 10,597,942
General Fund	3,085,904
Special revenue funds	1,878,949
Capital projects funds	<u>1,563,619</u>
 Total governmental fund capital assets	 <u>\$ 17,126,414</u>

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS**  
**SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATIONS OF**  
**GOVERNMENTAL FUNDS - BY FUNCTION AND ACTIVITY**  
**APRIL 30, 2019**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Furniture and Fixtures</u>	<u>Infrastructure</u>
General government	\$ 2,667,594	\$ 906,700	\$ 81,690	\$ 2,220,046
Parks	542,038	2,089,395	144,512	-
Public safety	1,089,670	980,887	28,534	-
Public works	<u>1,105,279</u>	<u>640,917</u>	<u>33,349</u>	<u>16,404</u>
 Total governmental funds capital assets	 <u>\$ 5,404,581</u>	 <u>\$ 4,617,899</u>	 <u>\$ 288,085</u>	 <u>\$ 2,236,450</u>

See independent auditor's report.

<u>Land Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Total</u>
\$ 95,678	\$ 196,172	\$ 24,000	\$ 6,191,880
855,893	70,098	-	3,701,936
79,137	734,739	1,743,128	4,656,095
<u>69,957</u>	<u>330,434</u>	<u>380.163</u>	<u>2,576.503</u>
<u>\$ 1,100,665</u>	<u>\$ 1,331,443</u>	<u>\$ 2,147,291</u>	<u>\$ 17,126,414</u>

**CITY OF PALOS HILLS, ILLINOIS  
SCHEDULE OF CAPITAL ASSETS USED IN THE  
OPERATIONS OF GOVERNMENTAL FUNDS -  
CHANGES BY FUNCTION AND ACTIVITY  
YEAR ENDED APRIL 30, 2019**

<u>Function and Activity</u>	<u>Balance May 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2019</u>
General government	\$ 6,191,880	\$ -	\$ -	\$ 6,191,880
Parks	3,666,293	35,643	-	3,701,936
Public safety	4,940,947	1,210	286,062	4,656,095
Public works	<u>2,488,331</u>	<u>88,172</u>	<u>-</u>	<u>2,576,503</u>
 Total governmental funds capital assets	 <u>\$ 17,287,451</u>	 <u>\$ 125,025</u>	 <u>\$ 286,062</u>	 <u>\$ 17,126,414</u>

See independent auditor's report.

**STATISTICAL SECTION**

**CITY OF PALOS HILLS, ILLINOIS  
STATISTICAL SECTION  
YEAR ENDED APRIL 30, 2019**

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

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

	<u>Page</u>
Net Position by Component	107 - 108
Changes in Net Position	109 - 112
General Government Tax Revenues by Source	113
Fund Balances of Governmental Funds	114 - 115
Changes in Fund Balances of Governmental Funds	116 - 117

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

	<u>Page</u>
Assessed Value and Estimated Actual Value of Taxable Property	118
Property Tax Rates - Direct and Overlapping Governments	119 - 120
Principal Property Taxpayers	121
Property Tax Levies and Collections	122

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

	<u>Page</u>
Ratios of Outstanding Debt by Type	123
Direct and Overlapping Governmental Activities Debt	124
Legal Debt Margin Information	125 - 126

**Demographic and Economic Information** - These schedules contain demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

	<u>Page</u>
Demographic and Economic Statistics	127 - 128
Ten Largest Employers (Information not Currently Available)	

**Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

	<u>Page</u>
Full-time Equivalent City Government Employees by Function	129
Operating Indicators by Function	130 - 131
Capital Asset Statistics by Function	132 - 133

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Governmental activities:</b>				
Net investment in capital assets	\$ 7,952,721	\$ 8,100,130	\$ 8,133,683	\$ 8,175,266
Restricted	591,577	1,388,166	1,155,527	1,117,012
Unrestricted	<u>(8,468,966)</u>	<u>(8,124,291)</u>	<u>(7,666,204)</u>	<u>(6,833,843)</u>
Total governmental activities net position	<u>75,332</u>	<u>1,364,005</u>	<u>1,623,006</u>	<u>2,458,435</u>
<b>Business-type activities:</b>				
Net investment in capital assets	6,790,259	6,738,828	6,819,628	6,888,859
Unrestricted	<u>389,009</u>	<u>782,905</u>	<u>315,557</u>	<u>(241,318)</u>
Total business-type activities net position	<u>7,179,268</u>	<u>7,521,733</u>	<u>7,135,185</u>	<u>6,647,541</u>
<b>Primary government:</b>				
Net investment in capital assets	14,742,980	14,838,958	14,953,311	15,064,125
Restricted	591,577	1,388,166	1,155,527	1,117,012
Unrestricted	<u>(8,079,957)</u>	<u>(7,341,386)</u>	<u>(7,350,647)</u>	<u>(7,075,161)</u>
Total primary government net position	<u>\$ 7,254,600</u>	<u>\$ 8,885,738</u>	<u>\$ 8,758,191</u>	<u>\$ 9,105,976</u>

Note: The City adopted GASB 68 during the fiscal year ended April 30, 2016 and adopted GASB 75 during the fiscal year ended April 30, 2019. Prior years are not restated to reflect retrospective adoption of GASB 68 and GASB 75.

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 8,259,943	\$ 8,393,736	\$ 8,265,060	\$ 8,289,225	\$ 7,961,220	\$ 8,055,270
1,086,050	810,049	797,247	787,520	1,061,983	950,021
<u>(1,375,729)</u>	<u>(1,905,756)</u>	<u>(2,392,021)</u>	<u>(3,145,209)</u>	<u>(4,066,078)</u>	<u>(4,572,363)</u>
<u>7,970,264</u>	<u>7,298,029</u>	<u>6,670,286</u>	<u>5,931,536</u>	<u>4,957,125</u>	<u>4,432,928</u>
7,013,076	7,111,803	7,225,379	7,311,124	7,411,661	6,958,139
<u>(37,811)</u>	<u>(246,868)</u>	<u>(280,307)</u>	<u>(458,192)</u>	<u>(503,268)</u>	<u>(547,857)</u>
<u>6,975,265</u>	<u>6,864,935</u>	<u>6,945,072</u>	<u>6,852,932</u>	<u>6,908,393</u>	<u>6,410,282</u>
15,273,019	15,505,539	15,490,439	15,600,349	15,372,881	15,013,409
1,086,050	810,049	797,247	787,520	1,061,983	950,021
<u>(1,413,540)</u>	<u>(2,152,624)</u>	<u>(2,672,328)</u>	<u>(3,603,401)</u>	<u>(4,569,346)</u>	<u>(5,120,220)</u>
<u>\$ 14,945,529</u>	<u>\$ 14,162,964</u>	<u>\$ 13,615,358</u>	<u>\$ 12,784,468</u>	<u>\$ 11,865,518</u>	<u>\$ 10,843,210</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Expenses:</b>				
<b>Governmental activities:</b>				
General government	\$ 2,358,272	\$ 2,150,907	\$ 2,010,117	\$ 2,270,763
Parks	704,778	654,963	610,700	583,360
Public safety	6,811,944	6,772,471	6,762,208	6,169,070
Public works	2,561,447	1,060,536	959,427	1,003,154
Interest on long-term debt	<u>64,655</u>	<u>69,756</u>	<u>125,383</u>	<u>35,544</u>
Total governmental activities	<u>12,501,096</u>	<u>10,708,633</u>	<u>10,467,835</u>	<u>10,061,891</u>
<b>Business-type activities:</b>				
Waterworks and sewerage	5,859,602	5,651,677	5,276,906	5,365,987
Golf course	<u>354,955</u>	<u>357,180</u>	<u>360,182</u>	<u>379,533</u>
Total business-type activities	<u>6,214,557</u>	<u>6,008,857</u>	<u>5,637,088</u>	<u>5,745,520</u>
Total primary government	<u>\$ 18,715,653</u>	<u>\$ 16,717,490</u>	<u>\$ 16,104,923</u>	<u>\$ 15,807,411</u>
<b>Program revenues:</b>				
<b>Governmental activities:</b>				
<b>Charges for services:</b>				
General government	\$ 1,107,231	\$ 925,786	\$ 865,008	857,549
Parks	306,483	299,703	259,735	244,470
Public safety	1,047,399	1,034,400	765,086	897,557
Operating grants and contributions	<u>517,712</u>	<u>716,864</u>	<u>541,057</u>	<u>531,380</u>
Total governmental activities	<u>2,978,825</u>	<u>2,976,753</u>	<u>2,430,886</u>	<u>2,530,956</u>
<b>Business-type activities:</b>				
<b>Charges for services:</b>				
Waterworks and sewerage	6,276,911	6,209,844	5,914,061	5,713,771
Golf course	225,409	263,091	289,519	277,594
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,502,320</u>	<u>6,472,935</u>	<u>6,203,580</u>	<u>5,991,365</u>
Total primary government	<u>\$ 9,481,145</u>	<u>\$ 9,449,688</u>	<u>\$ 8,634,466</u>	<u>\$ 8,522,321</u>

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,018,083	\$ 1,788,704	\$ 1,823,131	\$ 1,977,693	\$ 2,162,168	\$ 1,807,644
641,454	668,846	632,709	536,095	559,770	608,780
5,598,785	5,378,476	4,941,612	4,781,422	4,521,121	4,666,759
899,488	1,007,447	1,077,438	859,203	1,182,687	2,679,287
<u>169,551</u>	<u>200,291</u>	<u>221,341</u>	<u>258,202</u>	<u>289,041</u>	<u>318,894</u>
<u>9,327,361</u>	<u>9,043,764</u>	<u>8,696,231</u>	<u>8,412,615</u>	<u>8,714,787</u>	<u>10,081,364</u>
5,097,599	4,850,880	4,529,313	4,275,362	3,989,195	4,048,489
<u>356,389</u>	<u>347,993</u>	<u>326,690</u>	<u>317,605</u>	<u>325,157</u>	<u>352,573</u>
<u>5,453,988</u>	<u>5,198,873</u>	<u>4,856,003</u>	<u>4,592,967</u>	<u>4,314,352</u>	<u>4,401,062</u>
<u>\$ 14,781,349</u>	<u>\$ 14,242,637</u>	<u>\$ 13,552,234</u>	<u>\$ 13,005,582</u>	<u>\$ 13,029,139</u>	<u>\$ 14,482,426</u>
969,492	\$ 732,718	\$ 760,870	\$ 723,281	\$ 736,833	\$ 652,362
243,532	257,599	247,725	252,636	235,331	238,424
755,470	763,249	807,686	806,578	704,844	621,803
<u>771,801</u>	<u>666,742</u>	<u>621,035</u>	<u>722,729</u>	<u>942,410</u>	<u>1,040,148</u>
<u>2,740,295</u>	<u>2,420,308</u>	<u>2,437,316</u>	<u>2,505,224</u>	<u>2,619,418</u>	<u>2,552,737</u>
5,362,044	5,049,832	4,882,775	4,442,528	4,415,738	4,233,318
282,051	255,433	252,119	281,916	283,074	378,197
<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,644,095</u>	<u>5,323,265</u>	<u>5,134,894</u>	<u>4,724,444</u>	<u>4,698,812</u>	<u>4,611,515</u>
<u>\$ 8,384,390</u>	<u>\$ 7,743,573</u>	<u>\$ 7,572,210</u>	<u>\$ 7,229,668</u>	<u>\$ 7,318,230</u>	<u>\$ 7,164,252</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net (expense) revenue:				
Governmental activities	\$ (9,522,271)	\$ (7,731,880)	\$ (8,036,949)	\$ (7,530,935)
Business-type activities	<u>287,763</u>	<u>464,078</u>	<u>566,492</u>	<u>245,845</u>
Total primary government	<u>\$ (9,234,508)</u>	<u>\$ (7,267,802)</u>	<u>\$ (7,470,457)</u>	<u>\$ (7,285,090)</u>
General revenues and other changes in net position:				
Governmental activities:				
General revenues:				
Taxes:				
Property	\$ 2,143,450	\$ 2,170,247	\$ 2,124,377	\$ 2,077,927
Utility	1,005,258	1,023,765	1,046,362	1,029,936
Intergovernmental-unrestricted:				
State income	1,967,498	1,751,420	1,739,259	1,854,478
State sales	805,197	804,485	785,110	755,645
Personal property replacement	21,100	19,504	23,310	20,985
Local use	531,568	459,890	431,093	403,601
Interest income	22,481	9,716	6,915	5,987
Miscellaneous income	1,336,255	1,151,703	962,958	1,075,277
Transfers	<u>318,729</u>	<u>82,149</u>	<u>82,136</u>	<u>81,934</u>
Total governmental activities	<u>8,151,536</u>	<u>7,472,879</u>	<u>7,201,520</u>	<u>7,305,770</u>
Business-type activities:				
General revenues:				
Interest income	23,301	4,619	3,288	2,781
Transfers	<u>(318,729)</u>	<u>(82,149)</u>	<u>(82,136)</u>	<u>(81,934)</u>
Total business-type activities	<u>(295,428)</u>	<u>(77,530)</u>	<u>(78,848)</u>	<u>(79,153)</u>
Total primary government	<u>\$ 7,856,108</u>	<u>\$ 7,395,349</u>	<u>\$ 7,122,672</u>	<u>\$ 7,226,617</u>
Changes in net position:				
Governmental activities	\$ (1,370,735)	\$ (259,001)	\$ (835,429)	\$ (225,165)
Business-type activities	<u>(7,665)</u>	<u>386,548</u>	<u>487,644</u>	<u>166,692</u>
Total primary government	<u>\$ (1,378,400)</u>	<u>\$ 127,547</u>	<u>\$ (347,785)</u>	<u>\$ (58,473)</u>

Note: The City adopted GASB 68 during the fiscal year ended April 30, 2016 and adopted GASB 75 during the fiscal year ended April 30, 2019. Prior years are not restated to reflect retrospective adoption of GASB 68 and GASB 75.

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ (6,587,066)	\$ (6,623,456)	\$ (6,258,915)	\$ (5,907,391)	\$ (6,095,369)	\$ (7,528,627)
<u>190,107</u>	<u>124,392</u>	<u>278,891</u>	<u>131,477</u>	<u>384,460</u>	<u>210,453</u>
<u>\$ (6,396,959)</u>	<u>\$ (6,499,064)</u>	<u>\$ (5,980,024)</u>	<u>\$ (5,775,914)</u>	<u>\$ (5,710,909)</u>	<u>\$ (7,318,174)</u>
\$ 2,065,403	\$ 2,066,244	\$ 1,981,755	\$ 2,008,188	\$ 1,845,409	\$ 1,967,482
<u>1,124,236</u>	<u>1,217,167</u>	<u>1,205,771</u>	<u>1,237,861</u>	<u>1,301,381</u>	<u>1,186,121</u>
1,828,570	1,723,511	1,670,320	1,481,351	1,368,139	1,363,571
791,937	769,742	732,336	730,801	681,530	632,711
22,796	25,952	19,536	19,705	21,843	19,651
353,255	306,156	277,211	255,181	251,490	210,480
3,636	2,613	3,219	5,666	7,586	29,769
987,890	934,892	920,464	956,030	1,255,719	997,354
<u>81,578</u>	<u>204,922</u>	<u>187,053</u>	<u>187,019</u>	<u>(113,531)</u>	<u>(208,014)</u>
<u>7,259,301</u>	<u>7,251,199</u>	<u>6,997,665</u>	<u>6,881,802</u>	<u>6,619,566</u>	<u>6,199,125</u>
1,801	393	302	81	120	161
<u>(81,578)</u>	<u>(204,922)</u>	<u>(187,053)</u>	<u>(187,019)</u>	<u>113,531</u>	<u>208,014</u>
<u>(79,777)</u>	<u>(204,529)</u>	<u>(186,751)</u>	<u>(186,938)</u>	<u>113,651</u>	<u>208,175</u>
<u>\$ 7,179,524</u>	<u>\$ 7,046,670</u>	<u>\$ 6,810,914</u>	<u>\$ 6,694,864</u>	<u>\$ 6,733,217</u>	<u>\$ 6,407,300</u>
\$ 672,235	\$ 627,743	\$ 738,750	\$ 974,411	\$ 524,197	\$ (1,329,502)
<u>110,330</u>	<u>(80,137)</u>	<u>92,140</u>	<u>(55,461)</u>	<u>498,111</u>	<u>418,628</u>
<u>\$ 782,565</u>	<u>\$ 547,606</u>	<u>\$ 830,890</u>	<u>\$ 918,950</u>	<u>\$ 1,022,308</u>	<u>\$ (910,874)</u>

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Utility Taxes</u>	<u>Total</u>
2010	\$ 1,967,482	\$ 1,186,121	\$ 3,153,603
2011	1,845,409	1,301,381	3,146,790
2012	2,008,188	1,237,861	3,246,049
2013	1,981,755	1,205,771	3,187,526
2014	2,066,244	1,217,167	3,283,411
2015	2,065,403	1,124,236	3,189,639
2016	2,077,927	1,029,936	3,107,863
2017	2,124,377	1,046,362	3,170,739
2018	2,170,247	1,023,765	3,194,012
2019	2,143,450	1,005,258	3,148,708

See independent auditor's report.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Fund:				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	2,370,574	2,244,582	2,149,840	2,077,203
Unassigned	<u>1,433,992</u>	<u>1,271,731</u>	<u>1,212,231</u>	<u>1,844,895</u>
Total General Fund	<u>\$ 3,804,566</u>	<u>\$ 3,516,313</u>	<u>\$ 3,362,071</u>	<u>\$ 3,922,098</u>
All other governmental funds:				
Unreserved	\$ -	\$ -	\$ -	\$ -
Restricted	6,996,830	1,388,166	1,155,527	1,117,012
Committed	2,116,869	2,110,804	1,950,367	1,792,830
Assigned	<u>155,051</u>	<u>247,428</u>	<u>261,305</u>	<u>250,035</u>
Total all other governmental funds	<u>\$ 9,268,750</u>	<u>\$ 3,746,398</u>	<u>\$ 3,367,199</u>	<u>\$ 3,159,877</u>

Note: The City began to classify fund balances in accordance with the requirements of GASB 54 with the year ended April 30, 2011.

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,301,669
-	-	-	-	-	622,994
2,004,865	1,894,494	1,769,469	1,582,057	1,403,064	-
<u>1,414,980</u>	<u>1,268,215</u>	<u>1,399,568</u>	<u>1,212,255</u>	<u>695,403</u>	<u>-</u>
<u>\$ 3,419,845</u>	<u>\$ 3,162,709</u>	<u>\$ 3,169,037</u>	<u>\$ 2,794,312</u>	<u>\$ 2,098,467</u>	<u>\$ 1,924,663</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,295,625
1,086,050	810,049	797,247	787,520	811,036	-
1,619,853	1,611,095	1,426,742	1,338,015	1,153,436	-
<u>244,685</u>	<u>231,785</u>	<u>224,069</u>	<u>202,929</u>	<u>250,947</u>	<u>-</u>
<u>\$ 2,950,588</u>	<u>\$ 2,652,929</u>	<u>\$ 2,448,058</u>	<u>\$ 2,328,464</u>	<u>\$ 2,215,419</u>	<u>\$ 2,295,625</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>				
Property taxes	\$ 2,143,450	\$ 2,170,247	\$ 2,124,377	\$ 2,077,927
Utility taxes	1,005,258	1,023,765	1,046,362	1,029,936
Licenses, permits and fees	2,323,770	2,053,634	1,742,763	1,729,860
Intergovernmental	3,843,075	3,986,500	3,285,492	3,879,500
Intragovernmental	260,000	260,000	260,000	260,000
Fines and forfeitures	1,046,739	1,033,215	764,221	896,752
Grants	-	-	-	-
Interest income	22,481	9,716	6,915	5,987
Miscellaneous income	<u>166,859</u>	<u>64,743</u>	<u>85,803</u>	<u>188,241</u>
<b>Total revenues</b>	<u>10,811,632</u>	<u>10,601,820</u>	<u>9,315,933</u>	<u>10,068,203</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,974,214	1,881,088	1,794,250	1,806,742
Parks	629,564	613,288	569,875	534,901
Public safety	5,592,703	5,403,606	5,317,502	4,966,921
Public works	1,883,441	843,018	928,976	996,744
<b>Debt service:</b>				
Principal retirement	820,000	919,457	878,392	842,425
Interest and fees	56,755	94,891	131,130	165,894
Debt issuance costs	194,750	-	-	-
Capital outlay	<u>826,032</u>	<u>395,180</u>	<u>130,649</u>	<u>154,015</u>
<b>Total expenditures</b>	<u>11,977,459</u>	<u>10,150,528</u>	<u>9,750,774</u>	<u>9,467,642</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,165,827)</u>	<u>451,292</u>	<u>(434,841)</u>	<u>600,561</u>
<b>Other financing sources (uses):</b>				
Debt certificates issued	6,145,000	-	-	-
Premium on debt certificates issued	455,003	-	-	-
Installment contracts	-	-	-	29,047
Proceeds from sale of capital assets	57,700	-	-	-
Transfers in	318,729	93,452	92,621	91,808
Transfers out	<u>-</u>	<u>(11,303)</u>	<u>(10,485)</u>	<u>(9,874)</u>
<b>Total other financing sources (uses)</b>	<u>6,976,432</u>	<u>82,149</u>	<u>82,136</u>	<u>110,981</u>
<b>Net change in fund balances</b>	<u>\$ 5,810,605</u>	<u>\$ 533,441</u>	<u>\$ (352,705)</u>	<u>\$ 711,542</u>
<b>Debt service as a percentage of non-capital expenditures</b>	<u>9.040%</u>	<u>10.056%</u>	<u>10.436%</u>	<u>10.801%</u>

See independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,065,403	\$ 2,066,244	\$ 1,981,755	\$ 2,008,188	\$ 1,845,409	\$ 1,967,482
1,124,236	1,217,167	1,205,771	1,237,861	1,301,381	1,186,121
1,848,050	1,624,097	1,635,488	1,618,669	1,615,496	1,539,842
3,719,209	3,526,157	3,241,814	3,472,598	3,064,651	2,734,800
260,000	260,000	260,000	260,000	260,000	260,000
754,660	762,194	806,616	805,558	703,854	620,810
-	-	-	35,120	214,880	-
3,636	2,613	3,219	5,666	7,586	29,769
<u>93,674</u>	<u>42,167</u>	<u>36,343</u>	<u>54,298</u>	<u>353,377</u>	<u>89,291</u>
<u>9,868,868</u>	<u>9,500,639</u>	<u>9,171,006</u>	<u>9,497,958</u>	<u>9,366,634</u>	<u>8,611,814</u>
1,725,430	1,785,907	1,600,201	1,758,942	1,722,813	1,596,316
592,859	597,812	584,585	555,629	516,027	569,312
4,994,688	4,810,009	4,391,876	4,116,803	4,041,689	4,006,531
871,196	971,881	949,061	819,309	982,442	1,049,982
700,000	910,000	880,000	850,000	820,000	790,000
175,242	209,851	242,685	274,047	304,502	332,252
-	-	-	-	-	-
<u>677,463</u>	<u>221,558</u>	<u>215,332</u>	<u>501,357</u>	<u>1,065,971</u>	<u>2,371,501</u>
<u>9,736,878</u>	<u>9,507,018</u>	<u>8,863,740</u>	<u>8,876,087</u>	<u>9,453,444</u>	<u>10,715,894</u>
<u>131,990</u>	<u>(6,379)</u>	<u>307,266</u>	<u>621,871</u>	<u>(86,810)</u>	<u>(2,104,080)</u>
-	-	-	-	-	-
-	-	-	-	-	-
341,227	-	-	-	-	-
-	-	-	-	-	-
94,223	223,540	204,053	200,172	201,430	204,478
<u>(12,645)</u>	<u>(18,618)</u>	<u>(17,000)</u>	<u>(13,153)</u>	<u>(21,022)</u>	<u>(20,779)</u>
<u>422,805</u>	<u>204,922</u>	<u>187,053</u>	<u>187,019</u>	<u>180,408</u>	<u>183,699</u>
<u>\$ 554,795</u>	<u>\$ 198,543</u>	<u>\$ 494,319</u>	<u>\$ 808,890</u>	<u>\$ 93,598</u>	<u>\$ (2,104,080)</u>
<u>9.499%</u>	<u>11.930%</u>	<u>12.670%</u>	<u>13.237%</u>	<u>12.434%</u>	<u>10.757%</u>

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

<u>Levy Year</u>	<u>Real Property (2)</u>	<u>Less Tax-exempt Property</u>	<u>Total Taxable Assessed Value (1)</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
2009	\$ 608,367,544	\$ 144,547,370	\$ 463,820,174	0.409 %	\$ 1,392,853,375
2010	587,800,925	115,131,018	472,669,907	0.414	1,419,429,150
2011	441,356,317	54,494,447	386,861,870	0.515	1,161,747,357
2012	413,607,340	58,801,966	354,805,374	0.579	1,065,481,604
2013	383,571,841	55,429,025	328,142,816	0.637	985,413,862
2014	369,957,959	54,883,243	315,074,716	0.675	946,170,318
2015	360,643,755	52,914,906	307,728,849	0.698	924,110,658
2016	375,268,622	55,449,337	319,819,285	0.680	960,418,273
2017	456,791,523	86,479,900	370,311,623	0.601	1,112,046,916
2018	442,180,027	85,864,072	356,315,955	0.639	1,070,017,883

(1) The Total Taxable Assessed Value is 33.3% of the Estimated Actual Taxable Value.

(2) Includes only real property; personal property is not taxed in Illinois.

Data Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>City of Palos Hills:</b>				
Corporate	0.238	0.224	0.253	0.260
Police pension	0.161	0.152	0.172	0.176
I.M.R.F.	0.035	0.032	0.037	0.038
Street and bridge	0.007	0.007	0.007	0.008
Police protection	0.058	0.054	0.061	0.063
Social Security	0.029	0.027	0.031	0.031
Auditing	0.013	0.012	0.014	0.015
Liability insurance	0.096	0.091	0.103	0.105
Crossing guards	<u>0.002</u>	<u>0.002</u>	<u>0.002</u>	<u>0.002</u>
<b>Total City of Palos Hills</b>	<b>0.639</b>	<b>0.601</b>	<b>0.680</b>	<b>0.698</b>
<b>Overlapping rates:</b>				
School District #117	5.361	4.982	5.679	5.853
School District #118	2.882	2.714	3.106	3.212
School District #127	6.268	5.915	0.000	0.000
North Palos Fire Protection District	1.106	1.032	1.161	1.198
Green Hills Public Library District	0.400	0.415	0.471	0.486
Worth Park District	0.474	0.445	0.000	0.000
Hickory Hills Park District	0.409	0.374	0.000	0.000
Moraine Valley Community College District 524	0.384	0.365	0.406	0.419
Consolidated High School #230	2.425	2.287	2.778	2.879
South Cook County Mosquito Abatement District	0.017	0.016	0.017	0.017
Metropolitan Water Reclamation District	0.396	0.402	0.406	0.426
General Assistance Palos	0.009	0.008	0.008	0.008
Road and Bridge Palos	0.051	0.047	0.054	0.055
Town of Palos	0.064	0.060	0.068	0.070
Consolidated Elections	0.000	0.031	0.000	0.034
Forest Preserve District of Cook County	0.060	0.062	0.063	0.069
County of Cook	0.489	0.496	0.533	0.552
Cook County Health Facilities	0.000	0.000	0.870	0.000
Cook County Public Safety	<u>0.000</u>	<u>0.000</u>	<u>0.130</u>	<u>0.000</u>
<b>Total Direct and Overlapping Tax Rate per \$100 of Assessed Valuation</b>	<b><u>21.434</u></b>	<b><u>19.651</u></b>	<b><u>16.430</u></b>	<b><u>15.278</u></b>

Overlapping rates are those of local and county governments that apply to property owners within the City of Palos Hills. Not all overlapping rates apply to all City of Palos Hills property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

Source: Cook County, Illinois Tax Extension Division

See independent auditor's report.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
0.250	0.238	0.216	0.195	0.158	0.155
0.170	0.162	0.147	0.133	0.107	0.105
0.037	0.034	0.031	0.029	0.022	0.023
0.009	0.008	0.008	0.007	0.006	0.005
0.061	0.054	0.049	0.043	0.036	0.036
0.030	0.029	0.026	0.024	0.019	0.019
0.014	0.014	0.013	0.010	0.008	0.007
0.102	0.096	0.087	0.071	0.056	0.057
<u>0.002</u>	<u>0.002</u>	<u>0.002</u>	<u>0.003</u>	<u>0.002</u>	<u>0.002</u>
0.675	0.637	0.579	0.515	0.414	0.409
5.614	5.391	4.916	4.406	3.602	3.506
3.133	2.989	2.743	2.457	2.011	1.983
0.000	0.000	0.000	0.000	0.000	0.000
1.134	1.076	0.974	0.869	0.701	0.691
0.469	0.442	0.403	0.358	0.288	0.285
0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000
0.403	0.375	0.346	0.311	0.256	0.247
2.770	2.641	2.438	2.180	1.812	1.764
0.017	0.016	0.014	0.012	0.010	0.009
0.430	0.417	0.370	0.320	0.274	0.261
0.007	0.006	0.005	0.005	0.004	0.004
0.052	0.049	0.046	0.042	0.033	0.032
0.066	0.063	0.057	0.050	0.040	0.039
0.000	0.031	0.025	0.025	0.000	0.021
0.069	0.069	0.063	0.058	0.051	0.049
0.296	0.275	0.286	0.223	0.228	0.196
0.031	0.066	0.063	0.078	0.082	0.084
<u>0.241</u>	<u>0.219</u>	<u>0.182</u>	<u>0.161</u>	<u>0.113</u>	<u>0.114</u>
<u>14.732</u>	<u>14.762</u>	<u>13.510</u>	<u>12.070</u>	<u>9.919</u>	<u>9.694</u>

**CITY OF PALOS HILLS, ILLINOIS  
PRINCIPAL PROPERTY TAXPAYERS  
APRIL 30, 2019**

Taxpayer	Type of Business	2018 (1)			2009		
		Equalized Assessed Valuation	Rank	% of Total Equalized Assessed Valuation	Equalized Assessed Valuation	Rank	% of Total Equalized Assessed Valuation
Palos Hills Extended	Two-Three Story Retail and Commercial Buildings	\$ 7,389,902	1	2.07 %	\$ -	-	- %
Green Oaks Investments	Special Rental Improvements	4,757,051	2	1.34	8,093,836	1	1.81
R&D Management	Industrial Properties	3,081,848	3	0.86	5,991,668	2	1.34
City of Palos Hills	Parcels of Vacant Land	2,448,113	4	0.69	-	-	-
Anthony Dinovella	Shopping Center	2,158,514	5	0.61	2,227,743	7	0.50
Omar N. Najib	Commercial Properties, Retail Stores, Apartments	1,900,468	6	0.53	2,561,766	4	0.57
Robak Inc	Special Commercial Structure	1,602,151	7	0.45	-	-	-
Palos Hills Realty LLC	Commercial Improvements	-	-	-	-	-	-
11001 Southwest Hwy LLC	Two -Three Story - Retail	1,585,389	8	0.44	2,320,317	6	0.52
8055 West 103 LLC	Special Commercial Structure	1,477,573	9	0.41	-	-	-
	Special Commercial Structure	1,328,243	10	0.37	-	-	-
Robert Kaplan	Commercial Properties	-	-	-	5,470,148	3	1.22
Nick Kontos	One Story Store and Gasoline Stations	-	-	-	2,326,510	5	0.52
Argem, LLC	One Story Store	-	-	-	2,207,682	8	0.49
CTLTC	Two Story Building - Retail	-	-	-	2,003,394	9	0.45
Weller Truck Co.	One Story Store	-	-	-	1,889,511	10	0.42
Totals		<u>\$ 27,729,252</u>		<u>7.77 %</u>	<u>\$ 35,092,575</u>		<u>7.84 %</u>

Source: Cook County - 2018 and 2009 Real Estate Files

(1) most recent information available

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended April 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2010	\$ 1,894,700	\$ 941,378	49.68	\$ 912,751	\$ 1,854,129	97.86
2011	1,955,903	923,884	47.24	1,012,333	1,936,217	98.99
2012	1,990,013	1,004,212	50.46	959,572	1,963,784	98.68
2013	2,052,901	1,023,851	49.87	997,633	2,021,484	98.47
2014	2,088,952	1,068,611	51.16	980,543	2,049,154	98.09
2015	2,124,861	1,049,872	49.41	972,872	2,022,744	95.19
2016	2,146,095	1,059,793	49.38	1,022,619	2,082,412	97.03
2017	2,172,848	1,055,944	48.60	1,025,904	2,081,848	95.81
2018	2,225,567	1,113,470	50.03	1,008,920	2,122,390	95.36
2019	2,275,428	1,129,413	49.64	-	1,129,413	49.64

Information presented above is the most current information available.

See independent auditor's report.

**CITY OF PALOS HILLS, 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 (1)</b>	<b>Per Capita (1)</b>
	<b>Debt Certificates</b>	<b>Installment Contracts Payable</b>	<b>Installment Contracts Payable</b>				
2010	\$ 7,918,938	\$ -	\$ 255,557	\$ 8,174,495	1.83 %	\$ 463	
2011	7,092,686	-	32,202	7,124,888	1.59	408	
2012	6,236,432	-	25,080	6,261,512	1.25	358	
2013	5,336,120	-	311,146	5,647,266	1.13	323	
2014	4,420,774	-	245,708	4,666,482	0.93	267	
2015	3,715,428	341,227	179,932	4,236,587	0.77	240	
2016	2,985,077	252,849	269,138	3,507,064	0.64	199	
2017	2,224,726	129,457	174,089	2,528,272	0.45	145	
2018	1,429,372	-	117,986	1,547,358	0.27	89	
2019	7,204,462	-	407,968	7,612,430	1.31	434	

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

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**APRIL 30, 2019**

<u>Overlapping Agencies</u>	<u>2018 Equalized Assessed Valuation</u>	<u>Outstanding Debt</u>	<u>Applicable to City</u>	
			<u>Percent</u>	<u>Amount</u>
Cook County	\$ 158,584,064,770	\$ 2,950,121,750 (2)	0.225 %	\$ 6,637,774
Cook County Forest Preserve	158,584,064,770	145,190,000	0.225	326,678
Metropolitan Water Reclamation District	155,788,046,903	2,377,123,381 (1)	0.229	5,443,613
Park Districts:				
Hickory Hills Park District	363,804,795	1,160,000	0.050	580
Worth Park District	174,782,095	101,635	0.549	558
Schools:				
School District #117	635,907,511	19,820,000	37.903	7,512,375
School District #118	822,026,171	3,825,000	14.036	536,877
School District #127	170,244,692	1,585,636 (3)	0.007	111
High School District #230	4,862,863,098	8,255,000	7.330	605,092
Community College District #524	10,129,709,671	52,635,000 (2)	3.526	<u>1,855,910</u>
Total overlapping debt				22,919,568
Direct Debt:				
City of Palos Hills	356,315,955	7,204,462	100.000	<u>7,204,462</u>
Total direct and overlapping debt				<u>\$ 30,124,030</u>

(1) Includes IEPA Revolving Loan Fund Bonds.

(2) Excludes principal amounts of outstanding General Obligation Alternate Revenue Source Bonds which are expected to be paid from sources other than general taxation.

(3) Includes original principal amounts of outstanding General Obligation Capital Appreciation Bonds.

The percentage of overlapping debt applicable to the City is estimated using equalized assessed values. Applicable percentages were estimated by determining the portion of the equalized assessed valuation of each overlapping entity located within the City's boundaries to the total equalized assessed valuation of the overlapping entity.

Source: Cook County Clerk's Office

See independent auditor's report.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Debt limit	\$ 30,732,251	\$ 31,939,377	\$ 27,584,413	\$ 26,541,613
Total net debt applicable to limit	<u>7,167,968</u>	<u>1,552,926</u>	<u>2,528,546</u>	<u>3,507,064</u>
Legal debt margin	<u>\$ 23,564,283</u>	<u>\$ 30,386,451</u>	<u>\$ 25,055,867</u>	<u>23,034,549</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>23.32%</u>	<u>4.86%</u>	<u>9.17%</u>	<u>13.21%</u>

**Legal Debt Margin Calculation for Fiscal Year 2019:**

Equalized assessed valuation of taxable property (2018 levy; the most recent information available)	\$ 356,315,955
Legal applicable rate	<u>0.08625</u>
Legal applicable limit	30,732,251
Less: Debt certificates	(6,760,000)
Less: Installment contracts	<u>(407,968)</u>
Legal debt margin	<u>\$ 23,564,283</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.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 27,175,194	\$ 28,302,318	\$ 30,601,964	\$ 33,366,836	\$ 40,767,779	\$ 38,562,525
<u>4,226.159</u>	<u>4,650.709</u>	<u>5,626.146</u>	<u>6,246.546</u>	<u>7,109.014</u>	<u>8,157.625</u>
<u>\$ 22,949,035</u>	<u>\$ 23,651,609</u>	<u>\$ 24,975,818</u>	<u>\$ 27,120,290</u>	<u>\$ 33,658,765</u>	<u>\$ 30,404,900</u>
<u>15.55%</u>	<u>16.43%</u>	<u>18.38%</u>	<u>18.72%</u>	<u>17.44%</u>	<u>21.15%</u>

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Income (1)</b>	<b>Metro Area Unemployment Rate</b>	<b>Median Age (1)</b>
2019	17,545	\$ 579,560	\$ 33,033	3.70 %	41.0
2018	17,410	573,350	32,932	4.40	42.3
2017	17,484	556,000	30,279	4.30	42.3
2016	17,652	548,000	29,785	5.80	45.3
2015	17,627	548,000	31,089	6.10	44.8
2014	17,484	500,654	28,635	7.90	42.3
2013	17,484	500,654	28,635	9.80	42.6
2012	17,484	500,654	28,635	9.20	42.6
2011	17,484	500,654	28,635	10.40	42.6
2010	17,665	465,137	26,331	N/A	41.1

Data Sources:

(1) Derived from the U.S. Census Bureau (most recent data). All other amounts are estimates prepared by the City, Northern Illinois Planning Commission, and the Illinois Department of Employment Security.

(2) School District 117 Administration Offices.

N/A - Information not available.

See independent auditor's report.

<b>Education Level</b>		
<b>Age 25 and Older</b>		
<b>Four Years of High School</b>	<b>One Year or More of College</b>	<b>Enrollment (2)</b>
4,385	7,200	4,142
3,791	6,263	4,261
3,791	6,263	6,301
3,791	6,263	6,171
3,857	3,577	5,658
3,913	3,306	4,059
4,086	2,946	4,059
4,086	2,946	4,059
4,086	2,946	4,059
7,852	3,116	3,119

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Function:										
Public safety - Police:										
Officers	30	31	31	31	31	31	31	31	31	33
Civilians	10	8	6	3	3	3	3	3	3	3
Public works	20	19	19	18	18	18	18	18	18	20
Culture and recreation:										
Resource and recreation	5	5	5	5	5	5	5	5	5	5
Golf	1	1	1	1	1	1	1	1	1	
General government	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total	<u><u>72</u></u>	<u><u>70</u></u>	<u><u>68</u></u>	<u><u>64</u></u>	<u><u>64</u></u>	<u><u>64</u></u>	<u><u>64</u></u>	<u><u>64</u></u>	<u><u>64</u></u>	<u><u>68</u></u>

Source: Internal City records.

See independent auditor's report.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Function:</b>			
Public safety:			
Police department:			
Arrests	360	355	388
Traffic violations	3,457	3,464	4,189
Parking violations	3,882	4,019	4,013
Public works:			
Streets resurfaced (in miles)	5.00	-	0.20
Building and community development:			
Building permits issued:			
Commercial	-	1	-
Single units	6	5	2
Multiple unit	-	-	-
Building value	\$ 2,049,000	\$ 1,405,000	\$ 510,000
Number of dwelling units	7,944	7,942	7,937
Number of registered voters	11,209	11,047	11,428
Education - public - June enrollment	4,142	4,261	5,729
Waterworks and sewerage:			
Number of properties served by the combined waterworks and sewerage system	6,302	6,295	6,290
Number of metered customers served by the combined waterworks and sewerage system	7,689	7,682	7,672
Number of metered customers served by the waterworks system only	212	212	212
Number of unmetered customers served by the combined waterworks and sewerage system	1	1	1
Water main breaks	80	87	85
Average daily consumption (in 000's)	1,184	1,184	1,172
Gallons per customer	143	143	150
Gallons per capita	68	68	67
Total gallons purchased and pumped by the City (in 000's)	508,253	494,659	489,679
Total gallons billed (in 000's)	425,356	432,309	459,105

Source: Internal City records.

See independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
453	544	608	526	578	549	703
4,732	4,498	3,818	3,352	3,699	3,633	3,539
3,732	2,955	3,338	3,667	3,734	3,837	4,387
0.20	0.21	-	1.00	-	1.50	-
-	1	-	-	-	-	-
7	7	2	2	-	3	2
1	-	-	-	-	-	-
\$ 2,255,000	\$ 17,871,500	\$ 405,000	\$ 450,000	\$ 0	\$ 861,000	\$ 612,105
7,935	7,934	7,934	7,935	7,933	7,932	7,931
14,718	14,718	10,674	10,674	10,354	13,376	9,617
5,610	5,658	5,647	5,612	5,471	4,977	5,648
6,390	6,387	6,384	6,384	6,363	6,363	6,362
7,814	7,811	7,808	7,808	7,808	7,808	7,807
212	212	212	212	212	213	213
1	1	1	1	1	1	1
69	80	75	71	67	60	48
1,164	1,216	1,252	1,295	1,254	1,320	1,343
149	154	160	165	158	169	172
66	70	72	74	72	75	76
490,634	554,928	526,626	555,036	519,249	525,214	566,344
425,192	443,776	457,165	472,979	457,958	481,847	490,540

**CITY OF PALOS HILLS, ILLINOIS  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Function:</b>			
<b>Public safety - Police department:</b>			
Stations	1	1	1
Patrol units	29	28	28
<b>Public works:</b>			
Miles of streets	72	72	72
Number of street lights	416	435	433
Number of street and traffic control lights	2,020	2,020	2,020
<b>Waterworks and sewerage:</b>			
Miles of water mains	67	67	67
Fire hydrants	871	871	871
Sanitary and combined sewers (miles)	55	55	55
Storm sewers (miles)	90	90	90
Public retention/detention basins	54	54	54

Source: Internal City records.

See independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
1	1	1	1	1	1	1
28	28	28	28	28	28	28
72	72	72	72	72	72	72
433	432	432	432	392	392	392
2,020	2,020	2,010	2,010	2,010	2,010	2,010
67	67	67	67	67	67	67
871	871	871	871	870	869	869
55	55	55	55	55	55	55
90	90	90	90	90	90	90
54	54	54	53	52	52	52

**OTHER INFORMATION SECTION**

**CITY OF PALOS HILLS, ILLINOIS  
GOVERNMENT-WIDE REVENUES  
LAST TEN FISCAL YEARS**

Fiscal Year	Program Revenues		General Revenues				
	Charges for Services	Operating / Capital Grants and Contributions	Property Taxes	Utility Taxes	Inter-governmental	Other	Total
2010	\$ 6,124,104	\$ 594,335	\$ 1,967,482	\$ 1,186,121	\$ 2,672,226	\$ 1,027,284	\$ 13,571,552
2011	6,375,820	418,805	1,845,409	1,301,381	2,846,607	1,263,425	14,051,447
2012	6,506,939	35,120	2,008,188	1,237,861	3,174,647	961,777	13,924,532
2013	6,951,175	-	1,981,755	1,205,771	3,320,438	923,985	14,383,124
2014	7,058,831	18,000	2,066,244	1,217,167	3,492,103	937,898	14,790,243
2015	7,612,589	-	2,065,403	1,124,236	3,768,359	987,890	15,558,477
2016	7,990,941	531,380	2,077,927	1,029,936	3,034,709	1,084,045	15,748,938
2017	8,093,409	541,057	2,124,377	1,046,362	2,978,772	973,161	15,757,138
2018	8,732,824	716,864	2,170,247	1,023,765	3,035,299	1,166,038	16,845,037
2019	8,963,433	517,712	2,143,450	1,005,258	3,325,363	1,382,037	17,337,253

Source: City's Annual Financial Reports.

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Parks</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Interest on Long-term Debt</u>	<u>Waterworks and Sewerage</u>	<u>Golf Course</u>	<u>Total</u>
2010	\$ 1,807,644	\$ 608,780	\$ 4,666,759	\$ 2,679,287	\$ 318,894	\$ 4,048,489	\$ 352,573	\$ 14,482,426
2011	2,162,168	559,770	4,521,121	1,182,687	289,041	3,989,195	325,157	13,029,139
2012	1,977,693	536,095	4,781,422	859,203	258,202	4,275,362	317,605	13,005,582
2013	1,823,131	632,709	4,941,612	1,077,438	221,341	4,529,313	326,690	13,552,234
2014	1,788,704	668,846	5,378,476	1,007,447	200,291	4,850,880	347,993	14,242,637
2015	2,018,083	641,454	5,598,785	899,488	169,551	5,097,599	356,389	14,781,349
2016	2,270,763	583,360	6,169,070	1,003,154	35,544	5,365,987	379,533	15,807,411
2017	2,010,117	610,700	6,762,208	959,427	125,383	5,276,906	360,182	16,104,923
2018	2,150,907	654,963	6,772,471	1,060,536	69,756	5,651,677	357,180	16,717,490
2019	2,358,272	704,778	6,811,944	2,561,447	64,655	5,859,602	354,955	18,715,653

Source: City's Annual Financial Reports.

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL GOVERNMENT REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>All Taxes (2)</b>	<b>Licenses, Permits and Fees</b>	<b>Intergovernmental</b>	<b>Intragovernmental</b>	<b>Fines and Forfeitures</b>	<b>Other</b>	<b>Total</b>
2010	\$ 3,153,603	\$ 1,539,842	\$ 2,734,800	\$ 260,000	\$ 620,810	\$ 119,060	\$ 8,428,115
2011	3,146,790	1,615,496	3,064,651	260,000	703,854	575,843	9,366,634
2012	3,246,049	1,618,669	3,472,598	260,000	805,558	95,084	9,497,958
2013	3,187,526	1,635,488	3,241,814	260,000	806,616	39,562	9,171,006
2014	3,283,411	1,624,097	3,526,157	260,000	762,194	44,780	9,500,639
2015	3,189,639	1,848,050	3,719,209	260,000	754,660	97,310	9,868,868
2016	3,107,863	1,729,860	3,879,500	260,000	896,752	194,228	10,068,203
2017	3,170,739	1,742,763	3,285,492	260,000	764,221	92,718	9,315,933
2018	3,194,012	2,053,634	3,986,500	260,000	1,033,215	74,459	10,601,820
2019	3,148,708	2,323,770	3,843,075	260,000	1,046,739	189,340	10,811,632

(1) Includes General, Special Revenue and Capital Projects Funds.

(2) Includes property taxes and utility taxes.

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Parks</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Debt Service</b>	<b>Capital Outlay</b>	<b>Total</b>
2010	\$ 1,596,316	\$ 569,312	\$ 4,006,531	\$ 1,049,982	\$ 1,122,252	\$ 2,371,501	\$ 10,715,894
2011	1,722,813	516,027	4,041,689	982,442	1,124,502	1,065,971	9,453,444
2012	1,758,942	555,629	4,116,803	819,309	1,124,047	501,357	8,876,087
2013	1,600,201	584,585	4,391,876	949,061	1,122,685	215,332	8,863,740
2014	1,785,907	597,812	4,810,009	971,881	1,119,851	221,558	9,507,018
2015	1,725,430	592,859	4,994,688	871,196	875,242	677,463	9,736,878
2016	1,806,742	534,901	4,966,921	996,744	1,008,319	154,015	9,467,642
2017	1,794,250	569,875	5,317,502	928,976	1,009,522	130,649	9,750,774
2018	1,881,088	613,288	5,403,606	843,018	1,014,348	395,180	10,150,528
2019	1,974,214	629,564	5,592,703	1,883,441	1,071,505	826,032	11,977,459

(1) Includes General, Special Revenue and Capital Projects Funds.

See independent auditor's report.

**CITY OF PALOS HILLS, ILLINOIS  
TABLE OF INSURANCE COVERAGE  
APRIL 30, 2019**

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Amount of Coverage</u>
General & Automobile liability includes Law Enforcement liability	IMLRMA - Great American Insurance Company	\$8,000,000 each occurrence
Employment Practices - Per Injury	IMLRMA - Great American Insurance Company	\$8,000,000 each occurrence
Public Officials Liability	IMLRMA - Great American Insurance Company	\$8,000,000 each occurrence
Liquor Liability	IMLRMA - Great American Insurance Company	\$1,000,000 each occurrence
Uninsured/Underinsured motorist	IMLRMA - Great American Insurance Company	\$100,000 each person \$300,000 each accident
Property - includes auto physical damage; Bldg & personal property & inland marine	IMLRMA - Great American Insurance Company	\$30,000,000 any location each occurrence
Crime	IMLRMA - Great American Insurance Company	\$100,000 each occurrence
Workers Compensation	IMLRMA - Safety National and Great American Insurance Company	Statutory Limits
Bonds	IMLRMA- Great American Insurance Company	Mayor - \$100,000 Treasurer - \$100,000 Clerk - \$100,000 Deputy Clerk - \$100,000 City Collector - \$100,000 Administrative Office Manager- \$100,000 Court/Clerk - \$ 5,000
Boiler & Machinery	Travelers Ins. Co.	\$14,563,647

See independent auditor's report.