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CITY OF PROSPECT HEIGHTS, ILLINOIS
MILWAUKEE/PALATINE ROAD
TAX INCREMENT FINANCING FUND

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT AND
COMPLIANCE REPORT

AS OF AND FOR THE
FISCAL YEAR ENDED APRIL 30, 2021

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CITY OF PROSPECT HEIGHTS
MILWAUKEE/PALATINE ROAD TAX INCREMENT FINANCING FUND
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AS OF AND FOR THE YEAR APRIL 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Prospect Heights
Prospect Heights, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the

City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund

as of and for the year ended April 30, 2021, 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 City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund'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 City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund as of April 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund and do not purport to, and do not, present fairly the financial position of the City of Prospect Heights as of April 30, 2021, and the changes in financial position or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Report on Other Legal and Regulatory Requirements

We have also issued a report dated December 1, 2021, on our consideration of the City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund's compliance with laws, regulations, contracts, and grants.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
December 1, 2021



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INDEPENDENT AUDITOR'S COMPLIANCE REPORT

To the Mayor and City Council
 City of Prospect Heights
 Prospect Heights, Illinois

We have audited the financial statements of the

City of Prospect Heights Milwaukee/Palatine Road Tax Increment Financing Fund

as of and for the year ended April 30, 2021, and have issued our report dated December 1, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Prospect Heights failed to comply with provisions of Subsection (q) of Section 11-74.4-3 of Public Act 85-1142, "An Act in Relation to Tax Increment Financing", insofar as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced statute, insofar as it relates to accounting matters.

This report is intended solely for the information and use of the City Council, management, the State of Illinois, and others within the City and is not intended to be, and should not be, used by anyone other than the specified parties.

Eder, Casella & Co.

EDER, CASELLA & CO.
 Certified Public Accountants

McHenry, Illinois
 December 1, 2021

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CITY OF PROSPECT HEIGHTS
MILWAUKEE/PALATINE ROAD TAX INCREMENT FINANCING FUND
BALANCE SHEET
AS OF APRIL 30, 2021

ASSETS	<u>\$ -</u>
LIABILITIES	\$ -
DEFERRED INFLOWS OF RESOURCES	-
FUND BALANCES	<u>\$ -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF PROSPECT HEIGHTS
MILWAUKEE/PALATINE ROAD TAX INCREMENT FINANCING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2021

REVENUES	
Property Taxes	\$ 609,406
Investment Income	1,195
	<u>\$ 610,601</u>
EXPENDITURES	
General Government	
Professional Services	\$ 10,668
Total General Government	<u>\$ 10,668</u>
Debt Service	
Interest	\$ 488,319
Total Debt Service	<u>\$ 488,319</u>
Capital Outlay	<u>\$ 58,051</u>
Total Expenditures	<u>\$ 557,038</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 53,563
OTHER FINANCING SOURCES (USES)	
Transfers Out	<u>(1,825,983)</u>
NET CHANGE IN FUND BALANCES	\$ (1,772,420)
FUND BALANCES, BEGINNING OF YEAR	<u>1,772,420</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF PROSPECT HEIGHTS
MILWAUKEE/PALATINE ROAD TAX INCREMENT FINANCING FUND
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED APRIL 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Milwaukee/Palatine Road Tax Increment Financing District Fund (the Fund) of City of Prospect Heights, Illinois (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units [hereinafter referred to as generally accepted accounting principles (GAAP)]. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

During fiscal year 2021, the Board of Trustees voted to close the Milwaukee/Palatine Road Tax Increment Financing Fund. All remaining assets, net of liabilities, were transferred to one of the City's funds. Amounts legally due to other entities and government units will be paid by the City and are shown as Due to Others within the City's funds.

A. *Fund Accounting*

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

B. *Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With the measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period. For the purpose, the City considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. The City recognizes property taxes when they become both measurable and available and for the period intended to finance. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes and investment income.

C. *Reporting Entity*

The Fund is a fund of the City of Prospect Heights, Illinois. These accompanying financial statements are limited to presenting only the individual fund and do not include any other funds of the City.

The reporting entity consists of the Milwaukee/Palatine Road Tax Increment Financing District and its component units. Component units are legally separate organizations for which the Milwaukee/Palatine Road Tax Increment Financing District is financially accountable or other organizations for which the nature and significance of their relationship with the Milwaukee/Palatine Road Tax Increment Financing District are such that their exclusion would cause the reporting entity's financial statements to be misleading. The City has not identified any organization that meets these criteria.

NOTES TO FINANCIAL STATEMENTS (Continued)

D. *Fund Balance*

Equity is classified as fund balance in the financial statements and displayed in five components:

Nonspendable – Fund balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The City has adopted a financial policy authorizing the City Administrator or Finance Director to assign funds for specific purposes. Any funds set aside as assigned fund balance must be reported to the City Council at their next regular meeting. The governing board has the authority to remove or change the assignment of the funds with a simple majority vote. Assignments may take place after the end of the reporting period.

Unassigned – Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

NOTE 2 - CASH AND INVESTMENTS

A. *Permitted Deposits and Investments*

Illinois Statutes authorize the City to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

At April 30, 2021, the total cash and investments of the Fund were comprised of a money market account with a balance of \$0.

B. *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The City's investment policy seeks to ensure preservation of capital in the City's overall portfolio. Return on investment is of secondary importance to safety of principal and liquidity. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the

NOTES TO FINANCIAL STATEMENTS (Continued)

date of purchase. However, the City may collateralize its repurchase agreements using longer dated investments not to exceed thirty years to maturity. Reserve funds may be invested in securities of three years maturity or less if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds. The City's policy requires the investment portfolio to be sufficiently liquid to enable the City to meet all operating requirements as they come due. At April 30, 2021 the City's investment in the money market was due on demand.

C. *Custodial Credit Risk.*

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured with collateral pledged by the applicable financial institution to the extent of 110% of the value of the deposit. Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained. At year end, the Fund did not have any deposits that were exposed to custodial credit risk.

D. *Credit Risk.*

Credit risk is the risk that the issuer of debt security will not pay its par value upon maturity. State statutes limit the investments in commercial paper to top three ratings of two nationally recognized statistical rating organization (NRSRO's). The City's investment policy authorizes investments in any type of security allowed for in Illinois statutes regarding the investment of public funds. The money market was not rated.

NOTE 3 - RECEIVABLES - TAXES

Property taxes for levy year 2021 attaches as an enforceable lien on January 1, 2021, on property values assessed as of the same date. Taxes are levied by December following the lien date (by passage of a Tax Levy Ordinance). The 2021 tax levy has not been recorded as a receivable as of April 30, 2021, as the tax has not yet been levied by the City, and therefore, the levy is not measurable at April 30, 2021.

Tax bills for levy year 2020 are prepared by the county and issued on or about February 1, 2021 and July 1, 2021, and are payable in two installments, on or about March 1, 2021 and August 1, 2021, or within 30 days of the tax bills being issued.

The county collects such taxes and remits them periodically. The 2020 property tax levy is recognized as receivable and deferred inflow of resources in fiscal 2021, net of amounts already collected and of an allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenue.