

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

For the Year Ended  
April 30, 2006

Prepared by: Finance Department

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## **INTRODUCTORY SECTION**

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

PRINCIPAL OFFICIALS

April 30, 2006

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Margaret Fuller, Mayor

Dianne Larson, Village Clerk

Joseph Russo, Treasurer

BOARD OF TRUSTEES

George Alex

Mark Dobrzycki

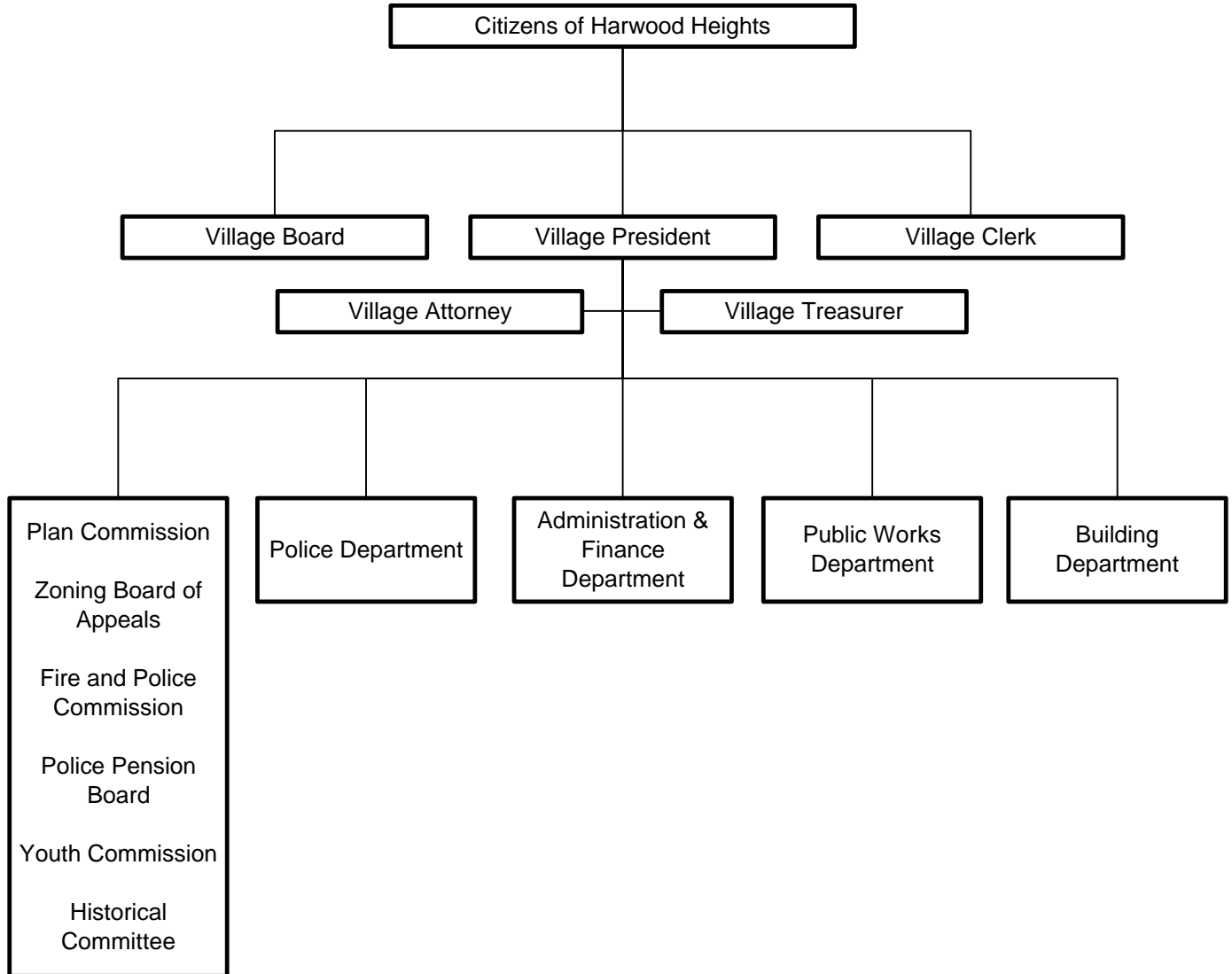
Arlene Jezierny

Demetrios Mougolias

Roy Schmidt

Lester Szlendak

# ORGANIZATION CHART



# The Village of **Harwood Heights**

Dedicated to Serving People with Pride

Mayor  
**MARGARET P. FULLER**  
Village Clerk  
**DIANNE H. LARSON**  
Trustees  
**GEORGE ALEX**  
**MARK DOBRZYCKI**  
**ARLENE JEZIERNY**  
**DEMETRIOS MOUGOLIAS**  
**ROY SCHMIDT**  
**LESTER SZLENDAK**

January 16, 2007

Board of Trustees  
Citizens of the Village of Harwood Heights

The Comprehensive Annual Financial Report (CAFR) of the Village of Harwood Heights, Illinois, for the fiscal year ended April 30, 2006, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Village and the Village as a whole at the entity-wide level.

The CAFR presents the management's discussion and analysis (MD&A), basic financial statements and required supplementary information. The MD&A provides an analytical overview of the Village's financial activity. Included in the basic financial statements are the government-wide financial statements, fund financial statements and notes to the financial statements. The required supplementary information presents the budgetary comparison schedules and other schedules.

We are pleased to report that independent audit firm Sikich LLP has issued an unqualified opinion on the Village's financial statements for the year ended April 30, 2006. The independent auditor's report is located at the front of the financial section of the CAFR.

The Village received less than \$500,000 of federal funds during fiscal year ended April 30, 2006 and, therefore, is not required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U. S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Entities*.

## **Profile of the Village of Harwood Heights**

The Village of Harwood Heights was incorporated on November 25, 1947, and operates as a home-rule unit of government. The Village of Harwood Heights is a mixed residential and

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Harwood Heights, Illinois 60706  
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commercial community with a 2000 Census population of 8,297 and covers an area of 0.81 square miles. The Village is actively pursuing economic redevelopment with the goal of broadening and diversifying the long term tax base. A Special Service Area has been established to redevelop the Lawrence Avenue Corridor.

The Village operates under a trustee form of government consisting of a Village President and six trustees elected at large for staggered four year terms as defined by the Illinois Municipal Code. The Village Clerk is also elected at large. The Village President oversees all departments and appoints staff with the consent of the Village Board.

Management of the Village is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Village are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. 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 valuation of costs and benefits requires estimates and judgments by management.

The Village provides a full range of services. Those services include police protection, maintenance of streets and infrastructure, the operating of water storage facilities, water and sewer service, planning and zoning, code enforcement, cultural activity, and financial and general administrative services.

The annual appropriation ordinance is the primary guiding document for the Village's financial planning and control. In addition, the Village maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation approved by the Village's governing body.

## **Factors Affecting the Village's Economic Condition**

### **Local Economy**

The long range economic outlook for the Village of Harwood Heights remains positive. The local economy is diverse with commercial and industrial properties accounting for over 40% of taxable valuation. Property tax base has increased over 50% in the past five years. Across the Village, redevelopment continued to be strong with over a 100% increase in building permit revenue in 2005. The Village is also undergoing redevelopment in its Lawrence Avenue corridor as older industrial sites turnover. The Village is working to proactively attract new development to this area by establishing a Special Service Area in order to fund streetscape improvements.

### **Long-term Financial Planning**

The Village is actively planning and budgeting for major capital projects to replace aging infrastructure. Village staff is currently working to determine repair and replacement schedules for the following services:

- Water delivery and storage
- Sanitary and storm sewer systems
- Street and alley repair and resurfacing
- Sidewalk replacement

As repair and replacement schedules are prepared, the Village plans to implement long range budgeting to ensure the necessary funds are available when needed.

The Lawrence Avenue redevelopment is the first such project to include major infrastructure upgrades. New sewers and water mains will be installed as the street undergoes reconstruction. Future developments in the Village will drive more infrastructure improvements in order to meet increased demands.

### **Relevant Financial Policies**

The Village Board has in place several key financial policies including a collateralization policy, investment policy, and purchasing policy. These policies work to minimize risk to the Village's funds and maximize fiscal stability.

### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The accounting firm of Sikich LLP was selected by the Village Board. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The Village was not subject to the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133.

### **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to municipalities that publish an easily readable and efficiently organized Comprehensive Annual Financial Report. A Certificate of Achievement is valid for a period of one year only. Management believes that the current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility. This will be the first year the Village has produced a report

eligible for this award. Producing a CAFR eligible for the GFOA award signifies the Village's commitment to strong financial controls.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has management's sincere appreciation for the contributions made in the preparation of this report.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Margaret Fuller". The signature is fluid and elegant, with a large initial 'M' and 'F'.

Margaret Fuller  
Village President

## **FINANCIAL SECTION**



998 Corporate Boulevard • Aurora, IL 60502

*Members of American Institute of  
Certified Public Accountants &  
Illinois CPA Society*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
Members of the Board of Trustees  
Village of Harwood Heights  
Harwood Heights, 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 Village of Harwood Heights (the Village), as of and for the year ended April 30, 2006, which collectively comprise the Village of Harwood Heights' basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Village of Harwood Heights' management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Police Pension Fund, which represents 100% of the pension trust fund. These financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Police Pension Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements 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 Village of Harwood Heights, as of April 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and the schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and the schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the table of contents were not audited by us and, accordingly, we express no opinion thereon.

A handwritten signature in black ink that reads "Selich LLP". The signature is written in a cursive, flowing style.

Aurora, Illinois  
November 10, 2006

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

## **Management's Discussion and Analysis**

As management of the Village of Harwood Heights, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2006. We encourage you to read the information presented here in conjunction with additional information furnished in the Village's audited financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of the Village exceeded its liabilities at the close of Fiscal Year 2006 by \$9,591,927 including \$7,556,064 in net capital assets.
- At the close of Fiscal Year 2006 the Village's governmental funds reported combined ending fund balances of \$2,358,365. Approximately 47% - or \$1,102,743 - of the total fund balances is available for spending at the Village's discretion as unreserved, undesignated fund balances.
- At the end of Fiscal Year 2006 the unreserved, undesignated portion of the General Fund balance was \$1,102,743 - or approximately 16% of total General Fund expenditures for the fiscal year.
- The Village's long term debt decreased by \$523,975 during Fiscal Year 2006 through the reduction of principal of General Obligation Bonds and Capital Lease Obligations.

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

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements which consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The basic financial statements present two different views of the Village's finances through the presentation of government-wide and fund financial statements. In addition to the basic financial statements, this report contains supplemental information that will enhance the reader's understanding of the overall financial condition of the Village of Harwood Heights.

### **Government-wide Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements on pages 3 through 5, inclusive. These statements are intended to provide the reader with a broad overview of the Village's finances, not unlike the financial statement of a private-sector business. The government-wide statements provide short and long term information about the Village's financial condition as a whole.

The two government-wide statements report the Village's net assets and how they changed during the reporting period. Net assets are the difference between the Village's total assets and total liabilities. Measuring assets is one method of gauging the Village's financial condition.

The government-wide statements are divided into two categories: governmental activities and business-type activities. Governmental activities include the Village's basic services such as public safety, public works, and general administration. Property taxes, state revenue sharing, and fees finance most of those basic governmental services. Business-type activities are those that for which the Village charges residents; water service was the Village of Harwood Height's only business-type activity during Fiscal Year 2006.

## **Fund Financial Statements**

The fund financial statements on pages 6 through 14 provide a more detailed look at the Village's most significant activities. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Harwood Heights, like virtually all governmental entities, uses fund accounting to ensure and report compliance with finance related legal requirements. All of the Village of Harwood Heights' funds can be divided into two categories: governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the previously described government-wide financial statements. Most of the Village's basic services, i.e., public safety, public works and general administration, are accounted for in governmental funds. These funds focus on how assets can be readily converted into cash flow in and out, and what monies remain at year-end that will be available for use in the following year(s). Governmental funds are reported using the *modified accrual accounting method* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that allows a determination as to whether there are more or less financial resources available to finance the Village's programs. The reconciliation between the net change in total fund balance for all governmental funds (as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, page 8) and the change in net assets of governmental activities (as reported in the Statement of Net Assets and Statement of Activities, pages 3, 4 and 5) is a part of the fund financial statements and is found on page 7.

The Village of Harwood Heights adopts an annual fiscal year budget for its General Fund as required by Illinois Statutes. The budget is a legally adopted document that evolves from input from the citizens of the Village, recommendations from Village management, and Board of Trustees decisions as to what services to provide and how to finance such services. The annual budget also authorizes the Village to obtain funds from specific sources to finance the current period's services. The budgetary statement provided for the General Fund discloses how well the Village complied with the budget and whether the Village succeeded in providing the services planned in the adopted budget. The budgetary comparison statement uses the *budgetary basis of accounting* and is presented in the same format, language, and classifications as the legally adopted budget document. The Village's budgetary comparison statement is presented in a four column format: Column 1) the original budget as adopted by the Board of Trustees and filed with the Office of the Clerk of Cook County; 2) the final budget; 3) actual revenues, expenditures, and ending balances in the General Fund; and 4) the variance – or difference – between the original and final budget and actual revenues and expenditures. The General Fund's Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for Fiscal Year 2006 is found on page 41 in the Required Supplementary Information Section.

### **Proprietary Funds**

The Village of Harwood Heights has one proprietary fund which is used to report the same functions presented as business-type activities in the government-wide financial statements previously cited. The Village's only proprietary fund is its water fund.

### **Fiduciary Funds**

The Village of Harwood Heights has two fiduciary funds that are used to account for assets held by the Village for benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Village's programs.

## Notes to the Financial Statements

The notes on pages 15 through 40, inclusive, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Other Information

In addition to the previously described basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village's pension obligations to its employees and the General Fund and Motor Fuel Tax Funds budgets to actual comparisons as found on pages 41 through 47, inclusive. Other supplemental information on pages 48 through 54, inclusive, include combining statements and schedules of the non-major funds, schedules of the General Fund's revenues and expenditures, and a schedule of changes in the assets and liabilities of the Special Assessments Fund.

Lastly, this report contains a Statistical Section that presents detailed information as a context for understanding what the above – described sections of the report disclose about the Village's overall financial health.

### Village of Harwood Heights Financial Analysis

#### Net Assets

As noted earlier, net assets may serve – over time – as one useful indicator of a government's financial condition. The assets of the Village of Harwood Heights exceeded liabilities by \$9,591,927 as of April 30, 2006. However, the majority (about 79%) of that amount reflects the Village's investment in capital assets (e.g., land, buildings, streets, water mains, machinery and equipment) less any related debt still outstanding that was used to acquire those assets. The Village uses those capital assets to provide services to citizens; consequently, they are not available for future spending. Although the Village's investment in its capital assets is reported net of the outstanding related debt, the resources required to repay that debt must come from other sources since the capital assets cannot be used to liquidate those liabilities. Unrestricted net assets for governmental activities – the portion of governmental activities net assets that can be used to finance day-to-day operations – were \$320,354 and unrestricted net assets for business-type activities were \$943,424.

#### Condensed Statements of Changes in Net Assets – Fiscal Years 2005 and 2006

	Governmental Activities		Business-Type Activity		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current/Other Assets	\$4,686,022	\$4,068,497	\$1,299,383	\$1,518,355	\$5,985,405	\$5,586,852
Capital Assets	\$12,089,508	\$11,966,974	\$19,300	\$14,999	\$12,108,808	\$11,981,973
<b>Total Assets</b>	<b>\$16,775,530</b>	<b>\$16,035,471</b>	<b>\$1,318,683</b>	<b>\$1,533,354</b>	<b>\$18,094,213</b>	<b>\$17,568,825</b>
Current/Other Liabilities	\$2,595,414	\$2,145,748	\$692,513	\$574,931	\$3,287,927	\$2,720,679
Long-term Liabilities	\$4,863,584	\$5,256,219	\$0	\$0	\$4,863,584	\$5,256,219
<b>Total Liabilities</b>	<b>\$7,458,998</b>	<b>\$7,401,967</b>	<b>\$692,513</b>	<b>\$574,931</b>	<b>\$8,151,511</b>	<b>\$7,976,898</b>
Investment in Capital Assets-Net of Related Debt	\$7,249,508	\$7,541,065	\$19,300	\$14,999	\$7,268,808	\$7,556,064
Restricted Assets	\$399,255	\$772,085	\$0	\$0	\$399,255	\$772,085
Unrestricted Assets	\$1,667,769	\$320,354	\$606,870	\$943,424	\$2,274,639	\$1,263,778
<b>Total Net Assets</b>	<b>\$9,316,532</b>	<b>\$8,633,504</b>	<b>\$626,170</b>	<b>\$958,423</b>	<b>\$9,942,702</b>	<b>\$9,591,927</b>

(See independent auditor's report.)

**Condensed Statement of Changes in Net Assets – Fiscal Years 2005 and 2006**

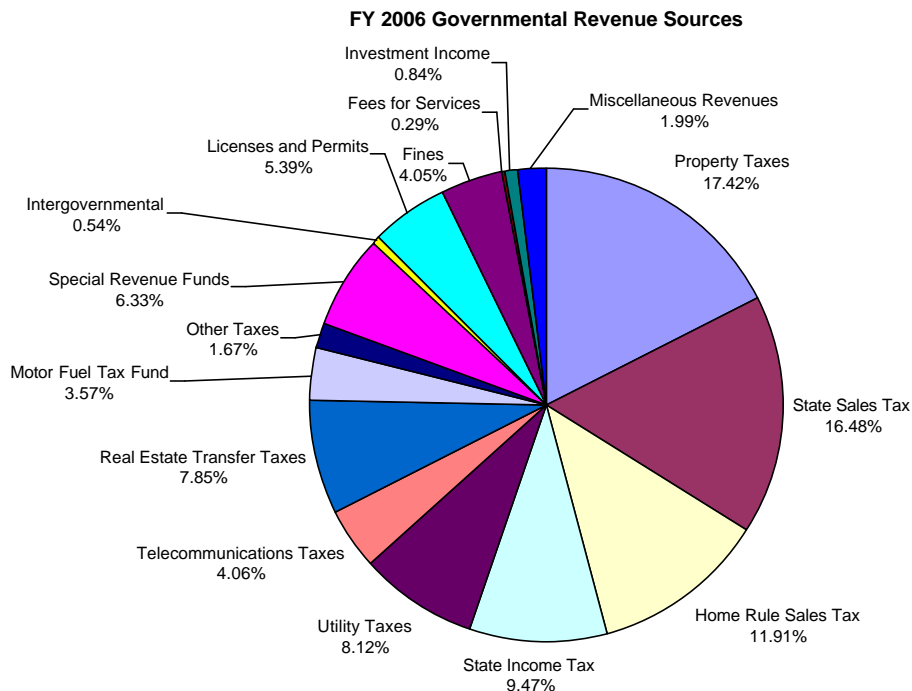
	Governmental Activities		Business-Type Activity		Total Primary Government	
	2005	2006	2005	2006	2005	2006
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$576,716	\$1,180,033	\$834,390	\$987,168	\$1,411,106	\$2,167,201
Operating Grants/Contributions	\$318,526	\$299,369	\$0	\$0	\$318,526	\$299,369
Capital Grants/Contributions	\$0	\$16,680	\$0	\$0	\$0	\$16,680
<b>General Revenues</b>						
Taxes	\$5,507,631	\$5,051,998	\$0	\$0	\$5,507,631	\$5,051,998
Investment Income	\$27,617	\$56,468	\$17,535	\$63,034	\$45,152	\$119,502
Miscellaneous	\$71,577	\$92,876	\$0	\$0	\$71,577	\$92,876
<b>Total Revenues</b>	<b>\$6,502,067</b>	<b>\$6,697,424</b>	<b>\$851,925</b>	<b>\$1,050,202</b>	<b>\$7,353,992</b>	<b>\$7,747,626</b>
<b>Expenses</b>						
General Government	\$1,843,074	\$2,330,944	\$0	\$0	\$1,843,074	\$2,330,944
Public Safety	\$3,416,744	\$3,794,134	\$0	\$0	\$3,416,744	\$3,794,134
Public Works	\$1,296,261	\$858,637	\$0	\$0	\$1,296,261	\$858,637
Interest	\$159,674	\$173,385	\$0	\$0	\$159,674	\$173,385
Water	\$0	\$0	\$904,481	\$717,949	\$904,481	\$717,949
<b>Total Expenses</b>	<b>\$6,715,753</b>	<b>\$7,157,100</b>	<b>\$904,481</b>	<b>\$717,949</b>	<b>\$7,620,234</b>	<b>\$7,875,049</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(\$213,686)</b>	<b>(\$459,676)</b>	<b>(\$52,556)</b>	<b>\$332,253</b>	<b>(\$266,242)</b>	<b>(\$127,423)</b>
Net Assets – May 1, 2004 (as previously stated)	\$9,415,518		\$678,726		\$10,094,244	
Prior Period Adjustment	\$114,700		\$0		\$114,700	
<b>Net Assets – May 1, 2004 (restated)</b>	<b>\$9,530,218</b>		<b>\$678,726</b>		<b>\$10,208,944</b>	
<b>Net Assets – April 30, 2005</b>	<b>\$9,316,532</b>		<b>\$626,170</b>		<b>\$9,942,702</b>	
Net Assets – May 1, 2005 (as previously stated)		\$9,316,532		\$626,170		\$9,942,702
Prior Period Adjustment		(\$223,352)		\$0		(\$223,352)
<b>Net assets - May 1, 2005 (restated)</b>		<b>\$9,093,180</b>		<b>\$626,170</b>		<b>\$9,719,350</b>
<b>Net Assets – April 30, 2006</b>		<b>\$8,633,504</b>		<b>\$958,423</b>		<b>\$9,591,927</b>

(See independent auditor's report.)  
MD&A 4

## Revenues and Expenses

### Governmental Revenues

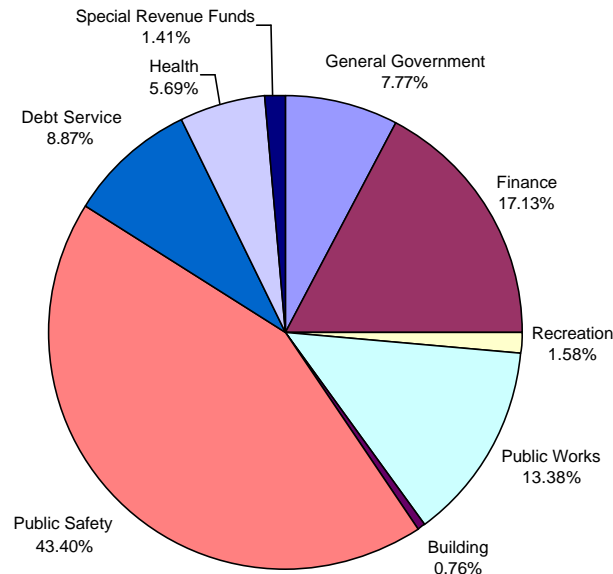
For the fiscal year ended April 30, 2006, revenues from all sources totaled approximately \$7.75 million. Governmental revenue totaled approximately \$6.70 million with 43.76% coming from taxes levied by the Village. Total tax revenues from all sources increased by \$309,295 or 5.62% from Fiscal Year 2005. Property taxes comprise 20.05% of all tax revenues for Fiscal Year 2006. State sales taxes and home rule sales taxes increased slightly and were the next largest sources of revenue for the period at \$1,103,544 and \$797,911, respectively. State income taxes totaled \$633,991 for the fiscal year – a 9.66% increase -, and utility taxes generated \$610,702 in revenues. Village license and permit fees totaled \$361,153 for Fiscal Year 2006. Of particular note is a \$76,050 - or approximately 178% - increase in building permit fees from Fiscal Year 2005 which is indicative of the residential building and improvements within the Village that will ultimately result in increased property values within the Village.



### Governmental Expenses

Governmental activities expended \$7.16 million during Fiscal Year 2006. Those expenses include public safety, public works, general government, and debt service. Public safety expenses of \$3.8 million comprised the largest expenditure and include police department operating expenses. Finance department expenses totaled \$1.31 million and include payroll taxes, employee benefits, liability insurance, and workers compensation premiums in addition to office staff salaries and wages. Public Works expenses totaled \$1,021,015; General Government expenses totaled \$593,334; Health Department expenses – which include refuse services – totaled \$434,384; and Debt Service expenditures were \$676,968.

### FY 2006 Governmental Expenses by Function



### Business-type Revenues and Expenses

The Village of Harwood Heights' only business - type is its Water Department and related fund. Water service charges and sewer fees for FY 2006 were \$987,168 and non-operating income of \$63,034 was produced by investment income. Total operating expenses were \$717,949 which includes \$437,313 for water purchased from the City of Chicago and \$217,294 for personnel services provided by Public Works and Administration.

### General Fund Budgetary Highlights

Over the course of FY 2006 the Village did not amend its budget. It is the Village's policy to periodically review the budget; however, department heads are expected to limit expenses to their original budget and change expenses between line items if necessary. The following table compares budgeted and actual FY 2006 General Fund revenues and expenditures:

General Fund	FY 2006 Budget	FY 2006 Actual
<b>Revenues</b>		
Taxes	\$5,576,304	\$5,155,562
Intergovernmental	\$100,000	\$35,943
Other	\$941,150	\$800,675
<b>Total Revenues</b>	<b>\$6,617,454</b>	<b>\$5,992,180</b>
<b>Expenditures</b>	<b>\$8,417,454</b>	<b>\$6,993,369</b>
<b>Capital Asset Sale Proceeds</b>	<b>\$1,800,000</b>	<b>\$333,798</b>
<b>Change in Fund Balance</b>	<b>\$0</b>	<b>(\$667,391)</b>

Actual FY 2006 General Fund revenues were \$625,274 less than budgeted revenues, mainly due to the \$1,500,000 budgeted sale of Village property that did not materialize until after the close of the fiscal year.

Actual FY 2006 General Fund expenditures were \$1,424,085 less than budgeted. With the exception of public safety - which exceeded its budget by approximately 3% - all functional/departmental expenditures were significantly below their respective budgeted amounts.

### Capital Assets

As of April 30, 2006 the Village of Harwood Heights has a total capital assets investment of \$18,915,271 less accumulated depreciation of \$6,933,298 for a net capital assets value of \$11,981,973. Those net assets are categorized as governmental activities and business – type activities in the amounts of \$11,966,974 and \$14,999, respectively. The following is a comparative listing of Village net capital assets by type:

Asset Type	FY 2005	FY 2006
Land	\$738,698	\$707,518
Buildings	\$5,493,394	\$5,688,998
Machinery and Equipment	\$1,118,994	\$985,385
Land Improvements	\$70,313	\$61,436
Infrastructure	\$4,687,409	\$4,538,636
<b>Total Net Capital Assets</b>	<b>\$12,108,808</b>	<b>\$11,981,973</b>

A more detailed presentation of the Village’s capital asset activity may be found in Note 6 to the financial statements on pages 29 and 30. The Village of Harwood Heights’ assets were appraised as of April 30, 2004 by American Appraisal Associates.

### Major Funds Discussion

The following schedule presents a comparative summary of General Fund revenues and other financing sources between Fiscal Years 2005 and 2006:

Revenues and Other Financing Sources	FY 2005	FY 2006	% of FY 2006 Total	Change from FY 2005	% Change from FY 2005
Taxes	\$4,859,104	\$5,155,562	81.5%	\$296,458	6.1%
Intergovernmental	\$520	\$35,943	.6%	\$35,423	6,811.2%
Licenses and Permits	\$289,574	\$361,153	5.7%	\$71,579	24.7%
Fines	\$522,134	\$271,556	4.3%	(\$250,578)	(48.0%)
Charges for Services	\$17,963	\$19,663	0.3%	\$1,700	.9%
Investment Income	\$10,956	\$14,715	0.2%	\$3,759	34.3%
Miscellaneous	\$65,571	\$133,588	2.1%	\$68,017	103.7%
Sale of Capital Assets	\$0	\$333,798	5.3%	\$333,798	100.0%
<b>Total</b>	<b>\$5,765,822</b>	<b>\$6,325,978</b>	<b>100.0%</b>	<b>\$560,156</b>	<b>9.7%</b>

Tax revenues increases in FY 2006 are mainly attributable to increased property tax receipts and state revenue sharing. Decreased intergovernmental revenues are a reflection of a change in classification which no longer considers state revenue sharing receipts, e.g., state sales and use taxes and state income taxes, as intergovernmental revenues but tax receipts. Only grant receipts are categorized as intergovernmental. Reduced fines revenue is the result of a marked decrease in overweight truck fines which can be traced to police enforcement activity in prior years. The increase in investment income is a combination of increased interest bearing cash balances and favorable interest rates in general. The increase in miscellaneous revenues is the result of more accurate accounting classifications of revenues. The sale of capital assets reflects the sale of unused Village property to a local business.

The following schedule presents a comparative summary of General Fund expenditures for Fiscal Year 2005 and Fiscal Year 2006:

<b>Expenditure Function</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>% of FY 2006 Total</b>	<b>Change from FY 2005</b>	<b>% Change from FY 2005</b>
General Government	\$558,886	\$772,504	11.0%	\$213,618	38.2%
Finance	\$1,223,153	\$1,307,640	18.7%	\$84,487	6.9%
Public Works	\$800,548	\$858,570	12.3%	\$58,022	7.2%
Public Safety	\$2,990,789	\$3,312,108	47.4%	\$321,319	10.7%
Health	\$394,312	\$434,384	6.2%	\$40,072	10.2%
Sewer	\$99,605	\$101,260	1.5%	\$1,655	1.7%
Debt Service	\$203,426	\$206,903	2.9%	\$3,477	1.7%
Capital Outlay	\$131,578	\$0	0%	(\$131,578)	(100.0%)
<b>Total</b>	<b>\$6,402,297</b>	<b>6,993,369</b>	<b>100.0%</b>	<b>\$591,072</b>	<b>9.2%</b>

The increase in general government expenditures were mainly the effect of increased law department and recreation program expenses. Increased Finance Department expenditures for Fiscal Year 2006 reflect the rising cost of health insurance premiums for Village employees. Higher Public Safety expenses resulted from the acquisition of police vehicles and equipment as well as pay increases for police officers. Public Health increased because of higher refuse, recycling, and yard waste disposal costs. No Capital Outlay expenses were incurred during Fiscal Year 2006.

### **Debt Administration**

As of April 30, 2006 the Village of Harwood Heights has two outstanding General Obligation Bond issues, dated 1998 and 2003. All principal and interest payments have been and will continue to be made timely. The Village enjoys a bond rating of "AAA" and an "A+ Stable" credit rating from Standard & Poor's evidencing the Village's sound financial condition and fiscal practices. Details of the Village's long-term debt can be found in Note 8 to the financial statements on pages 30 through 33.

The Village has a non – cancelable capital lease obligation for a street sweeper through 2009. The annual lease payments are \$29,863.

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

The Village of Harwood Heights is limited in its ability to grow because it is surrounded by neighboring municipalities, including the City of Chicago. Thus, all growth must occur from within. As noted earlier, many Village residents are improving their residences which precipitate higher property values and subsequent property tax revenues. Long-range goals include revitalization of the Village's commercial areas and attracting new businesses. Revenue sharing with the State of Illinois remains problematic given the State's fiscal condition.

The Board of Trustees approved a Fiscal Year 2006 - 2007 General Fund budget of \$8,806,985 which represents a 3.3% decrease from Fiscal Year 2005 - 2006.

### **Requests for Information**

This financial report is intended to provide the residents and businesses of the Village of Harwood Heights, as well as its vendors, investors and creditors, with a general overview of the Village's finances and to demonstrate its commitment to public accountability. If you should have any questions or comments about this report or would like any additional information, please contact the Municipal Manager of Finance and Information Technology for the Village of Harwood Heights, 7300 West Wilson Avenue, Harwood Heights, Illinois 60706, telephone 708-867-7200.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,455,228	\$ 2,226,860	\$ 3,682,088
Receivables (net, where applicable, of allowances for uncollectibles)			
Property taxes	740,502	-	740,502
Accounts	44,650	129,090	173,740
Due from other governments	933,103	-	933,103
Due to/from other funds	837,595	(837,595)	-
Prepaid items	57,419	-	57,419
Capital assets not being depreciated	707,518	-	707,518
Capital assets (net of accumulated depreciation)	11,259,456	14,999	11,274,455
 Total assets	 16,035,471	 1,533,354	 17,568,825
<b>LIABILITIES</b>			
Accounts payable	251,055	29,094	280,149
Accrued payroll liabilities	142,595	-	142,595
Accrued interest	67,216	-	67,216
Sewer fee liability	-	545,837	545,837
Deferred revenue	806,228	-	806,228
Due to fiduciary funds	387,424	-	387,424
Deposits payable	122,830	-	122,830
Long-term liabilities			
Due within one year	368,400	-	368,400
Due in more than one year	5,256,219	-	5,256,219
 Total liabilities	 7,401,967	 574,931	 7,976,898
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,541,065	14,999	7,556,064
Restricted for			
Streets and highways	262,598	-	262,598
Public safety	11,951	-	11,951
Emergency services	48,707	-	48,707
Debt service	16,778	-	16,778
Special projects	432,051	-	432,051
Unrestricted	320,354	943,424	1,263,778
 TOTAL NET ASSETS	 \$ 8,633,504	 \$ 958,423	 \$ 9,591,927

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
<b>FUNCTIONS/PROGRAMS</b>				
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities				
General government	\$ 2,330,944	\$ 867,225	\$ -	\$ -
Public safety	3,794,134	275,633	19,443	16,680
Public works	858,637	37,175	279,926	-
Interest	173,385	-	-	-
Total governmental activities	7,157,100	1,180,033	299,369	16,680
Business-Type Activities				
Water	717,949	987,168	-	-
Total business-type activities	717,949	987,168	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,875,049</b>	<b>\$ 2,167,201</b>	<b>\$ 299,369</b>	<b>\$ 16,680</b>

	Net (Expense) Revenue and Change in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ (1,463,719)	\$ -	\$ (1,463,719)
	(3,482,378)	-	(3,482,378)
	(541,536)	-	(541,536)
	(173,385)	-	(173,385)
	(5,661,018)	-	(5,661,018)
	-	269,219	269,219
	-	269,219	269,219
	(5,661,018)	269,219	(5,391,799)
General Revenues			
Taxes			
Property	1,521,947	-	1,521,947
State sales	1,103,544	-	1,103,544
Home rule sales	797,911	-	797,911
State income	633,991	-	633,991
State telecommunications	271,855	-	271,855
Utility	610,702	-	610,702
Use	99,976	-	99,976
Other	12,072	-	12,072
Investment income	56,468	63,034	119,502
Miscellaneous	92,876	-	92,876
Total	5,201,342	63,034	5,264,376
CHANGE IN NET ASSETS	(459,676)	332,253	(127,423)
NET ASSETS, MAY 1	9,316,532	626,170	9,942,702
Prior period adjustment	(223,352)	-	(223,352)
NET ASSETS, MAY 1, RESTATED	9,093,180	626,170	9,719,350
NET ASSETS, APRIL 30	\$ 8,633,504	\$ 958,423	\$ 9,591,927

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

BALANCE SHEET  
GOVERNMENTAL FUNDS

April 30, 2006

	General	Motor Fuel Tax	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 309,420	\$ 694,869	\$ 450,939	\$ 1,455,228
Receivables				
Property taxes	681,466	-	59,036	740,502
Accounts	44,650	-	-	44,650
Due from other governments	743,319	19,012	170,772	933,103
Due from other funds	931,943	-	628	932,571
Prepaid items	57,419	-	-	57,419
Advances to other funds	426,118	-	-	426,118
<b>TOTAL ASSETS</b>	<b>\$ 3,194,335</b>	<b>\$ 713,881</b>	<b>\$ 681,375</b>	<b>\$ 4,589,591</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 208,296	\$ 25,165	\$ 17,594	\$ 251,055
Accrued payroll liabilities	142,595	-	-	142,595
Deferred revenue	746,282	-	59,946	806,228
Due to other funds	628	-	94,348	94,976
Due to fiduciary funds	387,424	-	-	387,424
Deposits payable	122,830	-	-	122,830
Advances from other funds	-	426,118	-	426,118
<b>Total liabilities</b>	<b>1,608,055</b>	<b>451,283</b>	<b>171,888</b>	<b>2,231,226</b>
<b>FUND BALANCES</b>				
Reserved for prepaid items	57,419	-	-	57,419
Reserved for advances to other funds	426,118	-	-	426,118
Reserved for streets and highways	-	262,598	-	262,598
Reserved for public safety	-	-	11,951	11,951
Reserved for emergency services	-	-	48,707	48,707
Reserved for debt service	-	-	16,778	16,778
Reserved for special projects	-	-	432,051	432,051
Unreserved				
Undesignated	1,102,743	-	-	1,102,743
<b>Total fund balances</b>	<b>1,586,280</b>	<b>262,598</b>	<b>509,487</b>	<b>2,358,365</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,194,335</b>	<b>\$ 713,881</b>	<b>\$ 681,375</b>	<b>\$ 4,589,591</b>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

April 30, 2006

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FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 2,358,365
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	11,966,974
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds	
General obligation bonds	(4,345,000)
Capital lease	(80,909)
Compensated absences	(655,439)
The net pension obligation is shown as a liability on the statement of net assets	(543,271)
Accrued interest on long-term liabilities is shown as a liability on the statement of net assets	<u>(67,216)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 8,633,504</u></u>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2006

	General	Motor Fuel Tax	Nonmajor Governmental	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 5,155,562	\$ 239,212	\$ 422,152	\$ 5,816,926
Intergovernmental	35,943	-	180	36,123
Licenses and permits	361,153	-	-	361,153
Fines	271,556	-	-	271,556
Charges for services	19,663	-	1,947	21,610
Investment income	14,715	25,512	16,241	56,468
Miscellaneous	133,588	-	-	133,588
<b>Total revenues</b>	<b>5,992,180</b>	<b>264,724</b>	<b>440,520</b>	<b>6,697,424</b>
<b>EXPENDITURES</b>				
Current				
General government	2,514,528	-	9,347	2,523,875
Public safety	3,312,108	-	98,455	3,410,563
Public works	959,830	61,185	-	1,021,015
Debt service				
Principal	145,000	-	350,000	495,000
Interest	61,903	-	120,065	181,968
<b>Total expenditures</b>	<b>6,993,369</b>	<b>61,185</b>	<b>577,867</b>	<b>7,632,421</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,001,189)</b>	<b>203,539</b>	<b>(137,347)</b>	<b>(934,997)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	333,798	-	-	333,798
<b>Total other financing sources (uses)</b>	<b>333,798</b>	<b>-</b>	<b>-</b>	<b>333,798</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(667,391)</b>	<b>203,539</b>	<b>(137,347)</b>	<b>(601,199)</b>
<b>FUND BALANCES, MAY 1</b>	<b>2,200,194</b>	<b>59,059</b>	<b>431,128</b>	<b>2,690,381</b>
Prior period adjustment	53,477	-	215,706	269,183
<b>FUND BALANCES, MAY 1, RESTATED</b>	<b>2,253,671</b>	<b>59,059</b>	<b>646,834</b>	<b>2,959,564</b>
<b>FUND BALANCE, APRIL 30</b>	<b>\$ 1,586,280</b>	<b>\$ 262,598</b>	<b>\$ 509,487</b>	<b>\$ 2,358,365</b>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2006

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (601,199)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures, however, they are capitalized and depreciated in the statement of activities	382,212
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation expense	(460,931)
Loss on disposal of capital assets	(43,815)
The change in the net pension obligation is shown as an addition to expense on the statement of activities	(86,813)
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of net assets	523,975
The change in accrued interest payable is shown as an expense on the statement of activities	8,583
The change in compensated absences payable is shown as an expense on the statement of activities	<u>(181,688)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (459,676)</u></u>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND

April 30, 2006

	<u>Water Fund</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 2,226,860
Receivables	
Accounts - billed	71,926
Accounts - unbilled	<u>57,164</u>
Total current assets	<u>2,355,950</u>
<b>CAPITAL ASSETS</b>	
Net of accumulated depreciation	<u>14,999</u>
Total capital assets	<u>14,999</u>
Total assets	<u>2,370,949</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable	29,094
Due to other funds	<u>837,595</u>
Total current liabilities	<u>866,689</u>
<b>LONG-TERM LIABILITIES</b>	
Sewer fee liability	<u>545,837</u>
Total long-term liabilities	<u>545,837</u>
Total liabilities	<u>1,412,526</u>
<b>NET ASSETS</b>	
Invested in capital assets	14,999
Unrestricted	<u>943,424</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 958,423</u></u>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND

April 30, 2006

	Water Fund
<hr style="border: 1px solid black;"/>	
OPERATING REVENUE	
Charges for services	\$ 987,168
OPERATING EXPENSES	
Personal services	217,294
Commodities	437,313
Other services	22,872
Repairs and maintenance	36,169
Depreciation	4,301
Total operating expenses	717,949
OPERATING INCOME	269,219
NONOPERATING REVENUE	
Investment income	63,034
CHANGE IN NET ASSETS	332,253
NET ASSETS, MAY 1	626,170
NET ASSETS, APRIL 30	\$ 958,423

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

For the Year Ended April 30, 2006

	Business-Type Activities <u>Water</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 945,378
Payments to suppliers	(613,936)
Payments to employees	<u>(217,294)</u>
Net cash from operating activities	<u>114,148</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund payable	<u>(46,423)</u>
Net cash from noncapital financing activities	<u>(46,423)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>63,034</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	130,759
<b>CASH AND CASH EQUIVALENTS, MAY 1</b>	<u>2,096,101</u>
<b>CASH AND CASH EQUIVALENTS, APRIL 30</b>	<u><u>\$ 2,226,860</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 269,219
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	4,301
(Increase) decrease in Accounts receivables	(41,790)
Increase (decrease) in Accounts payable	(23,481)
Sewer fee liability	<u>(94,101)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u><u>\$ 114,148</u></u>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

April 30, 2006

	Pension Trust	Agency Funds
<b>ASSETS</b>		
Cash and short-term investments	\$ 617,367	\$ 108,940
Investments		
U.S. government and agency securities	6,014,147	-
State and local government securities	530,315	-
Equity mutual funds	3,089,645	-
Money market mutual funds	22,428	-
Illinois Funds	1,289	-
Receivables		
Special assessment	-	3,148
Accrued interest	80,198	-
Due from the Village	387,424	-
Reserve for uncollectible	(386,150)	-
	<u>10,356,663</u>	<u>112,088</u>
Total assets		
<b>LIABILITIES</b>		
Due to others	-	112,088
	<u>-</u>	<u>\$ 112,088</u>
Total liabilities		
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
	<u>\$ 10,356,663</u>	

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND

For the Year Ended April 30, 2006

	<u>Police Pension</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 312,343
Employee	<u>181,487</u>
Total contributions	<u>493,830</u>
Investment income	
Interest earned on investments	299,636
Net appreciation in fair value of investments	<u>305,101</u>
Total investment income	604,737
Less investment expense	<u>(29,374)</u>
Net investment income	<u>575,363</u>
Total additions	<u>1,069,193</u>
<b>DEDUCTIONS</b>	
Benefits and refunds	361,032
Administration	<u>7,686</u>
Total deductions	<u>368,718</u>
<b>NET INCREASE</b>	700,475
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
May 1	<u>9,656,188</u>
April 30	<u><u>\$ 10,356,663</u></u>

See accompanying notes to financial statements.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2006

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Harwood Heights, Illinois (the Village) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applicable to governments (hereinafter referred to as generally accepted accounting principles (GAAP)). The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

a. Reporting Entity

The Village was incorporated on November 25, 1947 in Cook County, Illinois. The Village operates under the mayor-trustee form of government and provides the following services as authorized by its charter: police protection, highways and streets, sanitation, water and sewer, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services. The Village has adopted the provisions of a home-rule government body. The Village is a municipal corporation governed by a seven-member board consisting of six trustees and the Village Mayor. As required by generally accepted accounting principles, these financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Village's operations and so data from these units are combined with data of the primary government. The blended component unit has an April 30 year end.

Blended Component Unit

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Board, one elected by retired pension members and two elected by active members constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels. The Village utilized an independent actuary and is authorized to approve the actuarial assumptions used in the determination of contribution levels. The PPERS is included as a pension trust fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting

The Village uses funds to report on its financial position and the changes in its financial position. 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. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the Village has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989 to account for its enterprise funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Village utilizes a pension trust fund which is generally used to account for assets that the Village holds in a fiduciary capacity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Village reports the following major governmental funds:

The General Fund is the Village'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 Motor Fuel Tax Fund accounts for the operation of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided from the Village's share of state motor fuel taxes.

The Village reports the following major proprietary funds:

The Water Fund accounts for the provision of potable water services to the residents of the Village. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The Village reports a pension trust fund as a fiduciary fund to account for the Police Pension Fund. This fund accounts for the activities of the accumulation of resources to pay pension costs. Resources are contributed by members at rates fixed by state statutes and by the employer contributions funded through an annual property tax levy. The Village reports an agency fund for funds related to a special assessment.

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which do not have a measurement focus. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. The Village recognizes property taxes when they become both measurable and available in the period the tax is intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales taxes and telecommunication taxes which use a 90 day period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Property taxes, sales taxes and telecommunication taxes owed to the state at year end, franchise fees, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permit revenue and miscellaneous revenues are considered to be measurable and available only when cash is received by the Village.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

The Village reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Village before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

e. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Village's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

f. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

h. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges 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 Village as assets with an initial, individual cost in excess of \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	5-50
Machinery and equipment	3-20
Land improvements	20-50
Infrastructure	20-60

i. Compensated Absences

Vested or accumulated employee leave balances are reported as an expenditure and a fund liability of the governmental fund that will pay it once retirement or separation has occurred. Vested or accumulated employee leave balances of proprietary funds and governmental activities are recorded as an expense and liability of those funds as the benefits accrue to employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 expenditures.

k. Net Assets/Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt, represents the Village's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

l. Interfund Transactions

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services and reimbursements, are reported as transfers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

If applicable, advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

2. DEPOSITS AND INVESTMENTS

a. Village Investments

The Village’s investment policy authorizes the Village to invest in the following instruments. These include deposits in interest bearing checking or savings accounts, interest bearing certificates of deposits or interest bearing time deposits, insured savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies or other securities guaranteed by the full faith and credit of the United States of America. The Village’s investment policy does limit their deposits to financial institutions that are members of the FDIC system.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund’s share price, the price for which the investment could be sold.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy are, in order of priority, are safety of principal, liquidity and rate of return.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

a. Village Investments (Continued)

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village's investment policy requires pledging of collateral for all bank balances in excess of federal depository insurance, at an amount not less than 110% of the fair market value of the funds secured, with the collateral held by a Village approved independent third party or the Federal Reserve Bank of Chicago in the Village's name.

Investments

The following table presents the investments and maturities of the Village's debt securities as of April 30, 2006:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1-5	Greater than 5
Illinois Funds	\$ 3,081,820	\$ 3,081,820	\$ -	\$ -
TOTAL	\$ 3,081,820	\$ 3,081,820	\$ -	\$ -

In accordance with its investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for short and long-term cash flow needs while providing a reasonable rate of return based on the current market.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in external investment pools. The Village's investment policy does not discuss credit risk for investments. Illinois Funds are rated AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. The Village's investment policy does not discuss custodial credit risk related to investments. Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk is the risk that the Village has a high percentage of their investments invested in one type of investment. The Village's investment policy does not discuss concentration of credit risk related to investments. At April 30, 2006, the Village did not have greater than five percent of its overall portfolio invested in any single investment type except for the Illinois Funds.

2. DEPOSITS AND INVESTMENTS (Continued)

b. Police Pension Deposits, Investments and Concentrations

The deposits and investments of the Pension Fund are held separately from those of other Village funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit union, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Public Treasurer, or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township or municipal corporation of the State of Illinois direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies and separate accounts of life insurance. Pension fund with net assets of 2.5 million or more may invest up to forty-five percent of plan net assets in separate account of life insurance companies and mutual funds. In addition, pension funds with net assets of at least 5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan's net assets in common and preferred stocks that meet specific restrictions.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

2. DEPOSITS AND INVESTMENTS (Continued)

c. Credit Risk, Custodial Credit Risk and Concentration Risk

*Deposits.* At year-end the carrying amount of the Pension Fund's deposits totaled \$617,367 the bank balances totaled \$148,044.

*Investments.* At year-end the Pension Fund has the following investment maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Notes	\$ 916,431	\$ -	\$ 303,234	\$ 613,197	\$ -
U.S. Treasury Strips	384,344	-	-	-	384,344
Governmental National					
Mortgage	289,426	-	-	-	289,426
Federal National Mortgage	105,803	-	-	105,803	-
Federal Farm Credit Bank	731,640	-	249,140	482,500	-
Federal Home Loan Bank	3,122,761	198,562	1,508,950	1,415,249	-
Federal Home Loan					
Mortgage Corp.	463,742	-	463,742	-	-
State and Local Obligations	530,315	384,724	96,857	48,734	-
Money Market and Mutual					
Funds	22,428	22,428	-	-	-
Illinois Funds	1,289	1,289	-	-	-
<b>TOTAL</b>	<b>\$ 6,568,179</b>	<b>\$ 607,003</b>	<b>\$ 2,621,923</b>	<b>\$ 2,665,483</b>	<b>\$ 673,770</b>

The Pension Fund (the Fund) assumes any callable securities will not be called.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the Fund's investment policy, the Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's or by Moody's Investors Services. Besides investing in securities issued by agencies of the United States Government, the Fund has no other formal policy for reducing credit risk.

2. DEPOSITS AND INVESTMENTS (Continued)

c. Credit Risk, Custodial Credit Risk and Concentration Risk (Continued)

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. At April 30, 2006, \$48,044 of the bank balance of the deposits was uninsured and uncollateralized.

The Fund's investment policy does not require pledging of collateral for all bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Fund's deposits with financial institutions.

*Custodial Credit Risk - Investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Illinois Funds, money market mutual funds and equity mutual funds are not subject to custodial credit risk. At April 30, 2006, the U.S. Government Securities are being held by the counterparty in the trust department. The Fund does not have a formal written policy with regards to custodial credit risk for investments.

*Concentration of Credit Risk.* This is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund does not have a formal written policy with regards to concentration credit risk for investments. At April 30, 2006, the Fund has over 5% of net plan assets invested in various agency securities as indicated in the table above. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulations.

3. RECEIVABLE - TAXES

Property taxes for 2005 attach as an enforceable lien on January 1, 2005, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a tax levy ordinance). Tax bills are prepared by the County and are payable in two installments, on or about March 1, 2006 and September 1, 2006. The County collects such taxes and remits them periodically. The allowance for uncollectible taxes has been stated at 1% of the tax levy to reflect actual collection experience. Because the 2005 levy is intended to finance the fiscal year ended April 30, 2007, it has been offset by deferred revenue at April 30, 2006. The 2006 tax levy, which attached as an enforceable lien on property as of January 1, 2006, has not been recorded as a receivable as of April 30, 2006, as the tax has not yet been levied by the Village and will not be levied until December 2006, and, therefore, the levy is not measurable at April 30, 2006.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

4. RECEIVABLES

The following receivables are included in Due from Other Governments on the Statement of Net Assets:

GOVERNMENTAL ACTIVITIES

Sales tax	\$ 281,362
Home rule sales tax	236,683
Utility tax	45,191
Emergency telephone utility tax	12,484
Simplified telecommunications tax	67,639
Income tax	62,017
Use tax	25,221
Video tax	274
Motor fuel tax	19,012
Grants	<u>183,220</u>

TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 933,103</u>
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5. INTERFUND ACCOUNTS

Due from/to other funds at April 30, 2006 consist of the following:

	<u>Due From</u>	<u>Due To</u>
General		
Nonmajor Governmental Funds	\$ 94,348	\$ 628
Water Fund	837,595	-
Total General	<u>931,943</u>	<u>628</u>
Nonmajor Governmental Funds		
General	<u>628</u>	94,348
Total Nonmajor Governmental Funds	<u>628</u>	<u>94,348</u>
Water Fund		
General	<u>-</u>	837,595
Total Water Fund	<u>-</u>	<u>837,595</u>
TOTAL	<u>\$ 932,571</u>	<u>\$ 932,571</u>

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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5. INTERFUND ACCOUNTS (Continued)

The purposes of the significant due to/due from other funds are as follows:

- \$837,595 due to the General Fund from the Water Fund. This balance relates to payments due from the Water Fund to the General Fund for general services and monies received in the Water Fund that should have been received in the General Fund.
- \$94,348 due to the General Fund from the Nonmajor Governmental Funds. This balance relates to \$80,047 due from the Bond Fund for debt service payments due out of the Bond Fund paid out of the General Fund that will be reimbursed and \$14,301 due from the Grant Fund related to Grant expenditures made out of the General Fund. Repayment is expected within one year.

Additionally, there is \$387,424 recorded as due to Fiduciary Funds that is due from the General Fund to the Police Pension Fund and is related to property tax levy receipts that are owed to the Police Pension Fund but have not been remitted. Repayment is expected within one year.

Advances from/to other funds at April 30, 2006 consist of the following:

	Advance To	Advance From
	<u>          </u>	<u>          </u>
General		
Motor Fuel Tax Fund	\$ 426,118	\$ -
Total General	<u>426,118</u>	<u>-</u>
Motor Fuel Tax Fund		
General	<u>-</u>	426,118
Total Motor Fuel Tax Fund	<u>-</u>	<u>426,118</u>
 TOTAL	 <u>\$ 426,118</u>	 <u>\$ 426,118</u>

The purpose of the advance from/to other funds are as follows:

- \$426,118 advance from the General Fund to the Motor Fuel Tax Fund was a long-term loan in order to complete street projects in the Motor Fuel Tax Fund. This amount is being repaid over several years.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

6. CAPITAL ASSETS

Capital asset activity for the Village for the year ended April 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 738,698	\$ -	\$ 31,180	\$ 707,518
Total capital assets not being depreciated	738,698	-	31,180	707,518
Capital assets being depreciated				
Buildings	6,030,133	324,248	23,500	6,330,881
Machinery and equipment	2,087,036	57,964	74,915	2,070,085
Land improvements	169,699	-	-	169,699
Infrastructure	9,426,546	-	-	9,426,546
Total capital assets being depreciated	17,713,414	382,212	98,415	17,997,211
Less accumulated depreciation for				
Buildings	536,739	128,644	23,500	641,883
Machinery and equipment	981,428	176,504	62,280	1,095,652
Land improvements	104,590	7,720	-	112,310
Infrastructure	4,739,847	148,063	-	4,887,910
Total accumulated depreciation	6,362,604	460,931	85,780	6,737,755
Total capital assets being depreciated, net	11,350,810	(78,719)	12,635	11,259,456
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>				
	\$12,089,508	\$ (78,719)	\$ 43,815	\$11,966,974
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
None	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Machinery and equipment	104,842	-	-	104,842
Land improvements	34,700	-	-	34,700
Infrastructure	71,000	-	-	71,000
Total capital assets being depreciated	210,542	-	-	210,542
Less accumulated depreciation for				
Machinery and equipment	91,456	2,434	-	93,890
Land improvements	29,496	1,157	-	30,653
Infrastructure	70,290	710	-	71,000
Total accumulated depreciation	191,242	4,301	-	195,543
Total capital assets being depreciated, net	19,300	(4,301)	-	14,999
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>				
	\$ 19,300	\$ (4,301)	\$ -	\$ 14,999

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

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6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government	\$ 112,835
Public safety	162,251
Public works, streets and lighting	<u>185,845</u>
TOTAL DEPRECIATION EXPENSE -	
GOVERNMENTAL ACTIVITIES	<u>\$ 460,931</u>

7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; employee health; and injuries to the Village's employees. In order to protect against these risks, the Village is a member of the Illinois Municipal League Risk Management Agency (IMLRMA). IMLRMA is a joint risk management pool of numerous cities and villages throughout the State of Illinois through which property, general liability, automobile liability, crime, boiler and machinery and workers compensation coverage is provided in excess of specified limits for the members, acting as a single insurable unit. The Village policy is to record payments as prepaid insurance and recognize expenditures over the term of policy coverage. The Village has recorded \$26,159 of additional premiums owed to IMLRMA as of April 30, 2006, for the current or prior claim years. This is the minimum required contribution for prior years. There is potentially an additional \$37,172 and \$45,222 of additional premiums due for 2005 and 2006, respectively, based on the claims runout. In addition, the Village provides health insurance to its employees through a third party indemnity policy. The Village pays an annual premium to the insurance company for its coverage. Settled claims have not exceeded the coverages in the current or preceding two fiscal years.

8. LONG-TERM DEBT

a. General Obligations Bonds

The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT (Continued)

a. General Obligations Bonds (Continued)

Issue	Fund Debt Retired by	Balances May 1	Issuances	Retirements	Balances April 30	Current Portion
\$2,000,000 Series 1998 general obligation bonds, payable in annual installments ranging from \$85,000 to \$870,000 commencing December 1, 1999 and payable through December 1, 2008; interest is payable semiannually at rates ranging from 4.20% to 4.65%	General	\$ 1,340,000	\$ -	\$ 145,000	\$ 1,195,000	\$ 155,000
\$3,500,000 Series 2003 general obligation bonds, payable in one installment of \$350,000 on December 1, 2005 and annual installments ranging from \$255,000 to \$380,000 commencing December 1, 2010 and payable through December 1, 2018; interest is payable semiannually at rates ranging from 3.25% to 4.05% commencing June 1, 2004	Debt Service	3,500,000	-	350,000	3,150,000	-
TOTALS		\$ 4,840,000	\$ -	\$ 495,000	\$ 4,345,000	\$ 155,000

b. Capital Lease Obligation

The Village is committed under leases for an equipment purchases as follows:

Issue	Fund Debt Retired by	Balances May 1	Additions	Reductions	Balances June 30	Current Portion
Elgin Street Sweeper	General	\$ 109,884	\$ -	\$ 28,975	\$ 80,909	\$ 25,599

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG-TERM DEBT (Continued)

c. Debt Service Requirements to Maturity

Fiscal Year Ending April 30,	Village General Obligation Bonds Governmental Activities		Village Capital Lease Governmental Activities	
	Principal	Interest	Principal	Interest
	2007	\$ 155,000	\$ 161,318	\$ 25,599
2008	170,000	154,265	26,948	2,915
2009	870,000	146,445	28,362	1,499
2010	255,000	105,890	-	-
2011	270,000	97,602	-	-
2012	280,000	88,827	-	-
2013	290,000	79,728	-	-
2014	305,000	70,302	-	-
2015	320,000	60,238	-	-
2016	335,000	49,357	-	-
2017	350,000	37,968	-	-
2018	365,000	25,892	-	-
2019	380,000	13,300	-	-
TOTALS	\$ 4,345,000	\$ 1,091,132	\$ 80,909	\$ 8,678

d. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the Village for the year ended April 30, 2006:

	May 1, Restated	Additions	Reductions	April 30	Current Portion
GOVERNMENTAL ACTIVITIES					
General obligation bonds	\$ 4,840,000	\$ -	\$ 495,000	\$ 4,345,000	\$ 155,000
Capital lease obligation	109,884	-	28,975	80,909	25,599
Net pension obligation *	456,458	86,813	-	543,271	-
Compensated absences *	473,751	322,678	140,990	655,439	187,801
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,880,093	\$ 409,491	\$ 664,965	\$ 5,624,619	\$ 368,400

\* The General Fund has typically been used to liquidate the compensated absences and the net pension obligation liability. The compensated absences balance was restated as of May 1, 2005 with a decrease of \$119,637 to record police department longevity payable as a current accrued payroll liability rather than a portion of compensated absences. In addition, the net pension obligation was restated with an increase of \$376,523 to properly record this liability at May 1, 2005.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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8. LONG-TERM DEBT (Continued)

e. Legal Debt Margin

The Village is a home rule municipality.

Chapter 65, Section 518-1 of the Illinois Compiled Statutes governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property ... (2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: if its indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum... shall not be included in the foregoing percentage amounts.”

To date the General Assembly has set no limits for home rule municipalities.

9. SEWER FEE LIABILITY

In December 2004, the City of Chicago (the City) presented the Village with a bill for unpaid sewer fees, which is based on the Village’s use of the City’s sewer system. The Board of Trustees and management believe that this liability is appropriate, but are disputing the total payable to the City. Through April 30, 2005, the City has billed the Village for approximately \$800,000 for unpaid sewer charges; however the Board of Trustees and management believe that the best estimate of the liability is approximately \$639,000. During the year ended April 30, 2006, the Village paid \$50,000 to the City and has negotiated final payment terms with the City. The amount due to the City at April 30, 2006 is \$545,837 and is payable in the future as follows:

Fiscal Year Ending April 30,	
2007	\$ 300,000
2008	<u>245,837</u>
TOTALS	<u>\$ 545,837</u>

10. CONTINGENT LIABILITIES

a. Litigation

The Village is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

b. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

11. DEFINED BENEFIT PENSION PLANS

The Village contributes to two defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent-multiple-employer public employee retirement system; and the Police Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions and employer contributions for the two plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. The Police Pension Plan issues a separate report on the pension plan that includes required supplementary information and trend information. This report can be obtained from the Treasurer of the pension plan at 7300 West Wilson Avenue, Harwood Heights, Illinois 60706. IMRF also issues a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

a. Plan Descriptions

Illinois Municipal Retirement Fund

All employees (other than those covered by the Police Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 60 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2.00% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Participating members are required to contribute 4.5% of their annual salary to IMRF. The Village is required to contribute the remaining amounts necessary to fund the IMRF as specified by statute. The employer contribution for the calendar year ended December 31, 2005 was 7.44% of covered payroll.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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11. DEFINED BENEFIT PENSION PLANS (Continued)

a. Plan Descriptions (Continued)

Police Pension Plan

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Police Pension Plan as a pension trust fund. At April 30, 2005, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	1
Current employees	
Vested	18
Nonvested	9
	<hr/>
TOTAL	<u><u>38</u></u>

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more 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 2.50% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75.00% 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 benefit 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 upon reaching the age of at least 55 years, by 3.00% of the original pension and 3.00% compounded annually thereafter.

Employees are required by 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 Village is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective July 1, 1993, the Village has until the year 2033 to fully fund the past service cost for the Police Pension Plan. For the year ended April 30, 2005, the Village's contribution was 0.00% of covered payroll.

11. DEFINED BENEFIT PENSION PLANS (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed.

Method Used to Value Investments

Investments are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The Police Pension Plan has investments that represent 5.00% or more of plan net assets for the Police Pension Plan. This information is presented in Note 2c on page 25. Information for the IMRF is not available.

Administrative Costs

Administrative costs for the Police Pension Plan are financed primarily through investment earnings.

At April 30, 2006 amounts due from the Village of \$387,424 have been partially reserved in accordance with GASB Statement No. 25. GASB Statement No. 25 limits the employer receivable to amounts for which a consistent pattern of making payments after the plan's reporting date, pursuant to an established funding policy, that attributes those payments to the preceding plan year, has been demonstrated. The Village has not demonstrated a payment plan to fully retire this liability.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

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11. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs

Employer contributions have been determined as follows:

	Illinois Municipal Retirement	Police Pension
Actuarial valuation date	December 31, 2003	April 30, 2004
Actuarial cost method	Entry-age Normal	Entry-age Normal
Asset valuation method	5 Year Smoothed Market	3 Year Smoothed Market
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Amortization period	27 Years, Closed (10 Years, Overfunded Liability)	31 Years, Closed
Significant actuarial assumptions		
a) Rate of return on present and future assets	7.50% Compounded Annually	7.50% Compounded Annually
b) Projected salary increase - attributable to inflation	4.00% Compounded Annually	5.50% Compounded Annually
c) Additional projected salary increases - seniority/merit	.40 to 11.60%	Not Available

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

c. Annual Pension Costs (Continued)

Employer annual pension costs, (APC) actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

	Calendar Year	Illinois Municipal Retirement	Fiscal Year	Police Pension
Annual pension cost (APC)	2003	\$ 30,436	2004	\$ 339,704
	2004	52,625	2005	376,523
	2005	71,401	2006	399,156
Actual contribution	2003	\$ 30,436	2004	\$ 327,024
	2004	52,625	2005	-
	2005	71,401	2006	312,343
Percentage of APC contributed	2003	100.00%	2004	96.27%
	2004	100.00%	2005	-%
	2005	100.00%	2006	78.25%
Net pension obligation (asset) (NPO)	2003	\$ -	2004	\$ 79,935
	2004	-	2005	456,458
	2005	-	2006	543,271

The annual pension cost and net pension obligation (asset) for the police pension fund has been calculated as follows:

Annual required contribution	\$ 400,261
Interest on net pension obligation	34,234
Adjustment to annual required contribution	(35,339)
Annual pension cost	399,156
Contributions made	312,343
Increase in net pension obligation (asset)	86,813
Net pension obligation (asset) beginning of year	456,458
<b>NET PENSION OBLIGATION (ASSET) END OF YEAR</b>	<b>\$ 543,271</b>

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (Continued)

12. PRIOR PERIOD ADJUSTMENTS

Governmental Activities

The Village has restated fund balances in governmental funds as of May 1, 2005 due to the following:

	General	Criminal Investigation	Grant
FUND BALANCES, MAY 1 (AS PREVIOUSLY REPORTED)	\$ 2,200,194	\$ 22,964	\$ 212,407
Restated:			
a) To correctly recognize Income Tax revenue in accordance with GASB S-33	(84,459)	-	-
b) To correct accounts payable in the prior year.	(28,710)	-	-
c) To correct prepaid expenditures in the prior year.	50,634	-	-
d) To correctly record compensated absences as a government-wide liability in accordance with GASB Interpretation 6.	116,012	-	-
e) To correctly record deferred revenue related to grants for which the work had been completed prior to April 30, 2005.	-	-	168,099
f) To correctly record the balance of cash accounts in the criminal investigation fund due to activity not being properly recorded in prior years.	-	(5,328)	-
g) To correctly record grant receivables due to grants completed in prior years for which final payments had not been received.	-	-	52,935
Subtotal restatements	53,477	(5,328)	221,034
FUND BALANCES, MAY 1, RESTATED	\$ 2,253,671	\$ 17,636	\$ 433,441

The above restatements result in a total restatement of governmental funds fund balances of an increase of \$269,183. Beginning net assets for governmental activities were increased by \$269,183 based on the fund balance restatements detailed above. In addition, net assets were reduced by \$116,012 to correct the portion of the compensated absences General Fund restatement as amounts are appropriately reported on the government-wide financial statements. Finally, the net assets were reduced by \$376,523 to properly record the net pension obligation. This results in a net restatement of net assets for governmental activities of a decrease of \$223,352.

13. SUBSEQUENT EVENT

On May 15, 2006, the Village issued \$490,000 General Obligation Bonds, Series 2006A, , with principal maturing December 1, 2008 - 2011, ranging from \$115,000 to \$130,000, interest payable semiannually each June 1 and December 1, commencing December 1, 2006, at rates of 3.75% to 3.88%. The proceeds of the issue are being used for certain redevelopment costs in the Lawrence Avenue Special Service Area.

Also, on May 15, 2006, the Village issued \$2,510,000 General Obligation Bonds, Series 2006B, with principal maturing December 1, 2012 - 2025, ranging from 135,000 to \$235,000, interest payable semiannually each June 1 and December 1, commencing December 1, 2006, at rates of 4.20% to 4.25%. The proceeds of the issue are being used for certain redevelopment costs in the Lawrence Avenue Special Service Area.

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>				
Taxes	\$ 5,576,304	\$ 5,576,304	\$ 5,155,562	\$ (420,742)
Intergovernmental	100,000	100,000	35,943	(64,057)
Licenses and permits	322,650	322,650	361,153	38,503
Fines	542,500	542,500	271,556	(270,944)
Charges for service	18,000	18,000	19,663	1,663
Investment income	10,000	10,000	14,715	4,715
Miscellaneous	48,000	48,000	133,588	85,588
<b>Total revenues</b>	<b>6,617,454</b>	<b>6,617,454</b>	<b>5,992,180</b>	<b>(625,274)</b>
<b>EXPENDITURES</b>				
Current				
General government	3,117,396	3,117,396	2,514,528	(602,868)
Public safety	3,214,732	3,214,732	3,312,108	97,376
Public works	1,408,408	1,408,408	959,830	(448,578)
Debt service				
Principal	495,000	495,000	145,000	(350,000)
Interest and fiscal charges	181,918	181,918	61,903	(120,015)
<b>Total expenditures</b>	<b>8,417,454</b>	<b>8,417,454</b>	<b>6,993,369</b>	<b>(1,424,085)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,800,000)</b>	<b>(1,800,000)</b>	<b>(1,001,189)</b>	<b>798,811</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	1,800,000	1,800,000	333,798	3,933,798
<b>Total other financing sources (uses)</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>333,798</b>	<b>3,933,798</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(667,391)</b>	<b>\$ 4,732,609</b>
<b>FUND BALANCE, MAY 1</b>			<b>2,200,194</b>	
Prior period adjustment			<u>53,477</u>	
<b>FUND BALANCE, MAY 1, RESTATED</b>			<u>2,253,671</u>	
<b>FUND BALANCE, APRIL 30</b>			<u>\$ 1,586,280</u>	

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
MOTOR FUEL TAX FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>				
Taxes	\$ 228,000	\$ 228,000	\$ 239,212	\$ 11,212
Investment income	12,000	12,000	25,512	13,512
Total revenues	240,000	240,000	264,724	24,724
<b>EXPENDITURES</b>				
Current				
Public works	550,000	550,000	61,185	(488,815)
Total expenditures	550,000	550,000	61,185	(488,815)
NET CHANGE IN FUND BALANCE	\$ (310,000)	\$ (310,000)	203,539	\$ 513,539
FUND BALANCE, MAY 1			59,059	
FUND BALANCE, APRIL 30			\$ 262,598	

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2006

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1. BUDGETS/APPROPRIATIONS

Budgets/Appropriations are adopted on a basis consistent with generally accepted accounting principles for the General, Water, Emergency Telephone System and Motor Fuel Tax funds. The annual appropriated budget is legally enacted and provides for a legal level of control at the department level. All annual appropriations lapse at fiscal year end. No appropriation amendments were adopted in the current fiscal year.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the first quarter of the fiscal year, the annual appropriation ordinance is presented to be adopted by the Village Board. This ordinance appropriates such sums of money as are deemed necessary to defray all necessary expenses and liabilities of the Village. The ordinance also specifies the objects and purposes for which these appropriations are made and the amount appropriated for each.
- b. Prior to the adoption of the appropriation ordinance, the Village makes the proposed ordinance conveniently available to public inspection and holds at least one public hearing subsequent to published notice.
- c. Subsequent to the public hearing and before final action is taken on the appropriation ordinance, the Village board may revise, alter, increase or decrease the items contained therein.
- d. Final action to adopt the appropriation for the year ended April 30 is taken by the Board before July 31.
- e. The Board may subsequently transfer appropriated amounts to other appropriations but not increase the overall appropriation of an individual fund without the passage of a supplemental appropriation.
- f. The legal level of budgetary control is at the fund level.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2006

Actuarial Valuation Date December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (OAAL) (2) - (1)	(3) Covered Payroll	UAAL (OAAL) As a Percentage of Covered Payroll (4) / (5)
2000	\$ 2,483,083	\$ 1,784,763	139.13%	\$ (698,320)	\$ 795,938	(87.74%)
2001	2,184,845	1,765,369	123.76%	(419,476)	790,437	(53.07%)
2002	2,155,024	1,881,964	114.51%	(273,060)	854,968	(31.94%)
2003	2,192,291	1,968,380	111.38%	(223,911)	927,936	(24.13%)
2004	1,762,732	1,730,121	101.88%	(32,611)	949,902	(3.43%)
2005	1,651,013	1,649,722	100.08%	(1,291)	959,696	(0.13%)

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF FUNDING PROGRESS  
POLICE PENSION FUND

April 30, 2006

Actuarial Valuation Date May 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL As a Percentage of Covered Payroll (4) / (5)
2000	\$ 7,885,609	\$ 9,028,071	87.35%	\$ 1,142,462	\$ 1,189,561	96.04%
2001	8,530,209	9,703,011	87.91%	1,172,802	1,491,993	78.61%
2002	9,245,195	10,541,343	87.70%	1,296,148	1,639,194	79.07%
2003	9,626,326	11,414,489	84.33%	1,788,163	1,707,962	104.70%
2004	10,420,632	12,486,930	83.45%	2,066,298	1,802,054	114.66%
2005	10,849,691	12,641,688	85.82%	1,791,997	1,801,108	99.49%

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2006

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<u>Calendar Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2000	\$ 49,189	\$ 49,189	100.00%
2001	13,042	13,042	100.00%
2002	8,379	8,379	100.00%
2003	30,436	30,436	100.00%
2004	52,625	52,625	100.00%
2005	71,401	71,401	100.00%

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE PENSION FUND

April 30, 2006

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Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed	Net Pension Obligation (Asset)
2001	\$ 220,865	\$ 237,291	93.08%	\$ 16,246
2002	279,789	293,757	95.25%	30,388
2003	323,479	316,680	102.15%	67,255
2004	295,239	339,791	86.89%	79,935
2005	-	376,670	0.00%	456,458
2006	312,343	400,261	78.03%	543,271

(See independent auditor's report.)

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

## **MAJOR GOVERNMENTAL FUNDS**

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
 GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>TAXES</b>				
Property taxes				
General	\$ 1,100,000	\$ 1,100,000	\$ 753,218	\$ (346,782)
Police pension	322,500	322,500	386,150	63,650
Roads and bridges	25,000	25,000	27,045	2,045
Personal property replacement tax	5,000	5,000	6,674	1,674
State sales tax	1,200,000	1,200,000	1,103,544	(96,456)
State income tax	630,000	630,000	633,991	3,991
Sales - home rule	841,304	841,304	797,911	(43,393)
Utility	450,000	450,000	544,084	94,084
Telecommunications	250,000	250,000	271,855	21,855
Real estate transfer	650,000	650,000	525,715	(124,285)
Local use tax	90,000	90,000	99,976	9,976
Video rental	11,000	11,000	4,109	(6,891)
Pull tab	1,500	1,500	1,290	(210)
Total taxes	5,576,304	5,576,304	5,155,562	(420,742)
<b>INTERGOVERNMENTAL</b>				
CDBG grant	50,000	50,000	-	(50,000)
Highway safety grant	-	-	19,263	19,263
Other grants	50,000	50,000	16,680	(33,320)
Total intergovernmental	100,000	100,000	35,943	(64,057)
<b>LICENSES AND PERMITS</b>				
Business licenses	100,000	100,000	61,544	(38,456)
Liquor licenses	11,500	11,500	27,500	16,000
Overweight truck permits	500	500	740	240
Building permits	60,000	60,000	118,730	58,730
Sewer permits	20,000	20,000	15,660	(4,340)
Plumbing permits	7,000	7,000	8,695	1,695
Electrical permits	17,500	17,500	11,900	(5,600)
Sign inspections	500	500	50	(450)
Elevator inspections	3,000	3,000	2,838	(162)
Building inspections	7,000	7,000	5,923	(1,077)
Fence permits	500	500	945	445
Franchise fees	45,000	45,000	48,161	3,161
Dog tags	150	150	206	56
Vehicle licenses	50,000	50,000	58,261	8,261
Total licenses and permits	322,650	322,650	361,153	38,503
<b>FINES</b>				
Traffic	360,000	360,000	268,833	(91,167)
Overweight trucks	175,000	175,000	180	(174,820)
DUI	7,500	7,500	2,543	(4,957)
Total fines	542,500	542,500	271,556	(270,944)

(This schedule is continued on the following page.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF REVENUES - BUDGET AND ACTUAL (Continued)  
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>CHARGES FOR SERVICES</b>				
Rental	\$ 5,000	\$ 5,000	\$ 2,077	\$ (2,923)
Youth program fees	10,000	10,000	12,358	2,358
Escrow bond forfeiture	500	500	1,839	1,339
Police reports	1,500	1,500	1,285	(215)
Hearing fees	1,000	1,000	2,104	1,104
Total charges for services	18,000	18,000	19,663	1,663
<b>INVESTMENT INCOME</b>				
	10,000	10,000	14,715	4,715
<b>MISCELLANEOUS</b>				
Reimbursements	8,000	8,000	71,455	63,455
Special events	-	-	6,308	6,308
Miscellaneous revenue	40,000	40,000	55,825	15,825
Total miscellaneous	48,000	48,000	133,588	85,588
<b>TOTAL REVENUES</b>	<b>\$ 6,617,454</b>	<b>\$ 6,617,454</b>	<b>\$ 5,992,180</b>	<b>\$ (625,274)</b>

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended April 30, 2006

	Original Budget	Final Budget	Actual	Variance Over (Under)
<b>CURRENT</b>				
General government				
Administration	\$ 490,770	\$ 490,770	\$ 473,478	\$ (17,292)
Law department	95,600	95,600	118,276	22,676
Finance	1,567,616	1,567,616	1,307,640	(259,976)
Building	57,050	57,050	58,270	1,220
Recreation	134,200	134,200	120,900	(13,300)
Health	436,130	436,130	434,384	(1,746)
Village properties	336,030	336,030	1,580	(334,450)
Total general government	3,117,396	3,117,396	2,514,528	(602,868)
Public safety				
Police	3,214,732	3,214,732	3,312,108	97,376
Total public safety	3,214,732	3,214,732	3,312,108	97,376
Public works				
Forestry	59,000	59,000	34,885	(24,115)
Streets and lights	935,958	935,958	803,950	(132,008)
Sanitation	392,500	392,500	101,260	(291,240)
Truck weight regulation	20,950	20,950	19,735	(1,215)
Total public works	1,408,408	1,408,408	959,830	(448,578)
DEBT SERVICE				
Principal	495,000	495,000	145,000	(350,000)
Interest and fiscal charges	181,918	181,918	61,903	(120,015)
Total debt service	676,918	676,918	206,903	(470,015)
<b>TOTAL EXPENDITURES</b>	<b>\$ 8,417,454</b>	<b>\$ 8,417,454</b>	<b>\$ 6,993,369</b>	<b>\$ (1,424,085)</b>

(See independent auditor's report.)

## **NONMAJOR GOVERNMENTAL FUNDS**

The Emergency Telephone System Fund is used to account for revenues and expenditures for 911 emergency telephone services. Financing is provided by network connection surcharges and state grants.

The Criminal Investigation Fund is used to account for revenues and expenditures identifiable with sensitive, often covert, police department investigations dealing with illegal drug and narcotics trafficking. Revenues are generally derived from seized monies and property.

The Grant Fund is used to account for revenues and expenditures identifiable with funding received from other government agencies for specific public works or improvement projects.

The General Obligation Bond Fund is used to account for the accumulation of resources and debt service payments for the Series 2003 Bonds.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2006

	Special Revenue Funds					Total
	Emergency	Criminal	Capital Projects	Debt Service		
	Telephone		Investigation	Grant		
	System					
<b>ASSETS</b>						
Cash and investments	\$ 53,189	\$ 11,951	\$ 288,974	\$ 96,825	\$	450,939
Receivables						
Property taxes	-	-	-	59,036		59,036
Due from other governments	12,484	-	158,288	-		170,772
Due from other funds	628	-	-	-		628
<b>TOTAL ASSETS</b>	<b>\$ 66,301</b>	<b>\$ 11,951</b>	<b>\$ 447,262</b>	<b>\$ 155,861</b>	<b>\$</b>	<b>681,375</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 17,594	\$ -	\$ -	\$ -	\$	17,594
Deferred revenue	-	-	910	59,036		59,946
Due to other funds	-	-	14,301	80,047		94,348
<b>Total liabilities</b>	<b>17,594</b>	<b>-</b>	<b>15,211</b>	<b>139,083</b>		<b>171,888</b>
<b>FUND BALANCES</b>						
Reserved for public safety	-	11,951	-	-		11,951
Reserved for emergency services	48,707	-	-	-		48,707
Reserved for debt service	-	-	-	16,778		16,778
Reserved for special projects	-	-	432,051	-		432,051
<b>Total fund balances</b>	<b>48,707</b>	<b>11,951</b>	<b>432,051</b>	<b>16,778</b>		<b>509,487</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 66,301</b>	<b>\$ 11,951</b>	<b>\$ 447,262</b>	<b>\$ 155,861</b>	<b>\$</b>	<b>681,375</b>

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended April 30, 2006

	Special Revenue Funds				Total
	Emergency Telephone System	Criminal Investigation	Capital Projects Grant	Debt Service GO Bond	
<b>REVENUES</b>					
Taxes	\$ 66,618	\$ -	\$ -	\$ 355,534	\$ 422,152
Intergovernmental	-	-	180	-	180
Charges for service	-	1,947	-	-	1,947
Investment income	1,849	44	10,828	3,520	16,241
<b>Total revenues</b>	<b>68,467</b>	<b>1,991</b>	<b>11,008</b>	<b>359,054</b>	<b>440,520</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	9,347	-	9,347
Public safety	87,728	7,676	3,051	-	98,455
Debt service					
Principal	-	-	-	350,000	350,000
Interest	-	-	-	120,065	120,065
<b>Total expenditures</b>	<b>87,728</b>	<b>7,676</b>	<b>12,398</b>	<b>470,065</b>	<b>577,867</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(19,261)</b>	<b>(5,685)</b>	<b>(1,390)</b>	<b>(111,011)</b>	<b>(137,347)</b>
<b>FUND BALANCES, MAY 1</b>	<b>67,968</b>	<b>22,964</b>	<b>212,407</b>	<b>127,789</b>	<b>431,128</b>
Prior period adjustment	-	(5,328)	221,034	-	215,706
<b>FUND BALANCES, MAY 1, RESTATED</b>	<b>67,968</b>	<b>17,636</b>	<b>433,441</b>	<b>127,789</b>	<b>646,834</b>
<b>FUND BALANCES, APRIL 30</b>	<b>\$ 48,707</b>	<b>\$ 11,951</b>	<b>\$ 432,051</b>	<b>\$ 16,778</b>	<b>\$ 509,487</b>

(See independent auditor's report.)

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
EMERGENCY TELEPHONE SYSTEM FUND

For the Year Ended April 30, 2006

	Final Budget	Actual	Variance Over (Under)
<b>REVENUES</b>			
Taxes	\$ 95,000	\$ 66,618	\$ (28,382)
Investment income	-	1,849	1,849
Total revenues	<u>95,000</u>	<u>68,467</u>	<u>(26,533)</u>
<b>EXPENDITURES</b>			
Public safety	<u>95,000</u>	<u>87,728</u>	<u>(7,272)</u>
Total expenditures	<u>95,000</u>	<u>87,728</u>	<u>(7,272)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(19,261)</u>	<u>\$ (19,261)</u>
FUND BALANCE, MAY 1		<u>67,968</u>	
FUND BALANCE, APRIL 30		<u>\$ 48,707</u>	

(See independent auditor's report.)

## **FIDUCIARY FUND**

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND

For the Year Ended April 30, 2006

	Balances May 1	Additions	Deductions	Balances April 30
<b>ASSETS</b>				
Cash	\$ 44,515	\$ 996	\$ -	\$ 45,511
Short-term investments	61,793	1,636	-	63,429
Receivables				
Special assessments	3,148	-	-	3,148
Accrued interest	330	-	330	-
<b>TOTAL ASSETS</b>	<b>\$ 109,786</b>	<b>\$ 2,632</b>	<b>\$ 330</b>	<b>\$ 112,088</b>
<b>LIABILITIES</b>				
Due to property owners	\$ 109,786	\$ 2,302	\$ -	\$ 112,088
<b>TOTAL LIABILITIES</b>	<b>\$ 109,786</b>	<b>\$ 2,302</b>	<b>\$ -</b>	<b>\$ 112,088</b>

(See independent auditor's report.)

## STATISTICAL SECTION

This part of the Village of Harwood Heights' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information displays about the Village's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have been changed over time.	55-59
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.	60-63
<b>Debt Capacity</b> The schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future. The Village has no pledged revenues to present.	64-67
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.	68-69
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.	70-72

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Village implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

NET ASSETS BY COMPONENT

Last Three Fiscal Years

Fiscal Year Ended April 30	2004	2005	2006
<b>GOVERNMENTAL ACTIVITIES</b>			
Invested in capital assets, net of related debt	\$ 7,202,352	\$ 7,249,508	\$ 7,541,065
Restricted	-	399,255	772,085
Unrestricted	2,213,166	1,667,769	320,354
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,415,518</b>	<b>\$ 9,316,532</b>	<b>\$ 8,633,504</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Invested in capital assets, net of related debt	\$ 26,178	\$ 19,300	\$ 14,999
Unrestricted	652,548	606,870	943,424
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 678,726</b>	<b>\$ 626,170</b>	<b>\$ 958,423</b>
<b>PRIMARY GOVERNMENT</b>			
Invested in capital assets, net of related debt	\$ 7,228,530	\$ 7,268,808	\$ 7,556,064
Restricted	-	399,255	772,085
Unrestricted	2,865,714	2,274,639	1,263,778
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,094,244</b>	<b>\$ 9,942,702</b>	<b>\$ 9,591,927</b>

Note: The Village implemented GASB S-34 as of April 30, 2004. Information for prior years is not available.

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

CHANGE IN NET ASSETS

Last Three Fiscal Years

Fiscal Year Ended April 30	2004	2005	2006
<b>EXPENSES</b>			
Governmental activities			
General government	\$ 1,917,535	\$ 1,843,074	\$ 2,330,944
Public safety	3,097,458	3,416,744	3,794,134
Public works	1,613,595	1,296,261	858,637
Interest	258,119	159,674	173,385
Total governmental activities expenses	6,886,707	6,715,753	7,157,100
Business-type activities			
Water	945,671	904,481	717,949
Total business-type activities expenses	945,671	904,481	717,949
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<b>\$ 7,832,378</b>	<b>\$ 7,620,234</b>	<b>\$ 7,875,049</b>
<b>PROGRAM REVENUES</b>			
Governmental activities			
Charges for services			
General government	\$ 21,599	\$ 56,018	\$ 867,225
Public safety	438,180	478,423	275,633
Public works	377,390	42,275	37,175
Operating grants and contributions	241,152	318,526	299,369
Capital grants and contributions	-	-	16,680
Total governmental activities program revenues	1,078,321	895,242	1,496,082
Business-type activities			
Charges for services			
Water	874,806	834,390	987,168
Total business-type activities program revenues	874,806	834,390	987,168
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>	<b>\$ 1,953,127</b>	<b>\$ 1,729,632</b>	<b>\$ 2,483,250</b>
<b>NET REVENUE (EXPENSE)</b>			
Governmental activities	\$ (5,808,386)	\$ (5,820,511)	\$ (5,661,018)
Business-type activities	(70,865)	(70,091)	269,219
<b>TOTAL PRIMARY GOVERNMENT NET REVENUE (EXPENSE)</b>	<b>\$ (5,879,251)</b>	<b>\$ (5,890,602)</b>	<b>\$ (5,391,799)</b>

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

CHANGE IN NET ASSETS (Continued)

Last Three Fiscal Years

Fiscal Year Ended April 30	2004	2005	2006
<b>GENERAL REVENUES AND OTHER</b>			
<b>CHANGES IN NET ASSETS</b>			
Governmental activities			
Taxes			
Property and replacement	\$ 906,394	\$ 1,172,574	\$ 1,521,947
Income	500,512	578,142	633,991
Sales	1,893,295	1,849,512	1,901,455
Telecommunications	222,688	249,190	271,855
Utility	593,264	575,483	610,702
Other	581,736	1,154,307	112,048
Investment income	67,790	27,617	56,468
Miscellaneous	-	-	92,876
Total governmental activities	4,765,679	5,606,825	5,201,342
Business-type activities			
Investment income	20,654	17,535	63,034
Total business-type activities	20,654	17,535	63,034
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,786,333</b>	<b>\$ 5,624,360</b>	<b>\$ 5,264,376</b>
<b>CHANGE IN NET ASSETS</b>			
Governmental activities	\$ (1,042,707)	\$ (213,686)	\$ (459,676)
Business-type activities	(50,211)	(52,556)	332,253
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ (1,092,918)</b>	<b>\$ (266,242)</b>	<b>\$ (127,423)</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (1,092,918)</b>	<b>\$ (266,242)</b>	<b>\$ (127,423)</b>

Note: The Village implemented GASB S-34 as of April 30, 2004. Information for prior year's is not available.

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years

Fiscal Year Ended April 30	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>GENERAL FUND</b>										
Reserved	\$ 33,623	\$ 14,359	\$ -	\$ -	\$ -	\$ 50,301	\$ 562,585	\$ 631,849	\$ 522,889	\$ 483,537
Unreserved	2,266,730	3,626,282	4,813,688	5,956,641	7,611,013	7,756,199	4,613,822	2,063,746	1,677,305	1,102,743
<b>TOTAL GENERAL FUND</b>	<b>\$ 2,300,353</b>	<b>\$ 3,640,641</b>	<b>\$ 4,813,688</b>	<b>\$ 5,956,641</b>	<b>\$ 7,611,013</b>	<b>\$ 7,806,500</b>	<b>\$ 5,176,407</b>	<b>\$ 2,695,595</b>	<b>\$ 2,200,194</b>	<b>\$ 1,586,280</b>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,255	\$ 772,085
Unreserved										
Special Revenue	225,107	121,913	180,854	356,419	581,723	606,642	38,860	(71,637)	90,932	-
Debt Service	-	-	-	-	-	-	-	29,016	-	-
Capital Projects	-	-	300,026	51,567	52,893	-	3,446,147	21,857	-	-
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>	<b>\$ 225,107</b>	<b>\$ 121,913</b>	<b>\$ 480,880</b>	<b>\$ 407,986</b>	<b>\$ 634,616</b>	<b>\$ 606,642</b>	<b>\$ 3,485,007</b>	<b>\$ (20,764)</b>	<b>\$ 490,187</b>	<b>\$ 772,085</b>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 2,525,460</b>	<b>\$ 3,762,554</b>	<b>\$ 5,294,568</b>	<b>\$ 6,364,627</b>	<b>\$ 8,245,629</b>	<b>\$ 8,413,142</b>	<b>\$ 8,661,414</b>	<b>\$ 2,674,831</b>	<b>\$ 2,690,381</b>	<b>\$ 2,358,365</b>

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year Ended April 30	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>REVENUES</b>										
Taxes	\$ 3,636,294	\$ 4,426,216	\$ 4,430,381	\$ 4,815,595	\$ 5,001,087	\$ 4,685,627	\$ 4,787,399	\$ 4,907,813	\$ 5,507,631	\$ 5,816,926
Intergovernmental	-	-	-	-	-	-	-	31,228	71,577	36,123
Licenses and permits	209,644	223,278	243,713	246,933	321,246	321,133	242,689	332,987	289,574	361,153
Fines and forfeits	395,953	392,421	314,584	316,023	351,842	456,743	444,679	426,552	522,134	271,556
Charges for services	-	-	-	-	-	-	-	21,599	17,963	21,610
Investment income	76,559	131,976	166,856	220,276	379,809	226,147	116,245	67,790	27,617	56,468
Miscellaneous	144,861	139,533	72,602	177,172	626,298	560,709	396,169	56,031	65,571	133,588
<b>Total revenues</b>	<b>4,463,311</b>	<b>5,313,424</b>	<b>5,228,136</b>	<b>5,775,999</b>	<b>6,680,282</b>	<b>6,250,359</b>	<b>5,987,181</b>	<b>5,844,000</b>	<b>6,502,067</b>	<b>6,697,424</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
General government	1,678,307	1,426,621	1,576,949	1,756,626	1,644,137	1,960,995	2,078,914	2,267,202	2,311,558	2,523,875
Public safety	1,639,285	2,030,853	1,806,391	2,087,515	2,297,074	2,717,672	2,801,640	3,147,657	2,993,886	3,410,563
Public works	486,586	585,218	461,020	406,916	673,706	955,186	1,876,527	1,883,285	901,735	1,021,015
Capital outlay	40,048	33,638	1,740,272	279,398	2,398	7,936	2,229,651	4,333,980	131,578	-
<b>Debt service</b>										
Principal	-	-	-	85,000	95,000	105,000	115,000	125,000	135,000	495,000
Interest and fiscal charges	-	-	-	90,485	86,965	82,927	137,177	73,460	268,534	181,968
<b>Total expenditures</b>	<b>3,844,226</b>	<b>4,076,330</b>	<b>5,584,632</b>	<b>4,705,940</b>	<b>4,799,280</b>	<b>5,829,716</b>	<b>9,238,909</b>	<b>11,830,584</b>	<b>6,742,291</b>	<b>7,632,421</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>619,085</b>	<b>1,237,094</b>	<b>(356,496)</b>	<b>1,070,059</b>	<b>1,881,002</b>	<b>420,643</b>	<b>(3,251,728)</b>	<b>(5,986,584)</b>	<b>(240,224)</b>	<b>(934,997)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	-	-	-	-	3,500,000	-	-
Transfers (out)	-	-	-	-	-	-	-	(3,500,000)	-	-
Proceeds from capital lease	64,660	-	-	-	-	-	-	-	141,074	-
Bonds issued	-	-	2,000,251	-	-	-	3,500,000	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	333,798
<b>Total other financing sources (uses)</b>	<b>64,660</b>	<b>-</b>	<b>2,000,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,500,000</b>	<b>-</b>	<b>141,074</b>	<b>333,798</b>
<b>OTHER CHANGES TO FUND BALANCES</b>										
Prior period adjustment	-	-	-	-	-	(253,130)	-	-	114,700	269,183
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 683,745</b>	<b>\$ 1,237,094</b>	<b>\$ 1,643,755</b>	<b>\$ 1,070,059</b>	<b>\$ 1,881,002</b>	<b>\$ 167,513</b>	<b>\$ 248,272</b>	<b>\$ (5,986,584)</b>	<b>\$ 15,550</b>	<b>\$ (332,016)</b>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.96%</b>	<b>3.79%</b>	<b>3.23%</b>	<b>3.60%</b>	<b>2.65%</b>	<b>6.10%</b>	<b>11.63%</b>

\*For Fiscal Years 2001 and prior Taxes and special assessments are included as one line item in the financial statements

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Residential Property	Commercial Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate (B)	Estimated Actual Taxable Value	Estimated Actual Taxable Value
1996	\$ 69,824,558	\$ 44,037,038	\$ 36,826,044	\$ 150,687,640	\$ 0.553	\$ 452,067,441	33.333%
1997	70,055,766	44,101,077	34,560,178	148,717,021	0.592	446,155,525	33.333%
1998 (A)	77,709,934	45,216,489	33,517,951	156,444,374	0.585	469,337,815	33.333%
1999	80,846,716	44,964,243	35,757,649	161,568,608	0.567	484,710,671	33.333%
2000	80,295,942	44,044,427	34,677,871	159,018,240	0.576	477,059,491	33.333%
2001 (A)	99,806,044	48,950,223	38,217,861	186,974,128	0.477	560,927,993	33.333%
2002	110,050,577	52,964,070	40,326,251	203,340,898	0.439	610,028,794	33.333%
2003	109,906,078	50,302,017	39,894,995	200,103,090	0.551	600,315,273	33.333%
2004 (A)	(C)	(C)	(C)	230,712,625	0.601	692,144,796	33.333%
2005	(C)	(C)	(C)	246,202,370	0.560	738,614,496	33.333%

(A) Triennial reassessment year.

(B) Property tax rates are per \$100 of assessed valuation.

(C) Detail valuations not available at time of this report.

Data Source

Office of the Cook County Clerk

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

Tax Levy Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Village Direct Rates (A)</b>										
Corporate	0.145	0.156	0.154	0.149	0.129	0.083	0.158	0.161	0.139	0.076
Bonds and interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.105	0.214	0.045
Garbage	0.018	0.020	0.019	0.019	0.019	0.016	0.004	0.005	0.004	0.157
Police pension	0.123	0.129	0.131	0.126	0.150	0.178	0.163	0.166	0.144	0.158
IMRF	0.054	0.059	0.058	0.056	0.057	0.028	0.013	0.010	0.009	0.001
Police protection	0.073	0.078	0.077	0.074	0.076	0.064	0.035	0.035	0.031	0.049
Social security	0.051	0.055	0.054	0.052	0.053	0.045	0.002	0.002	0.001	0.002
Auditing	0.007	0.007	0.007	0.007	0.007	0.006	0.000	0.003	0.003	0.001
Liability insurance	0.065	0.070	0.069	0.067	0.068	0.055	0.063	0.064	0.056	0.071
Crossing guards	0.015	0.016	0.015	0.015	0.015	0.000	0.000	0.000	0.000	0.000
Unemployment insurance	0.002	0.002	0.002	0.002	0.002	0.002	0.000	0.000	0.000	0.000
Total Village direct rate	0.553	0.592	0.585	0.567	0.576	0.477	0.439	0.551	0.601	0.560
<b>Overlapping Rates</b>										
Cook County	0.989	0.919	0.911	0.854	0.824	0.746	0.690	0.630	0.593	0.533
Cook County Forest Preserve	0.074	0.074	0.072	0.070	0.069	0.067	0.061	0.059	0.060	0.060
Metropolitan Water Reclamation District	0.492	0.451	0.444	0.419	0.415	0.401	0.371	0.361	0.347	0.315
Suburban TB Sanitarium District	0.008	0.008	0.008	0.008	0.008	0.007	0.006	0.004	0.001	0.005
Consolidated Elections	0.000	0.027	0.000	0.023	0.000	0.032	0.000	0.029	0.000	0.014
Norwood Park Township (B)	0.139	0.139	0.129	0.124	0.125	0.106	0.097	0.099	0.085	0.079
Eisenhower Public Library District	0.195	0.191	0.188	0.186	0.195	0.165	0.159	0.398	0.366	0.391
Norwood Park Fire Protection District	0.633	0.661	0.635	0.627	0.656	0.582	0.557	0.582	0.525	0.513
Community High School 234	2.010	2.081	2.037	2.006	2.094	1.864	1.782	1.832	1.683	1.643
Triton Community College 504	0.349	0.352	0.341	0.317	0.332	0.306	0.257	0.269	0.259	0.233
School District 86	2.138	2.207	2.663	2.627	2.742	2.480	2.347	2.465	2.222	2.158
<b>TOTAL TAX RATE PER \$100 OF ASSESSED VALUATION</b>	<b>7.580</b>	<b>7.702</b>	<b>8.013</b>	<b>7.828</b>	<b>8.036</b>	<b>7.233</b>	<b>6.766</b>	<b>7.279</b>	<b>6.742</b>	<b>6.504</b>
<b>SHARE OF TOTAL TAX RATE LEVIED BY THE VILLAGE</b>	<b>7.3%</b>	<b>7.7%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>6.6%</b>	<b>6.5%</b>	<b>7.6%</b>	<b>8.9%</b>	<b>8.6%</b>

(A) Property tax rates are per \$100 of assessed valuation.

(B) Includes General Assistance and Road and Bridge

Data Source

Office of the County Clerk

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

2005 Tax Levy				1996 Tax Levy			
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation	Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Village Taxable Assessed Valuation
CNC	\$ 7,876,730	1	3.20%	CNC	\$ 7,701,748	1	5.11%
Value City	5,375,093	2	2.18%	Jerome H Meyer Co	4,310,344	2	2.86%
Moonbeam Investments	5,337,044	3	2.17%	K-Mart	3,511,815	3	2.33%
Stratos Lightware	4,266,010	4	1.73%	ADP	3,010,340	4	2.00%
Zittella Development	3,742,662	5	1.52%	Methode Electronics	2,465,902	5	1.64%
Illinois Tool Works	3,663,609	6	1.49%	Carstens Health Industries	2,218,205	6	1.47%
FCL Graphics Inc	2,920,992	7	1.19%	CB Commercial Marshall	1,894,064	7	1.26%
Carstens Health Industries	2,758,962	8	1.12%	Joseph J Palmeri	2,050,118	8	1.36%
Areh Care of CBRE	2,731,997	9	1.11%	Frank Calabrese	1,782,277	9	1.18%
Eisenhower Public Library	<u>2,731,421</u>	10	<u>1.11%</u>	Wilson Oketo Bldg Corp	<u>1,655,733</u>	10	<u>1.10%</u>
	<u>\$ 41,404,520</u>		<u>16.82%</u>		<u>\$ 30,600,546</u>		<u>20.31%</u>

Note: Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers contain multiple parcels, and it is possible that some parcels and their valuations have been overlooked.

Data Source

Office of the County Clerk

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Extended	Total Collections	
		Amount	Percentage of Levy
1995	\$ 785,435	\$ 764,550	97.34%
1996	833,303	810,897	97.31%
1997	880,405	850,438	96.60%
1998	915,200	906,382	99.04%
1999	916,094	927,606	101.26%
2000	915,945	912,529	99.63%
2001	891,867	880,627	98.74%
2002	892,667	882,997	98.92%
2003	1,102,568	1,088,550	98.73%
2004	1,386,551	1,362,451	98.26%
2005	1,378,699	N/A	N/A

Data Source

Office of the County Treasurer

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Installment Notes Payable	Contracts Payable	Capital Lease Payable			
1997	\$ -	\$ 11,520	\$ 32,000	\$ 59,743	\$ 103,263	0.1%	\$ 13
1998	-	-	32,000	48,287	80,287	0.1%	10
1999	2,000,000	-	32,000	36,003	2,068,003	1.6%	269
2000	1,915,000	-	32,000	21,878	1,968,878	1.1%	237
2001	1,820,000	-	-	-	1,820,000	1.0%	219
2002	1,715,000	-	-	-	1,715,000	0.9%	206
2003	5,100,000	-	-	-	5,100,000	2.7%	613
2004	4,975,000	-	-	-	4,975,000	2.7%	601
2005	4,840,000	-	-	109,884	4,949,884	2.7%	600
2006	4,345,000	-	-	80,909	4,425,909	2.4%	541

Note: Details of the Village's outstanding debt can be found in the notes to the financial statements. The Village has no business-type activities outstanding debt.

\* See the Schedule of Demographic and Economic Statistics for personal income and population data.

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita
1997	\$ -	\$ -	\$ -	0.00%	\$ -
1998	-	-	-	0.00%	-
1999	2,000,000	-	2,000,000	0.43%	260.42
2000	1,915,000	-	1,915,000	0.40%	230.81
2001	1,820,000	-	1,820,000	0.38%	219.09
2002	1,715,000	-	1,715,000	0.31%	205.64
2003	5,100,000	-	5,100,000	0.84%	613.35
2004	4,975,000	-	4,975,000	0.83%	601.35
2005	4,840,000	127,789	4,712,211	0.68%	570.76
2006	4,345,000	16,778	4,328,222	0.59%	528.61

Note: Details of the Village's outstanding debt can be found in the notes to the financial statements.

\* See the Schedule of Assessed Value and estimated Actual Value of Taxable Property

Data Source

Audited Financial Statements

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

April 30, 2006

Governmental Unit	Gross Debt	Percentage Debt Applicable to the Village	Village Share of Debt
Village of Harwood Heights	\$ 4,345,000	100.000%	\$ 4,345,000
Schools			
District No. 79	3,095,000	48.060%	1,487,457
District No. 80	530,000	14.870%	78,811
District No. 86	1,510,000	59.160%	893,316
Maine Township High School District No. 207	15,835,000	1.470%	232,775
Community High School District No. 234	3,834,000	28.660%	1,098,824
Metropolitan Water Reclamation District	1,307,823,555	0.190%	2,484,865
Cook County	3,093,165,000	0.190%	5,877,014
Cook County Forest Preserve District	135,115,000	0.190%	256,719
Total overlapping governmental activities debt	<u>4,560,907,555</u>		<u>12,409,781</u>
<b>TOTAL DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT</b>	<u><u>\$ 4,565,252,555</u></u>		<u><u>\$ 16,754,781</u></u>

Data Source

G.O. Bonds Taxable Series 2006A Booklet

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2006

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Under the 1970 Illinois Constitution, there is no legal limit for home rule municipalities except as set by the General Assembly.

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS  
 DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	(1) Population	(1) Personal Income	(1) Per Capita Personal Income	(2) Unemployment Rate
1997	7,680	\$ 126,336,000	\$ 16,450	3.6
1998	7,680	126,336,000	16,450	3.3
1999	7,680	126,336,000	16,450	3.2
2000	8,297	187,163,726	22,558	3.1
2001	8,307	187,389,306	22,558	2.8
2002	8,340	188,133,720	22,558	3.5
2003	8,315	187,569,770	22,558	4.4
2004	8,273	186,622,334	22,558	4.4
2005	8,256	186,238,848	22,558	4.0
2006	8,188	184,704,904	22,558	N/A

Data Sources

- (1) U.S. Department of Commerce, Bureau of the Census
- (2) Illinois Bureau of Employment Security

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

PRINCIPAL EMPLOYERS

Current Fiscal Year

Employer	2006		
	Employees	Rank	% of Total Village Population
Methode Electronics	400	1	4.9%
Quality Control Corp	200	2	2.4%
Qualiseal Technology	200	3	2.4%
Stratos Lightwave	150	4	1.8%
Coldwell Banker/Haeberle & Associates	125	5	1.5%
FCL Graphics	125	6	1.5%
Tornado Corp	120	7	1.5%
Parkway Bank & Trust	120	8	1.5%
TLC Technical Laminations & Coatings	112	9	1.4%
ITW Switches	100	10	1.2%
<b>TOTAL</b>	<b>1,652</b>		<b>20.1%</b>

Note: Information from prior years is not available.

Data Source

G.O. Bonds Taxable Series 2006A Booklet

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administration and finance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.15	7.15
Police										
Officers	24.00	24.00	23.00	22.00	27.00	27.50	27.00	28.50	28.00	27.00
Auxiliary	2.50	2.50	2.25	2.25	1.00	0.75	1.50	0.75	0.25	0.50
Civilians	8.00	9.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00	11.00
Plannining and zoning	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.00	2.00
Public works	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.80	7.80
TOTAL									<u>53.20</u>	<u>55.45</u>

N/A - Data not available

Data Source

Village records

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

OPERATING INDICATORS

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police										
Physical arrests	517	539	342	379	333	352	368	306	332	329
Parking violations	8,229	7,593	6,111	5,804	5,767	6,177	5,943	4,660	5,297	4,512
Traffic violations	4,313	4,597	3,770	3,343	3,663	4,053	4,401	4,793	5,537	3,824
Public works										
Vehicles maintained by dept	11	11	11	11	11	11	11	11	11	11
Street reconstruction (Sq. Ft.)	N/A	N/A	76,698.0	N/A	N/A	N/A	34,000.0	62,468.0	N/A	N/A
Street resurfacing (Sq. Ft.)	N/A	N/A	734,081.0	N/A	N/A	N/A	28,553.0	14,850.0	N/A	N/A
Water										
Water main breaks	27	21	35	33	25	34	32	41	30	40
Average daily consumption (Gallons)	986,000	919,000	N/A	979,000	927,000	993,000	N/A	916,000	908,000	973,000
Peak daily consumption (Gallons)	1,369,000	1,524,000	1,458,000	1,532,000	1,321,000	1,308,000	1,486,000	1,471,000	1,251,000	1,644,000

N/A - Data was not available.

Data Source

Various Village departments

VILLAGE OF HARWOOD HEIGHTS, ILLINOIS

CAPITAL ASSET STATISTICS

Last Ten Fiscal Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety										
Police										
Patrol units	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4	4
Public works										
Miles of streets	139	140	140	140	140	141	141	142	142	145
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,196	2,246
Traffic signals	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	196	198	200	201	202	208	213	218	221	224
Fire hydrants	2,331	2,290	2,326	2,393	2,427	2,527	2,581	2,671	2,727	2,775
Storage capacity (gallons)	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000	9,820,000
Wastewater										
Sanitary sewers (miles)	162	164	164	165	166	167	169	171	172	173
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	102	106

N/A - Data was not available

Data Source

Various village departments