

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2009

Village of Harwood Heights, Illinois

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2009

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INTRODUCTORY SECTION

Village of Harwood Heights
PRINCIPAL OFFICIALS
Year Ended April 30, 2009

Margaret Fuller, Mayor

Dianne Larson, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Demetrios Mougolias

Lester Szlendak

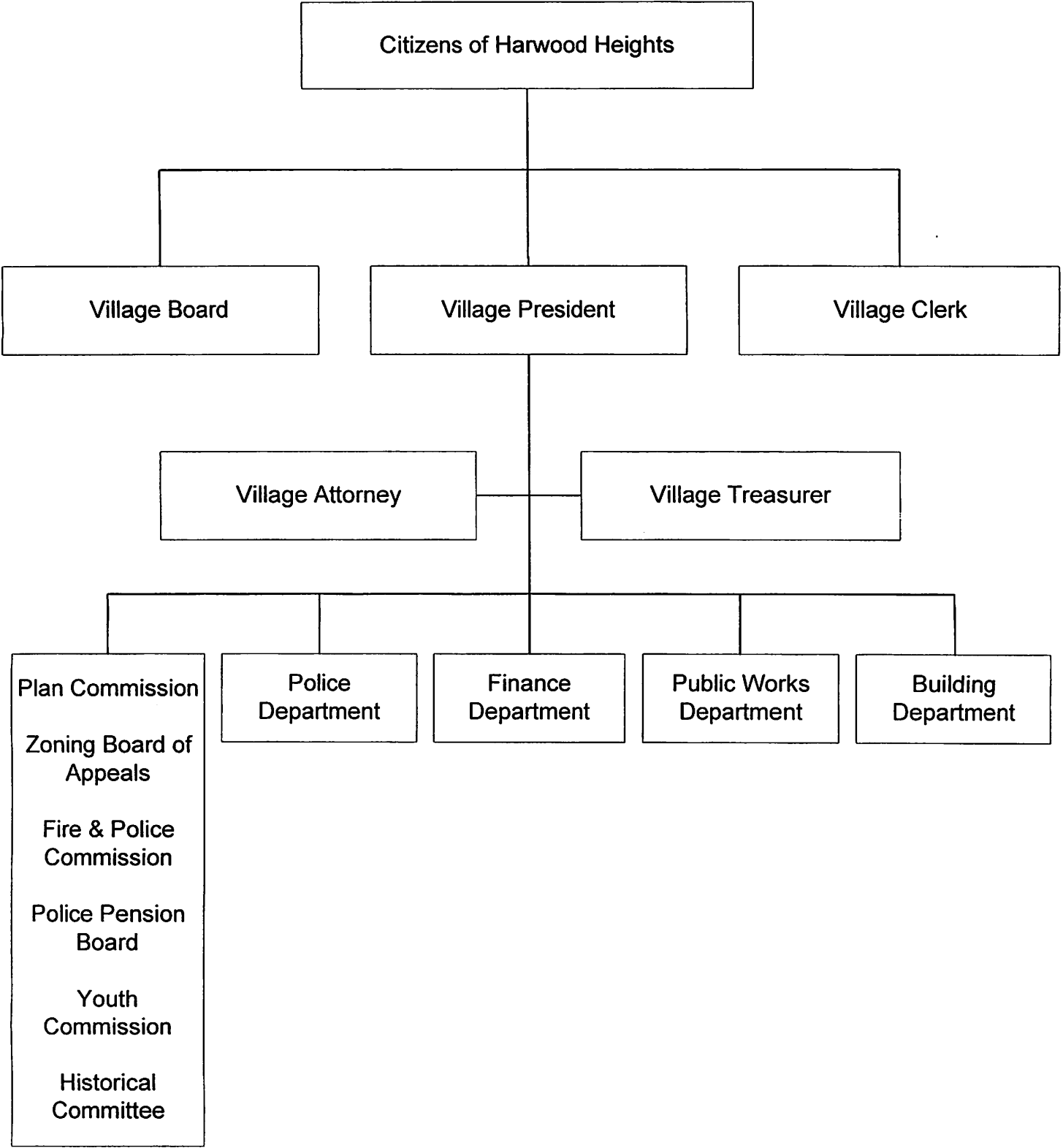
Michael Gazinski

Mark Dobrzycki

Arlene Jezierny

Therese Schuepfer

**Village of Harwood Heights
Organization Chart**



FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Trustees
Village of 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, Illinois, as of and for the year ended April 30, 2009, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village of Harwood Heights' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Pension Fund, a pension trust fund included as a fiduciary fund type, whose accounts are included in the basic financial statements. Total assets and revenues of the Police Pension Fund constitute 99% and 100%, respectively, of the assets and revenues of the fiduciary fund types. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Pension Fund in the Village's basic financial statements, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Harwood Heights, Illinois, as of April 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

The management's discussion and analysis on pages 3 through 13 and the budgetary comparison information and the Illinois Municipal Retirement and the Police Pension Funds required supplementary information on pages 62 through 64 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 basic financial statements of the Village of Harwood Heights, Illinois. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

MILLER, COOPER & CO., LTD



Certified Public Accountants

Deerfield, Illinois
August 23, 2010

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

The Village of Harwood Heights (the Village) Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position, identify any material deviations from the approved appropriations, and identify individual fund issues or concerns. Please read the information presented here in conjunction with additional information furnished in the Village's audited financial statements and accompanying footnotes, which follow this narrative.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of Fiscal Year 2009 by \$8,827,031, including \$6,896,464 in capital assets, net of related debt.
- At the close of Fiscal Year 2009, the Village's governmental funds reported combined ending fund balances of \$2,772,020. Approximately 34%, or \$930,138, of the total fund balance is available for spending at the Village's discretion as unreserved, undesignated fund balances.
- At the end of Fiscal Year 2009, the unreserved, undesignated portion of the General Fund balance was \$587,081, or approximately 9% of total General Fund expenditures for the fiscal year.
- The Village's long-term debt, excluding the net pension obligation and compensated absences payable, decreased by \$874,631 during Fiscal Year 2009 through the reduction of principal for the installment note payable 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. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. In addition to the basic financial statements, this report contains required and other supplemental information to enhance the understanding of the overall financial condition of the Village.

Government-Wide Financial Statements

The first two basic financial statements are the government-wide financial statements on pages 14 through 16, inclusive. These financial statements are intended to provide the reader with a broad overview of the Village's finances, not unlike the financial statements of a private-sector business. The government-wide statements provide short- and long-term information about the Village's financial condition as a whole.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

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 the total liabilities. Measuring net assets is one method of gauging the Village's financial condition.

The government-wide statements are divided into two categories: government activities and business-type activities. Government 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 for which the Village charges residents; water and sewer services were the Village of Harwood Heights' only business-type activity during Fiscal Year 2009.

Fund Financial Statements

The fund financial statements on pages 14 through 25 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 three categories: governmental funds, proprietary funds, and fiduciary 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 19) and the change in net assets of governmental activities (as reported in the Statement of Activities, pages 15 and 16) is a part of the fund financial statements and is found on page 18.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

The Village of Harwood Heights adopts an annual, fiscal year appropriation ordinance for its General Fund, Motor Fuel Tax Fund, Emergency Telephone System Fund, and Special Service Area Bond Proceeds Fund, as required by Illinois Statutes. The appropriation ordinance 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 appropriation ordinance also authorizes the Village to obtain funds from specific sources to finance the current period's services. The General Fund budget to actual schedules disclose how well the Village complied with the appropriation ordinance and whether the Village succeeded in providing the services planned in the adopted appropriation ordinance.

The Village's budgetary comparison statements are presented in a three-column format: 1) the original and final appropriation as adopted by the Board of Trustees and filed, as required, with the Office of the Clerk of Cook County; 2) actual revenues, expenditures, and ending balances of the funds; and 3) the variance, or difference, between the original and final appropriation ordinance and actual revenues and expenditures. The General Fund's Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for Fiscal Year 2009 is found on page 65 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. The Village's only proprietary fund is the Water and Sewer Fund. The Village adopts an annual fiscal year appropriation ordinance for its Water and Sewer Fund.

Fiduciary Funds

The Village of Harwood Heights has two fiduciary funds that are used to account for assets held by the Village for the 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. The Village's fiduciary funds are the Special Assessments Fund and the Police Pension Fund.

Notes to the Financial Statements

The notes on pages 28 through 61 inclusive provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

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 General Fund and Motor Fuel Tax Funds appropriations to actual comparisons, as found on pages 62 through 66, inclusive. Other supplementary information on pages 68 through 81, inclusive, includes combining statements and schedules of the nonmajor funds and schedules of the General Fund's revenues and expenditures. A schedule of changes in the assets and liabilities of the Special Assessments Fund is on page 81.

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 its liabilities by \$8,827,031 as of April 30, 2009. However, the majority, about 78%, 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 were a negative \$509,629, and unrestricted net assets for business-type activities, which can be used to finance day-to-day operations, were \$775,478.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

Condensed Statements of Changes in Net Assets-Fiscal Years 2008 and 2009

	Governmental Activities		Business-Type Activity		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Current/ Other Assets	\$ 7,329,918	\$ 4,299,512	\$ 899,700	\$ 883,478	\$ 8,229,618	\$ 5,182,990
Capital Assets	\$ 12,059,529	\$ 12,027,988	\$ 96,017	\$ 1,588,108	\$ 12,155,546	\$ 13,616,096
Total Assets	\$19,389,447	\$16,327,500	\$ 995,717	\$ 2,471,586	\$20,385,164	\$18,799,086
Current/Other Liabilities	\$ 2,597,702	\$ 1,707,803	\$ -	\$ -	\$ 2,597,702	\$ 1,707,803
Long-term liabilities	\$ 9,062,187	\$ 8,234,590	\$ 38,777	\$ 26,662	\$ 9,100,964	\$ 8,261,252
Total Liabilities	\$11,659,889	\$ 9,942,393	\$ 38,777	\$ 26,662	\$11,698,666	\$ 9,969,055
Investment in capital assets-net of related debt	\$ 6,577,380	\$ 5,335,018	\$ 57,240	\$ 1,561,446	\$ 6,634,620	\$ 6,896,464
Restricted Net Assets	\$ 2,824,551	\$ 1,664,718	\$ -	\$ -	\$ 2,824,551	\$ 1,664,718
Unrestricted Net Assets	\$ (1,672,373)	\$ (509,629)	\$ 775,478	\$ 775,478	\$ (772,673)	\$ 265,849
Total Net Assets	\$ 7,729,558	\$ 6,490,107	\$ 956,940	\$ 2,336,924	\$ 8,686,498	\$ 8,827,031

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

Condensed Statements of Changes in Net Assets-Fiscal Years 2008 and 2009

	Governmental Activities		Business-Type Activity		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Revenues						
Program Revenues						
Charges for Services	\$850,639	\$706,462	\$1,098,522	\$1,201,580	\$1,949,161	\$1,908,042
Operating Grants/Contributions	\$260,142	\$223,830	\$0	\$0	\$260,142	\$223,830
Capital Grants/Contributions	\$0	\$0	\$0	\$0	\$0	\$0
General Revenues						
Taxes	\$3,572,828	\$3,748,180	\$0	\$0	\$3,572,828	\$3,748,180
Investment Income	\$194,915	\$44,641	\$39,591	\$13,904	\$234,506	\$58,545
Intergovernmental	\$1,968,190	\$1,850,300	\$0	\$0	\$1,968,190	\$1,850,300
Total Revenues	\$6,846,714	\$6,573,413	\$1,138,113	\$1,215,484	\$7,984,827	\$7,788,897
Expenses						
General Government	\$1,809,934	\$1,671,268	\$0	\$0	\$1,809,934	\$1,671,268
Public Safety	\$5,066,749	\$3,541,249	\$0	\$0	\$5,066,749	\$3,541,249
Public Works	\$1,046,395	\$778,195	\$0	\$0	\$1,046,395	\$778,195
Interest	\$235,193	\$249,611	\$0	\$0	\$235,193	\$249,611
Water	\$0	\$0	\$1,160,913	\$1,351,505	\$1,160,913	\$1,351,505
Total Expenses	\$8,158,271	\$6,240,323	\$1,160,913	\$1,351,505	\$9,319,184	\$7,591,828
Increase (Decrease) in Net Assets	(\$1,311,557)	\$333,090	(\$22,800)	(\$136,621)	(\$1,334,357)	\$197,069
Net Assets-April 30, 2008		\$7,729,558		\$956,940		\$8,686,498
Prior Period Adj (Note L)		(\$1,572,541)		\$1,516,005		(\$56,536)
Net Assets-April 30, 2009		\$6,490,107		\$2,336,924		\$8,827,031

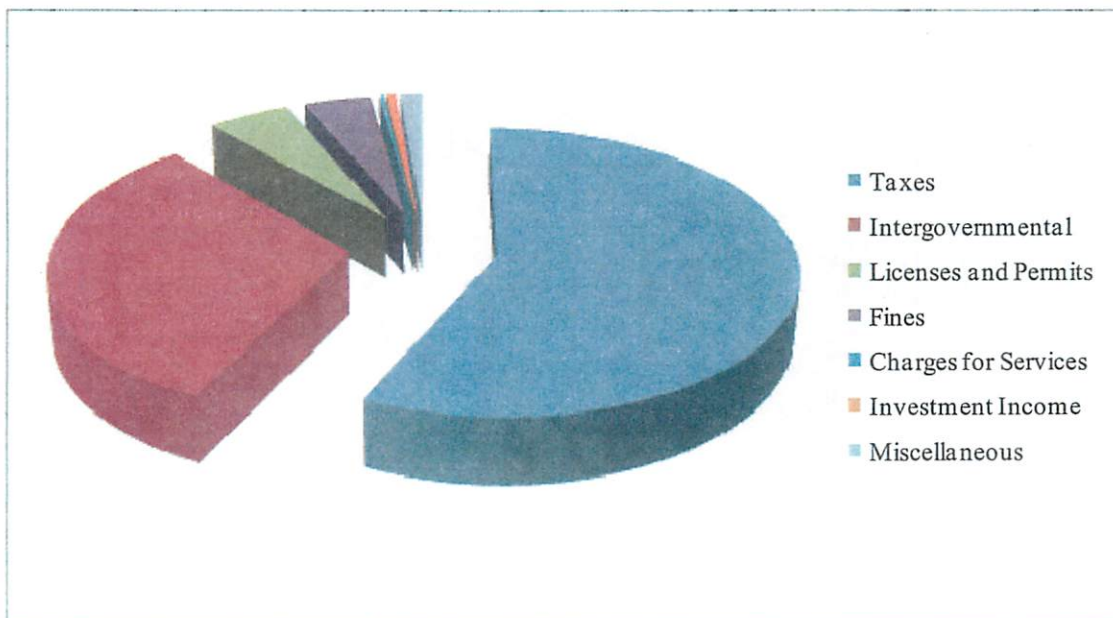
**Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009**

Revenues and Expenses

Governmental Revenues

Governmental revenues totaled approximately \$6.57 million, with property taxes comprising 18.67% of all tax revenues for Fiscal Year 2009. State sales tax and home rule sales tax decreased by \$396,544 and were the next largest sources of revenue for the period at \$881,234 and \$628,333, respectively. The overall decrease in sales taxes compared to Fiscal Year 2008 can be attributed to the downturn in the economy nationwide. State income taxes, a state-shared revenue, totaled \$755,980 for the fiscal year, a 1% decrease. Utility taxes generated \$472,099 in revenues, a 6.9% decrease. Village licenses and permit fees totaled \$331,577, a decrease of 4.4%.

FY2009 Governmental Revenue Sources

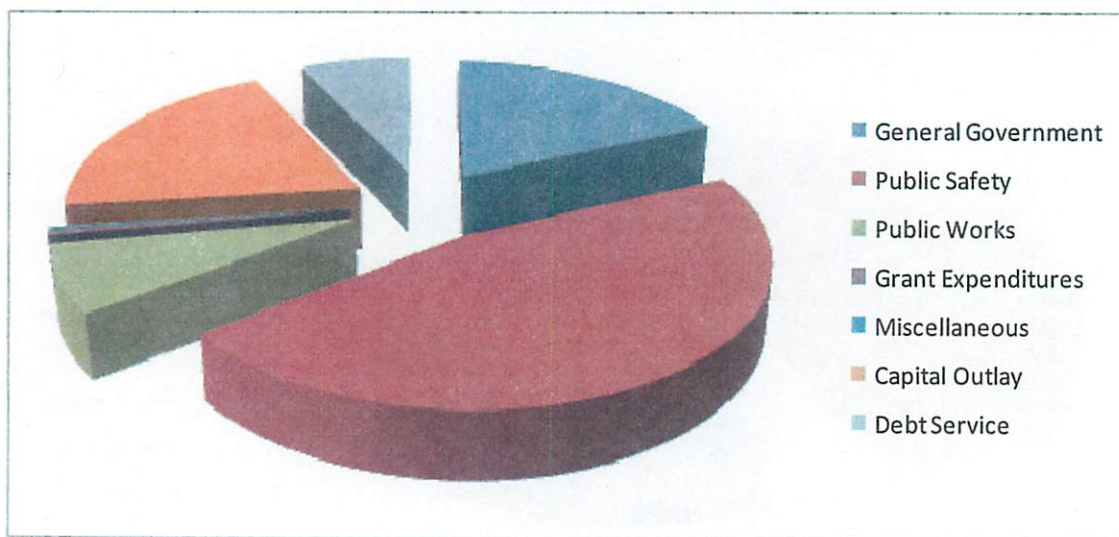


Village of Harwood Heights, Illinois Management's Discussion and Analysis April 30, 2009

Governmental Expenses

Governmental activities expended approximately \$6.24 million during Fiscal Year 2009. Those expenses include public safety, public works, general government, and debt service. Public safety expenses of \$3.54 million comprised the largest expenditure and include police department operating expenses. General government expenses totaled \$1,671,268, and include general administration, law department, finance, building, recreational and cultural opportunities, and health. In addition to office staff salaries and wages, additional expenses included are payroll taxes, employee benefits, liability insurance, and workers' compensation premiums. Public works related expenses totaled \$778,195, and interest expense totaled \$249,611.

FY2009 Governmental Expenses by Category



Business-type Revenues and Expenses

The Village of Harwood Heights' only business-type activity is its Water and Sewer Department and related fund. Water service charges, sewer fees, and late payment penalties for Fiscal Year 2009 were \$1,155,763. Revenues for water taps, meter sales, and miscellaneous revenues totaled \$18,654. Non-operating income of \$41,067 was produced by investment income and antenna leasing. Total operating expenses were \$1,351,505, which includes \$498,439 for water purchased and \$150,146 for sewer fees paid to the City of Chicago. Personal services of \$356,318 were provided by public works and administration employees. Additional expenses were \$112,830 for commodities, other services equaling \$243,597, and \$3,050 in capital outlay.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

General Fund Budgetary Highlights

It is the Village's policy to periodically review the appropriations; however, department heads are expected to limit their expenditures to their original appropriation amount and change expenditures between line items, if necessary. Over the course of Fiscal Year 2009, the Village was not required to amend its appropriation ordinance. The following table compares appropriated amounts and actual Fiscal Year 2009 General Fund revenues and expenditures.

General Fund	FY 2009 Appropriation	FY2009 Actual
Revenues		
Taxes	\$ 3,823,767	\$ 2,882,366
Intergovernmental	\$ 2,892,501	\$ 1,807,618
Other	\$ 1,868,604	\$ 708,544
Total Revenues	\$ 8,584,872	\$ 5,398,528
Expenditures	\$ 7,887,281	\$ 6,636,723
Change in Fund Balance	\$ 697,591	\$ (1,238,195)

Actual Fiscal Year 2009 General Fund revenues were less than appropriated revenues because anticipated property taxes, real estate transfer taxes, and home rule sales taxes were not realized during the fiscal year. Actual Fiscal Year 2009 General Fund expenditures were \$1,250,558 less than appropriated. All functional expenditures were significantly below their respective appropriated amounts.

Capital Assets

As of April 30, 2009, the Village of Harwood Heights has a total capital assets investment of \$21,581,119, less accumulated depreciation of \$7,965,023, for a net capital assets investment of \$13,616,096. Those net capital assets are categorized in the governmental activities and business-type activities in the amounts of \$12,027,988 and \$1,588,108, respectively.

Asset Type	FY2008	FY2009
Land	\$ 629,428	\$ 629,428
Buildings	\$ 5,394,150	\$ 5,264,351
Machinery and Equipment	\$ 809,901	\$ 648,185
Land Improvements	\$ 40,067	\$ 33,600
Infrastructure	\$ 5,282,000	\$ 7,040,532
Total Net Capital Assets	\$12,155,546	\$13,616,096

A more detailed presentation of the Village's capital assets activity may be found in Note F to the financial statements.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009

Major Funds Discussion

The following schedule presents a comparative summary of General Fund revenues and other financing sources between FY 2008 and FY 2009:

Revenues and Other Financing Sources	FY2008	FY2009	% of FY2009 Total	\$ Change from FY2008	% Change from FY2008
Taxes	\$ 3,268,807	\$ 2,882,366	53.39%	\$ (386,441)	-11.82%
Intergovernmental	\$ 1,970,508	\$ 1,807,618	33.48%	\$ (162,890)	-8.27%
Licenses and Permits	\$ 346,884	\$ 331,577	6.14%	\$ (15,307)	-4.41%
Fines	\$ 340,592	\$ 272,630	5.05%	\$ (67,962)	-19.95%
Charges for Services	\$ 47,163	\$ 17,954	0.33%	\$ (29,209)	-61.93%
Investment Income	\$ 36,741	\$ 4,233	0.08%	\$ (32,508)	-88.48%
Miscellaneous	\$ 116,000	\$ 82,150	1.52%	\$ (33,850)	-29.18%
Total	\$ 6,126,695	\$ 5,398,528	100%	\$ (728,167)	-11.89%

All revenue categories decreased in 2009. The overall decrease in revenues compared to Fiscal Year 2008 can be attributed to the downturn in the economy nationwide.

The following schedule presents a comparative summary of General Fund expenditures for FY 2008 and FY 2009:

Revenues and Other Financing Sources	FY2008	FY2009	% of FY2009 Total	\$ Change from FY2008	% Change from FY2008
General Administration	\$ 400,115	\$ 292,792	4.41%	\$ (107,323)	-26.82%
Law Department	\$ 99,090	\$ 149,234	2.25%	\$ 50,144	50.60%
Finance	\$ 564,641	\$ 358,369	5.40%	\$ (206,272)	-36.53%
Buildings	\$ 99,171	\$ 108,777	1.64%	\$ 9,606	9.69%
Recreation	\$ 161,187	\$ 162,844	2.45%	\$ 1,657	1.03%
Health	\$ 494,898	\$ 513,534	7.74%	\$ 18,636	3.77%
Public Safety	\$ 4,118,197	\$ 3,932,032	59.25%	\$ (186,165)	-4.52%
Public Works	\$ 724,122	\$ 656,863	9.90%	\$ (67,259)	-9.29%
Debt Service	\$ 273,700	\$ 273,974	4.13%	\$ 274	0.10%
Capital Outlay	\$ 10,333	\$ 188,304	2.84%	\$ 177,971	1722.36%
Total	\$ 6,945,454	\$ 6,636,723	100%	\$ (308,731)	-4.45%

The major increases include Law Department and Capital Outlay expenditures. Significant decreases include General Administration and Finance.

**Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2009**

Debt Administration

As of April 30, 2009, the Village of Harwood Heights has three outstanding General Obligation Bond issues: 2003, 2006A, and 2006B issues. The 2006 bond issues were issued to finance the Lawrence Avenue Redevelopment Project. The Village also has a \$1,195,000 Series 2006 promissory note payable in monthly installments through December 1, 2011.

During Fiscal Year 2007, the Village's business-type activity committed to a noncancelable lease for a backhoe through 2011, with annual lease payments of \$14,654.

Economic Factors and Next Year's Appropriation

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. The property tax revenue derived from the residential, commercial, and industrial properties is relatively stable. State income tax revenue and sales taxes are expected to decrease due to the continued high unemployment rate in the state and slowing of the economy. Long-range goals include revitalization of the Village's commercial areas and attracting new businesses.

The Board of Trustees approved a Fiscal Year 2009-2010 General Fund appropriation of \$8,121,146, which represents an increase of \$233,865 from Fiscal Year 2008-2009.

Requests for Information

This financial report is intended to provide our citizens, customers, investors, and creditors with general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you should have any questions or requests for additional financial information, please contact the Village of Harwood Heights Finance Department, 7300 West Wilson Avenue, Harwood Heights, Illinois 60706, telephone (708) 867-7200.

BASIC FINANCIAL STATEMENTS

Village of Harwood Heights, Illinois

STATEMENT OF NET ASSETS

April 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,122,641	\$ 1,164,663	\$ 3,287,304
Receivables (net of allowance)	1,693,068	152,446	1,845,514
Prepaid items	-	25,224	25,224
Internal balances	458,855	(563,855)	(105,000)
Due from agency fund	24,948	-	24,948
Capital assets not being depreciated	629,428	-	629,428
Capital assets, net of accumulated depreciation	<u>11,398,560</u>	<u>1,588,108</u>	<u>12,986,668</u>
 Total assets	 <u>16,327,500</u>	 <u>2,366,586</u>	 <u>18,694,086</u>
LIABILITIES			
Current			
Accounts payable	265,405	3,000	268,405
Accrued payroll liabilities	10,533	-	10,533
Deposits payable	90,548	-	90,548
Accrued interest	75,311	-	75,311
Due to Police Pension Fund	239,829	-	239,829
Unearned revenue	1,026,177	-	1,026,177
Noncurrent liabilities			
Due within one year	597,934	12,908	610,842
Due in more than one year	<u>7,636,656</u>	<u>13,754</u>	<u>7,650,410</u>
 Total liabilities	 <u>9,942,393</u>	 <u>29,662</u>	 <u>9,972,055</u>
NET ASSETS			
Investment in capital assets, net of related debt	5,335,018	1,561,446	6,896,464
Restricted	1,664,718	-	1,664,718
Unrestricted	<u>(509,629)</u>	<u>775,478</u>	<u>265,849</u>
 Total net assets	 <u>\$ 6,490,107</u>	 <u>\$ 2,336,924</u>	 <u>\$ 8,827,031</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
Governmental activities			
General government	\$ 1,671,268	\$ 102,255	\$ -
Public safety	3,541,249	272,630	7,318
Public works	778,195	331,577	216,512
Interest	<u>249,611</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>6,240,323</u>	<u>706,462</u>	<u>223,830</u>
Business-type activities			
Water and Sewer	<u>1,351,505</u>	<u>1,201,580</u>	<u>-</u>
Total	<u>\$ 7,591,828</u>	<u>\$ 1,908,042</u>	<u>\$ 223,830</u>

General revenues

Taxes

Intergovernmental

Interest

Total general revenues

Change in net assets

Net assets - beginning (as restated - Note L)

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,569,013)	\$ -	\$ (1,569,013)
(3,261,301)	-	(3,261,301)
(230,106)	-	(230,106)
<u>(249,611)</u>	<u>-</u>	<u>(249,611)</u>
<u>(5,310,031)</u>	<u>-</u>	<u>(5,310,031)</u>
<u>-</u>	<u>(149,925)</u>	<u>(149,925)</u>
<u>(5,310,031)</u>	<u>(149,925)</u>	<u>(5,459,956)</u>
3,748,180	-	3,748,180
1,850,300	-	1,850,300
<u>44,641</u>	<u>13,904</u>	<u>58,545</u>
<u>5,643,121</u>	<u>13,904</u>	<u>5,657,025</u>
<u>333,090</u>	<u>(136,021)</u>	<u>197,069</u>
<u>6,157,017</u>	<u>2,472,945</u>	<u>8,629,962</u>
<u>\$ 6,490,107</u>	<u>\$ 2,336,924</u>	<u>\$ 8,827,031</u>

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2009

	General	Motor Fuel Tax	Special Service Area Bond Proceeds Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 567,798	\$ 675,203	\$ 464,203	\$ 100,047	\$ 315,390	\$ 2,122,641
Receivables, net of allowances						
Property taxes	688,383	-	-	-	204,912	893,295
Intergovernmental	661,233	29,698	-	52,935	-	743,866
Other	51,846	-	-	-	4,061	55,907
Due from other funds	315,027	-	62,177	301,551	351,494	1,030,249
Due from agency fund	24,948	-	-	-	-	24,948
Advances to other fund	343,057	-	-	-	-	343,057
Total assets	<u>\$ 2,652,292</u>	<u>\$ 704,901</u>	<u>\$ 526,380</u>	<u>\$ 454,533</u>	<u>\$ 875,857</u>	<u>\$ 5,213,963</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 263,163	\$ -	\$ 210	\$ -	\$ 2,032	\$ 265,405
Accrued payroll liabilities	10,533	-	-	-	-	10,533
Deposits payable	90,548	-	-	-	-	90,548
Due to other funds	297,546	-	99,299	-	69,549	466,394
Advances from other fund	-	343,057	-	-	-	343,057
Due to Police Pension Fund	239,829	-	-	-	-	239,829
Unearned revenue	820,535	-	-	730	204,912	1,026,177
Total liabilities	<u>1,722,154</u>	<u>343,057</u>	<u>99,509</u>	<u>730</u>	<u>276,493</u>	<u>2,441,943</u>
Fund balances						
Reserved for:						
Capital projects	-	-	426,871	453,803	-	880,674
Advances to other fund	343,057	-	-	-	-	343,057
Debt service	-	-	-	-	532,140	532,140
Special revenue	-	361,844	-	-	67,224	429,068
Unreserved - undesignated	587,081	-	-	-	-	587,081
Total fund balance	<u>930,138</u>	<u>361,844</u>	<u>426,871</u>	<u>453,803</u>	<u>599,364</u>	<u>2,772,020</u>
Total liabilities and fund balance	<u>\$ 2,652,292</u>	<u>\$ 704,901</u>	<u>\$ 526,380</u>	<u>\$ 454,533</u>	<u>\$ 875,857</u>	<u>\$ 5,213,963</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Governmental Funds
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
April 30, 2009

Amounts reported for governmental activities in the statement of net assets differ from the balance sheet because:

Total fund balance - governmental funds	\$ 2,772,020
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,027,988
Long-term liabilities, including bonds payable, installment notes, interest payable, compensated absences, accrued interest, and net pension obligation, are not due and payable in the current period. Therefore, these liabilities are not reported in the current period and, consequently, are not reported in the governmental funds.	<u>(8,309,901)</u>
Net assets - governmental activities	\$ <u><u>6,490,107</u></u>

Village of Harwood Heights, Illinois
Governmental Funds
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended April 30, 2009

	General Fund	Motor Fuel Tax Fund	Special Service Area Bond Proceeds Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,882,366	\$ -	\$ -	\$ -	\$ 865,814	\$ 3,748,180
Intergovernmental	1,807,618	216,512	-	50,000	-	2,074,130
Licenses and permits	331,577	-	-	-	-	331,577
Fines	272,630	-	-	-	-	272,630
Charges for services	17,954	-	-	-	2,151	20,105
Investment income	4,233	6,367	27,787	3,682	2,572	44,641
Miscellaneous	82,150	-	-	-	-	82,150
Total revenues	5,398,528	222,879	27,787	53,682	870,537	6,573,413
Expenditures						
Current						
General government	1,550,550	-	8,135	-	-	1,558,685
Public safety	3,932,032	-	-	60	112,619	4,044,711
Public works	586,863	6,274	-	-	-	593,137
Grant expenditures	-	-	-	50,000	-	50,000
Miscellaneous	-	-	-	3,996	14,991	18,987
Capital outlay	188,304	-	1,530,409	-	29,291	1,748,004
Debt service						
Principal	230,785	-	-	-	115,000	345,785
Interest	43,189	-	-	-	230,244	273,433
Total expenditures	6,531,723	6,274	1,538,544	54,056	502,145	8,632,742
Net change in fund balances	(1,133,195)	216,605	(1,510,757)	(374)	368,392	(2,059,329)
Fund balance						
Beginning of year	2,063,333	145,239	1,937,628	454,177	230,972	4,831,349
End of year	\$ <u>930,138</u>	\$ <u>361,844</u>	\$ <u>426,871</u>	\$ <u>453,803</u>	\$ <u>599,364</u>	\$ <u>2,772,020</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
April 30, 2009

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

Net change in fund balances - total governmental funds	\$ (2,059,329)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	1,541,000
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The issuance of long-term debt (e.g. bonds, compensated absences) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, increases in compensated absences, and increases in accrued interest payable consume the current financial resources of governmental funds.	<u>851,419</u>
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Change in net assets - governmental activities	<u><u>\$ 333,090</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF NET ASSETS

April 30, 2009

	<u>Business-Type Activity</u>
ASSETS	
Current	
Cash and cash equivalents	\$ 1,164,663
Prepaid sewer liability	25,224
Customer receivables (net of allowance)	<u>152,446</u>
Total current assets	<u>1,342,333</u>
Capital assets, net of accumulated depreciation	<u>1,588,108</u>
Total assets	<u>2,930,441</u>
LIABILITIES	
Accounts payable	3,000
Due to other funds	563,855
Capital lease payable	<u>26,662</u>
Total liabilities	<u>593,517</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,561,446
Unrestricted	<u>775,478</u>
Total net assets	<u>\$ 2,336,924</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Water and Sewer Fund - Proprietary Fund
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended April 30, 2009

	<u>Business-Type Activity</u>
OPERATING REVENUES	
Charges for services	\$ 1,140,630
Penalties	<u>33,787</u>
Total operating revenues	<u>1,174,417</u>
OPERATING EXPENSES	
Current	
Personal services	356,318
Commodities	611,269
Other services	243,597
Capital outlay	3,050
Bad debt expense	70,404
Depreciation	<u>66,867</u>
Total operating expenses	<u>1,351,505</u>
OPERATING LOSS	<u>(177,088)</u>
NONOPERATING REVENUE	
Antenna leasing	27,163
Interest income	<u>13,904</u>
Total nonoperating revenues	<u>41,067</u>
CHANGE IN NET ASSETS	<u>(136,021)</u>
TOTAL NET ASSETS	
Beginning of year, as previously reported	956,940
Transfer of capital assets to water and sewer fund (Note L)	<u>1,516,005</u>
Beginning of year, as restated	<u>2,472,945</u>
End of year	<u><u>\$ 2,336,924</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF CASH FLOWSYear Ended April 30, 2009

	Business-Type Activity
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,125,285
Cash paid to suppliers for goods and services	(855,217)
Cash paid to employees for services	(251,318)
Net cash used by operating activities	18,750
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Change in due from/to other funds	(936,012)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Repayment of capital lease	(12,115)
Purchase of capital assets	(42,953)
Net cash used in capital and related financing activities	(55,068)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	27,163
Antenna leasing	13,904
Net cash provided by operating activities	41,067
NET INCREASE IN CASH AND CASH EQUIVALENTS	(931,263)
CASH AND CASH EQUIVALENTS	
Beginning of year	2,095,926
End of year	\$ 1,164,663
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (177,088)
Adjustments to reconcile operating loss to net cash used in operating activities	
Bad debt	70,404
Depreciation	66,867
Changes in assets and liabilities	
Accounts receivable	(49,132)
Accounts payable	3,000
Sewer fee liability	(301)
Net cash used in operating activities	\$ (86,250)
SUPPLEMENTAL INFORMATION OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer of capital assets from the governmental funds to the water and sewer fund.	\$ 1,516,005

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds

STATEMENT OF NET ASSETS

April 30, 2009

	<u>Pension Fund</u>	<u>Agency Fund</u>
	<u>Police Pension</u>	<u>Special Assessments</u>
ASSETS		
Cash and cash equivalents	\$ 288,195	\$ 49,163
Investments	10,916,165	73,000
Accrued interest receivable	102,713	-
Due from property owners	-	3,147
Due from the Village	<u>239,829</u>	<u>-</u>
Total assets	<u>11,546,902</u>	<u>\$ 125,310</u>
LIABILITIES		
Due to other funds	-	\$ 24,948
Due to property owners	<u>-</u>	<u>100,362</u>
Total liabilities	<u>-</u>	<u>\$ 125,310</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 11,546,902</u>	

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Police Pension Fund
STATEMENT OF CHANGES IN PLAN NET ASSETS
Year Ended April 30, 2009

ADDITIONS

Contributions

Employer	\$	514,335
Members		<u>189,173</u>

Total contributions		<u>703,508</u>
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Investment income

Net decrease in fair value of investments		(1,456,864)
Interest		<u>480,552</u>

Total investment income		<u>(976,312)</u>
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Less investment expense		(34,147)
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Net investment loss		<u>(1,010,459)</u>
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Total additions		<u>(306,951)</u>
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DEDUCTIONS

Pension benefits		476,693
Administrative expense		<u>18,944</u>

Total deductions		<u>495,637</u>
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NET DECREASE		(802,588)
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**PLAN NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS**

Beginning of year		<u>12,349,490</u>
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End of year	\$	<u><u>11,546,902</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

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April 30, 2009

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Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Harwood Heights (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 financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental 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 Village's significant accounting policies:

1. Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- a. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- b. Fiscal dependency on the primary government.

Based on the above criteria, the Village does not have any component units.

2. 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. For the most part, the effect of interfund activity has been removed 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 services.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 contributions 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the supplementary information.

3. Basis of Presentation - Fund Accounting

The accounts of the Village are organized on the basis of funds, which are considered as separate accounting entities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. The Village's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic fund types and broad fund categories as follows:

a. Governmental Fund Types

Governmental funds are those through which most governmental functions of the Village are financed. The Village's expendable financial resources (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following are the Village's governmental fund types:

- i. The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation - Fund Accounting (Continued)

a. Governmental Fund Types (Continued)

- ii. Special revenue funds are used to account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are legally restricted to expenditures for specified purposes. The Village's special revenue funds are the Motor Fuel Tax Fund, Criminal Investigation Fund, and the Emergency Telephone System Fund.
- iii. Debt service funds are used to account for the accumulation of resources for debt service payments. The Village has two debt service funds, the General Obligations Fund and the Special Service Area Debt Service Fund.
- iv. Capital project funds are used to account for the use of resources for capital improvements. The Village has two capital project funds, the Special Service Area Bond Proceeds Fund and the Grant Fund.

b. Proprietary Fund Types

Proprietary funds are used to account for the Village's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income.

- i. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Fund is the Village's sole enterprise fund.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation - Fund Accounting (Continued)

c. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

- i. Pension trust funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. The Police Pension Fund is the Village's sole pension trust fund and is audited by other auditors.
- ii. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The Special Assessment Agency Fund is the Village's sole agency fund.

4. 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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the Village considers property taxes as available if they are collected within 60 days of the end of the current fiscal period. A six-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, interest revenue, and charges for services revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Special Service Area Bond Proceeds Fund accounts for the resources collected and used for various capital improvements within the special service area.

The Grant Fund is a special revenue fund used to account for the use of resources provided by other governmental agencies for specific public works or capital improvement projects.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Village reports the following major proprietary fund:

The Water and Sewer 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.

Additionally, the Village reports the following fiduciary fund types:

The Police Pension 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 Special Assessment Agency Fund accounts for the changes in assets and liabilities for the special assessment area.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village's proprietary fund applies all applicable GASB pronouncements as well as relevant Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case the GASB pronouncements prevail.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Village reports unearned revenue on its balance sheet. Unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Village before it has a legal claim to them, 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 unearned revenue is removed from the balance sheet and revenue is recognized.

5. Cash Equivalents

The Village considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Receivables

The recognition of receivables associated with nonexchange transactions is as follows:

- Derived tax receivables (such as sales, income, and motor fuel taxes) are recognized when the underlying exchange has occurred.
- Imposed nonexchange receivables (such as property taxes and fines) are recognized when an enforceable legal claim has arisen.
- Government mandates or voluntary nonexchange transaction receivables such as grants are recognized when all eligibility requirements have been met.

7. Investments

Investments consist of treasury obligations, state and local obligations, mutual funds, and insurance contracts carried in the pension trust fund. Investments are stated at fair value.

8. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, and for lending/borrowing purposes. These receivables and payables are classified as "due from/to other funds" (the current portion of interfund transactions) or "advance from/to other fund" (the noncurrent portion of interfund transactions) on the fund balance sheets.

Advances between funds are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. 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 as having a useful life greater than one year with an initial individual cost of more than \$5,000. 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 assets' 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

10. Compensated Absences

Accumulated vacation and sick leave that are expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay them. Accumulated vacation and sick leave that are not expected to be liquidated with expendable, available financial resources are reported as long-term debt on the government-wide statement of net assets. Accumulated vacation and sick leave of proprietary funds are recorded as expenses and liabilities of those funds as the benefits accrue to employees.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets.

12. Fund Equity and Restrictions of Net Assets

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 in the fund financial statements.

The government-wide statement of net assets reports net assets restricted by enabling legislation which consist of the following:

<u>Net assets restricted for:</u>	<u>Amount</u>
Motor fuel tax	\$ 361,844
Crime investigation	18,129
Public safety - 911 service	49,095
Debt service	354,976
Bond proceeds	426,871
Grants	<u>453,803</u>
Total net assets restricted by enabling legislation	<u>\$ 1,664,718</u>

13. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

The governmental funds balance sheet includes a reconciliation between fund balance – governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds." The details of this difference are as follows:

Land	\$ 629,428
Capital assets subject to depreciation	17,098,672
Accumulated depreciation	<u>(5,700,112)</u>
Total capital assets not reported in governmental funds	<u>12,027,988</u>

Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, installment notes, interest payable, compensated absences, accrued interest, and net pension obligation, are not due and payable in the current period. Therefore, these liabilities are not reported in the current period and, consequently, are not reported in the governmental funds." The details of this difference are as follows:

General obligation bonds payable	(6,035,000)
Installment notes	(657,970)
Accrued interest	(75,311)
Compensated absences payable	(804,564)
Net pension obligation	<u>(737,056)</u>
Total long-term liabilities not reported in governmental funds	<u>(8,309,901)</u>

Net adjustment to increase fund balance - total governmental funds to arrive at net assets – governmental activities.	\$ <u><u>3,718,087</u></u>
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Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – governmental funds and change in net assets - governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 1,948,409
Depreciation expense	<u>(407,409)</u>
Total amount by which capital outlay exceeded depreciation expense	<u>1,541,000</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

2. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities
(Continued)

Another element of that reconciliation states that "The issuance of long-term debt (e.g. bonds, compensated absences) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, increases in compensated absences, and increases in accrued interest payable consume the current financial resources of governmental funds." The details of this difference are as follows:

Decrease in accrued interest	\$ 23,822
Principal payments on general installment note	230,785
Principal payments on general obligation bond	115,000
Increase in net pension obligation	(77,551)
Decrease in compensated absences	531,001
Decrease in capital lease obligation	<u>28,362</u>
Net changes in current financial resources	<u>851,419</u>
Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net assets - governmental activities	<u>\$ 2,392,419</u>

NOTE C - DEPOSITS AND INVESTMENTS

1. Village Deposits and 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 its deposits to financial institutions that are members of the FDIC system.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments (Continued)

The 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. The 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 The Illinois Funds are valued at The 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, safety of principal, liquidity, and rate of return.

Deposits with Financial Institutions

Custodial 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. At April 30, 2009, none of the Village's total deposits of \$1,814,864 were uninsured or uncollateralized.

Investments

The following table presents the Village's investments and maturities as of April 30, 2009.

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 - 5	Greater than 5
The Illinois Funds	\$ <u>1,750,057</u>	\$ <u>1,750,057</u>	\$ <u>-</u>	\$ <u>-</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments (Continued)

Investments (Continued)

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. The Illinois Funds is rated AAA.

Custodial 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. The Illinois Funds is not subject to custodial credit risk.

Concentration of credit risk is the risk that the Village has a high percentage of its 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, 2009, 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. Police Pension Deposits, Investments, and Concentrations

The deposits and investments of the Police Pension Fund (the Pension Fund) are held separately from those of other Village funds.

Statutes authorize the Pension Fund to make deposits or 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 agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by 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; and direct obligations of the State of Israel.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police Pension Deposits, Investments, and Concentrations (Continued)

Also authorized are deposits or investments in 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; and general accounts of life insurance and separate accounts of life insurance companies. Pension funds with net assets of \$2.5 million or more may invest up to forty-five percent of plan net assets in separate accounts of life insurance companies and mutual funds. In addition, pension funds with net assets of at least \$5 million and 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
April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Credit Risk, and Concentration Risk

Deposits. At year-end, the carrying amount of the Pension Fund's deposits totaled \$228,195, and the bank balances totaled \$292,510.

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	More than 10
U.S. Treasury					
Notes	\$ 275,555	\$ -	\$ -	\$ 275,555	\$ -
U.S. Treasury					
Strips	907,776	-	322,495	585,281	-
Governmental					
National Mortgage	192,711	-	-	192,711	-
Federal National					
Mortgage	527,441	-	373,691	153,750	-
Federal Farm					
Credit Bank	2,179,136	-	874,064	1,305,072	-
Federal Home					
Loan Bank	2,883,584	51,984	1,805,969	1,025,631	-
Federal Home Loan					
Mortgage Corp.	41,600	-	41,600	-	-
State and Local					
Obligations	966,138	-	737,751	125,802	102,585
Money Market					
Mutual Funds	274,541	274,541	-	-	-
The Illinois Funds	1,428	1,428	-	-	-
TOTAL	\$ 8,249,910	\$ 327,953	\$ 4,155,570	\$ 3,663,802	\$ 102,585

The Pension Fund assumes that any callable securities will not be called.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Credit Risk, and Concentration Risk

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 Pension Fund's investment policy, the Pension 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 Pension 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 Pension Fund's investment policy established criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of the U.S. government agencies were all rated AAA by Standard & Poor's or by Moody's Investors Services. Other than investing in securities issued by agencies of the United States government, the Pension Fund has no other formal policy for reducing credit risk.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2009, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension 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 Pension 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 Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside appty. Illinois Funds, money market mutual funds, and equity mutual funds are not subject to custodial credit risk. At April 30, 2009, the U.S. government agencies and the state and local obligations are held by the counterparty in the trust department. The Pension Fund does not have a formal written policy with regards to custodial credit risk for investments.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

2. Police Pension Deposits, Investments, and Concentrations (Continued)

a. Credit Risk, Custodial Credit Risk, and Concentration Risk

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. The Pension Fund does not have a formal written policy regarding concentration of credit risk for investments. At April 30, 2009, the Pension Fund has over 5% of its 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 U.S. Treasury lines of credit and increasingly stringent federal regulations.

The Pension Fund has diversified the equity mutual fund holdings as follows:

<u>Equity Mutual Funds</u>	<u>Fair Value</u>
American Beacon Large Cap Fund	\$ 444,076
Baron Small Cap Fund	143,098
DFA Real Estate Fund	88,940
DFA International Value Fund	110,747
Fidelity Advisor New Insights	528,257
First Eagle Overseas Fund	111,265
Royce Total Return Fund	144,590
Royce Premier Fund	156,802
RS Global Natural Resource A	24,837
T. Rowe Price International Discovery Fund	85,460
Vanguard Institutional Index Fund	729,525
William Blair International Growth Fund	<u>98,658</u>
Total equity mutual funds	<u>\$ 2,666,255</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE D - PROPERTY TAX

Property taxes for 2008 attach as an enforceable lien on January 1, 2008 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, 2009 and September 1, 2009. 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 2008 levy is intended to finance the fiscal year ended April 30, 2010, it has been offset by unearned revenue at April 30, 2009. The 2009 levy, which attached as an enforceable lien on property as of January 1, 2009, has not been recorded as a receivable as of April 30, 2009, as the tax has not yet been levied by the Village and will not be levied until December 2009; therefore, the levy is not measurable at April 30, 2009.

NOTE E - INTERFUND TRANSACTIONS

1. Due from/to Other Funds

	<u>Due from</u>	<u>Due to</u>
General		
Emergency Telephone System	\$ 13,307	\$ -
General Obligation Bonds	-	351,494
Police Pension	-	239,829
SSA Bond	99,299	-
SSA Debt Service	3,367	-
Grant	-	301,551
Water and sewer	563,855	-
Total General	<u>679,828</u>	<u>892,874</u>
Other governmental funds		
Emergency Telephone System - General	-	13,307
General Obligation Bonds - General	351,494	-
Police Pension - General	239,829	-
SSA Bond - General	-	99,299
SSA Debt Service - General	-	3,367
Grant - General	301,551	-
Total governmental funds	<u>892,874</u>	<u>115,973</u>
Water and Sewer Fund	<u>-</u>	<u>563,855</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE E - INTERFUND TRANSACTIONS (Continued)

	<u>Due from</u>	<u>Due to</u>
1. <u>Due from/to Other Funds</u>		
Total all Funds	\$ 1,572,702	\$ 1,572,702
Less amounts due to fiduciary funds	(239,829)	(239,829)
Less amounts eliminated during GASB 34 conversion	<u>(769,018)</u>	<u>(769,018)</u>
Total Village internal balances	<u>\$ 563,855</u>	<u>\$ 563,855</u>
2. <u>Advances from/to Other Funds</u>		
	<u>Advances to</u>	<u>Advances from</u>
General - Motor Fuel Tax	\$ 343,057	\$ -
Motor Fuel Tax - General	<u>-</u>	<u>343,057</u>
Less amounts eliminated during GASB 34 conversion	<u>(343,057)</u>	<u>(343,057)</u>
Total Village advances from/to other funds	<u>\$ -</u>	<u>\$ -</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2009 was as follows:

1. Governmental Activities

	**Beginning Balance As Restated	Increases	Disposals	Ending Balance
Capital assets, not being depreciated				
Land	\$ 629,428	\$ -	\$ -	\$ 629,428
Capital assets, being depreciated				
Buildings	6,095,881	-	-	6,095,881
Machinery and equipment	2,039,221	-	-	2,039,221
Land improvements	121,499	-	-	121,499
Infrastructure	6,893,662	1,948,409	-	8,842,071
Total capital assets, being depreciated	15,150,263	1,948,409	-	17,098,672
Less accumulated depreciation for				
Buildings	701,731	129,799	-	831,530
Machinery and equipment	1,323,604	148,534	-	1,472,138
Land improvements	83,165	5,310	-	88,475
Infrastructure	3,184,203	123,766	-	3,307,969
Total accumulated depreciation	5,292,703	407,409	-	5,700,112
Total capital assets, being depreciated, net	9,857,560	1,541,000	-	11,398,560
Governmental activities capital assets, net	\$ 10,486,988	\$ 1,541,000	\$ -	\$ 12,027,988

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE F - CAPITAL ASSETS (Continued)

2. Business-Type Activities

	**Beginning Balance <u>As Restated</u>	<u>Increases</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 203,790	\$ -	\$ -	\$ 203,790
Land improvements	34,700	-	-	34,700
Infrastructure	<u>3,571,576</u>	<u>42,953</u>	<u>-</u>	<u>3,614,529</u>
Total capital assets being depreciated	<u>3,810,066</u>	<u>42,953</u>	<u>-</u>	<u>3,853,019</u>
Less accumulated depreciation for				
Machinery and equipment	109,506	13,182	-	122,688
Land improvements	32,967	1,157	-	34,124
Infrastructure	<u>2,055,571</u>	<u>52,528</u>	<u>-</u>	<u>2,108,099</u>
Total accumulated depreciation	<u>2,198,044</u>	<u>66,867</u>	<u>-</u>	<u>2,264,911</u>
Business-type activities capital assets, net	<u>\$ 1,612,022</u>	<u>\$ (23,914)</u>	<u>\$ -</u>	<u>\$ 1,588,108</u>

** See additional information in Note L related to the prior period adjustment to capital assets.

3. Depreciation Expense

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

Governmental activities:

General government	\$ 93,978
Public safety	150,011
Public works, streets, and lighting	<u>163,420</u>
	<u>\$ 407,409</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

NOTE F - CAPITAL ASSETS (Continued)

3. Depreciation Expense (Continued)

Business – type activities:

Water and sewer	\$ <u>66,867</u>
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NOTE G - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error 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. In addition, the Village provides health insurance to its employees through a third-party indemnity policy. The Village pays a monthly premium to the insurance company for its coverage. Settled claims have not exceeded the coverages in the current or preceding two fiscal years.

NOTE H - LONG-TERM LIABILITIES

1. Changes in Long-Term Liabilities

The following is a summary of the Village's long-term liability balances and transactions for the year ended April 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
General obligation bonds					
Series 2003	\$ 3,150,000	\$ -	\$ -	\$ 3,150,000	\$ 255,000
Series 2006A	490,000	-	115,000	375,000	120,000
Series 2006B	<u>2,510,000</u>	<u>-</u>	<u>-</u>	<u>2,510,000</u>	<u>-</u>
Total general obligation bonds	<u>6,150,000</u>	<u>-</u>	<u>115,000</u>	<u>6,035,000</u>	<u>375,000</u>

(Continued)

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE H - LONG-TERM LIABILITIES (Continued)

1. Changes in Long-Term Liabilities (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u> (continued)					
Installment note	\$ 888,755	\$ -	\$ 230,785	\$ 657,970	\$ 222,934
Net pension obligation	659,505	77,551	-	737,056	-
Compensated absences payable	1,335,565	-	531,001	804,564	-
Capital lease obligation (Note I)	<u>28,362</u>	<u>-</u>	<u>28,362</u>	<u>-</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 9,062,187</u>	<u>\$ 77,551</u>	<u>\$ 905,148</u>	<u>\$ 8,234,590</u>	<u>\$ 597,934</u>
<u>Business-type activities</u>					
Capital lease	<u>\$ 38,777</u>	<u>\$ -</u>	<u>\$ 12,115</u>	<u>\$ 26,662</u>	<u>\$ 12,908</u>

2. Long-Term Debt - Terms and Maturities

General obligation bonds payable at April 30, 2009 are comprised of the following individual issues:

\$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.	\$ 3,150,000
\$490,000 Series 2006A general obligation bonds payable in annual installments ranging from \$115,000 to \$130,000 commencing December 1, 2008 and payable through December 1, 2011; interest is payable semiannually at rates ranging from 3.75% to 3.88% commencing December 1, 2006.	375,000

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE H- LONG-TERM LIABILITIES (Continued)

2. Long-Term Debt - Terms and Maturities (Continued)

\$2,510,000 Series 2006B general obligation bonds, payable in annual installments ranging from \$135,000 to \$235,000 commencing December 1, 2012, and payable through December 1, 2025; interest is payable semiannually at rates ranging from 4.20% to 4.25% commencing December 1, 2006.

\$ 2,510,000

Total general obligations bonds payable

\$ 6,035,000

The installment note payable at April 30, 2009 is as follows:

\$1,195,000 Series 2006 promissory note, payable in monthly installments of \$22,808 beginning January 1, 2007 through December 1, 2011, with interest at 5.39%.

\$ 657,970

The annual requirements to retire the general obligation bonds and installment note outstanding as of April 30, 2009 are as follows:

Year Ending April 30,	General Obligation Bonds Payable			Installment Note	
	Principal	Interest	Total	Principal	Interest
2010	\$ 375,000	\$ 225,931	\$ 600,931	\$ 222,934	\$ 32,034
2011	395,000	213,084	608,084	256,263	17,437
2012	410,000	199,521	609,521	178,773	3,693
2013	425,000	185,378	610,378	-	-
2014	445,000	170,282	615,282	-	-
2015-2019	2,540,000	593,726	3,133,726	-	-
2020-2024	985,000	225,430	1,210,430	-	-
2025-2026	460,000	24,544	484,544	-	-
	<u>\$ 6,035,000</u>	<u>\$ 1,837,896</u>	<u>\$ 7,872,896</u>	<u>\$ 657,970</u>	<u>\$ 53,164</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE H- LONG-TERM LIABILITIES (Continued)

3. Legal Debt Margin

The Village is a home rule municipality.

Chapter 6, 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 required 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 Illinois General Assembly has set no limits for home rule municipalities.

NOTE I - CAPITAL LEASE OBLIGATION

At April 30, 2009, the Village is obligated for future payments under a noncancellable equipment lease as follows:

Year Ending April 30,	Capital Lease	
	Business Type Activities	
	Principal	Interest
2010	\$ 12,908	\$ 1,746
2011	13,754	901
	<u>\$ 26,662</u>	<u>\$ 2,647</u>

The cost of the capital assets acquired through capital lease is \$205,876, with accumulated depreciation and depreciation expense of \$59,985 and \$15,885, respectively, at April 30, 2009.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS

1. Illinois Municipal Retirement Fund

a. Plan Description

The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Village plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent, multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

b. Funding Policy

As set by state statute, the Village's regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires the Village to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 7.64 percent of annual covered payroll. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by state statute.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

c. Annual Pension Cost

For 2008, the Village's annual pension cost of \$80,418 for the regular plan was equal to the Village's required and actual contributions.

Trend Information			
<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/08	\$ 80,418	100%	\$ -
12/31/07	99,474	100%	-
12/31/06	91,939	100%	-

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3 percent annually. The actuarial value of the Village's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The Village's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 24 years.

d. Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the regular plan was 66.9 percent funded. The actuarial accrued liability for benefits was \$1,789,101 and the actuarial value of assets was \$1,197,584, resulting in underfunded actuarial accrued liability (UAAL) of \$591,517. The covered payroll (annual payroll of active employees covered by the plan) was \$1,052,595 and the ratio of the UAAL to the covered payroll was 56.2 percent.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

1. Illinois Municipal Retirement Fund (Continued)

d. Funded Status and Funding Progress (Continued)

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

2. Police Pension Plan

a. Plan Description

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The Police Pension Plan provides retirement, disability, and death benefits, as well as automatic annual cost of living adjustments, to plan members and their beneficiaries. Plan members are required to contribute 9.91% of their annual covered payroll. The Village is required to contribute at an actuarially determined rate. Although this is a single-employer pension plan, the defined benefits and contribution requirements of the plan members and the Village are governed by Illinois State Statutes and may only be amended by the Illinois legislature. Administrative costs are financed through investment earnings.

At April 30, 2008, the date of the latest actuarial valuation, the Police Pension Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	11
Active plan members	<u>26</u>
Total plan membership	<u><u>37</u></u>

The following is a summary of the Police Pension Plan as provided in Illinois State Statutes:

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 of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last date, whichever is greater.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

a. Plan Description (Continued)

The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly 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 be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Covered employees are required 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. By the year 2033, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

b. Summary of Significant Accounting Policies and Plan Asset Matters

i. Reporting Entity

The Police Pension Fund is a component unit of the Village of Harwood Heights, Illinois. The decision to include the Police Pension Fund in the Village's reporting entity was made based upon the significance of the operational or financial relationship with the Village.

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. The pension board consists of two members appointed by the Village's Mayor, one elected pension beneficiary, and two elected police employees. 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 and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels. The PPERS is included in the Village's annual financial report as a blended component unit and is reported as a pension trust fund.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

i. Reporting Entity (continued)

The Village's police pension plan issues its own financial report and required supplementary information. That report may be obtained by writing to the Village of Harwood Heights, 7300 W. Wilson, Harwood Heights, Illinois 60706.

ii. Basis of Presentation

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Police Department.

iii. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded. *Basis of accounting* refers to when transactions are recorded, regardless of the measurement focus applied.

Measurement focus. Pension trust funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of changes in net assets. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as net assets.

Basis of Accounting. The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net plan assets are recorded when earned and deductions from net plan assets are recorded when the time-related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

iv. Investments

Police Pension Fund investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market, if any, are reported at estimated fair value.

v. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds of the Village for goods provided or services rendered. The receivables and payables which relate to the Police Pension Fund are classified as "Due from the Village" or "Due to the Village" on the Pension Fund's statement of net plan assets. At April 30, 2009, the amount due from the Village is \$239,829.

c. Funding Policy and Annual Pension Cost

The Village's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2008 was \$1,884,359 out of a total payroll of \$3,507,872.

For the year ended April 30, 2009, the Village's annual pension cost was \$591,886. Actual contributions made by the Village were \$514,335. The information presented was determined as part of the actuarial valuation as of April 30 of the prior fiscal year.

Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry age normal; the amortization method was level percent of pay, closed, and the amortization period was 29 years; the asset valuation method was a market value method; and the significant actuarial assumptions were an investment rate of return at 7.5%, compounded annually including a 2.5% inflation factor, a projected salary increase assumption of 5.5%, compounded annually including a 2.5% inflation factor, and cost-of-living adjustments of 3.0%, compounded annually.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

c. Funding Policy and Annual Pension Cost (continued)

The Village's annual pension cost and net pension obligation to the Police Pension Fund were obtained from the fund's most recent actuarial valuation (April 30, 2008) and are as follows:

Annual required contribution	\$ 542,423
Interest on net pension obligation	<u>49,463</u>
Annual pension cost	591,886
Contributions made	<u>(514,335)</u>
Increase in net pension obligation	77,551
Net pension obligation as of May 1, 2008	<u>659,505</u>
Net pension obligation as of April 30, 2009	<u><u>\$ 737,056</u></u>

d. Three-Year Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
4/30/09	\$ 542,423	94.82%	\$ 737,056
4/30/08	470,168	85.58%	659,505
4/30/07	417,478	92.50%	571,663

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2009

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

e. Compliance Audit

The Police Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Department of Insurance for the year ended April 30, 2009 has not yet been conducted. Accordingly, the Police Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Department of Insurance cannot be determined at this time. However, the Police Pension Fund expects such adjustments, if any, to be immaterial.

NOTE K - CONTINGENCIES AND COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state of Illinois. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the 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.

NOTE L - PRIOR PERIOD ADJUSTMENT

The Village recorded a prior period adjustment to properly record the value of capital assets and their location in the correct funds. The net effect of the prior period adjustment was a decrease in governmental net assets of \$1,572,541 and an increase in the water and sewer fund capital assets and net assets of \$1,516,005.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Village of Harwood Heights, Illinois

Police Pension Fund

SCHEDULE OF FUNDING PROGRESS

April 30, 2009

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Liability (AAL) - Entry Age (2)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
2009	4/30/08	\$ 12,349,488	\$ 17,625,339	\$ 5,275,851	70.07 %	\$ 1,884,359	279.98 %
2008	4/30/07	12,335,234	14,597,274	2,262,040	84.50	1,884,358	120.04
2007	4/30/06	11,392,328	13,515,913	2,123,585	84.29	1,887,925	112.48
2006	4/30/05	10,849,691	12,641,688	1,791,997	85.82	1,801,108	99.49
2005	4/30/04	10,420,632	12,486,930	2,066,298	83.45	1,802,054	114.66
2004	4/30/03	9,626,326	11,414,489	1,788,163	84.33	1,707,962	104.70
2003	4/30/02	9,245,195	10,541,343	1,296,148	87.70	1,639,194	79.07
2002	4/30/01	8,530,209	9,703,011	1,172,802	87.91	1,491,993	78.61
2001	4/30/00	7,885,609	9,028,071	1,142,462	87.35	1,189,561	96.04
2000	4/30/99	N/A	N/A	N/A	N/A	N/A	N/A

Source: Actuarial valuations and the required supplementary information presented in the Police Pension Fund's financial statements.

Village of Harwood Heights, Illinois

Illinois Municipal Retirement Fund

Schedule of Funding Progress

April 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ 1,197,584	\$ 1,789,101	\$ 591,517	66.9 %	\$ 1,052,595	56.2 %
12/31/07	2,250,565	2,016,120	(234,445)	111.6	1,167,531	0.0
12/31/06	2,004,183	1,870,168	(134,015)	107.2	1,079,101	0.0

Village of Harwood Heights, Illinois
Police Pension Fund
SCHEDULE OF EMPLOYER CONTRIBUTIONS
April 30, 2009

<u>Year Ended April 30</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 514,335	\$ 542,423	94.82 %	\$ 737,056
2008	402,352	470,168	85.58	659,505
2007	386,150	417,478	92.50	571,663
2006	312,343	400,261	78.03	543,271
2005	-	376,670	-	456,458
2004	295,239	339,791	86.89	79,458
2003	323,479	316,680	102.15	67,255

Village of Harwood Heights, Illinois
General Fund
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes	\$ 3,823,767	\$ 2,882,366	\$ (941,401)
Intergovernmental	2,892,501	1,807,618	(1,084,883)
Licenses and permits	343,700	331,577	(12,123)
Fines	358,001	272,630	(85,371)
Charges for services	41,001	17,954	(23,047)
Investment income	20,000	4,233	(15,767)
Miscellaneous	1,105,902	82,150	(1,023,752)
Total revenues	<u>8,584,872</u>	<u>5,398,528</u>	<u>(3,186,344)</u>
Expenditures			
Current			
General government	1,804,702	1,550,550	(254,152)
Public safety	4,094,552	3,932,032	(162,520)
Public works	887,080	586,863	(300,217)
Debt service (installment note)			
Principal	229,787	230,785	998
Interest	43,913	43,189	(724)
Capital outlay	827,247	188,304	(638,943)
Total expenditures	<u>7,887,281</u>	<u>6,531,723</u>	<u>(1,355,558)</u>
Net change in fund balance	\$ <u>697,591</u>	(1,133,195)	\$ <u>(1,830,786)</u>
Fund balance			
Beginning of year		<u>2,063,333</u>	
End of year		\$ <u>930,138</u>	

Village of Harwood Heights, Illinois

Motor Fuel Tax Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

Year Ended April 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues			
Intergovernmental			
State of Illinois motor fuel tax	\$ 240,000	\$ 216,512	\$ (23,488)
Investment income	<u>6,000</u>	<u>6,367</u>	<u>367</u>
Total revenues	<u>246,000</u>	<u>222,879</u>	<u>(23,121)</u>
Expenditures			
Public works			
Streets and lighting			
Maintenance and alleys	1	-	(1)
Street repair projects	<u>100,000</u>	<u>6,274</u>	<u>(93,726)</u>
Total public works	<u>100,001</u>	<u>6,274</u>	<u>(93,727)</u>
CDBG match grant	50,000	-	(50,000)
Loan repayment to General Fund	<u>276,118</u>	<u>-</u>	<u>(276,118)</u>
Total expenditures	<u>426,119</u>	<u>6,274</u>	<u>(419,845)</u>
Excess (deficiency) of revenues over expenditures	(180,119)	216,605	396,724
Other financing sources (uses)			
Transfer out	<u>276,474</u>	<u>-</u>	<u>(276,474)</u>
Net change in fund balance	\$ <u>96,355</u>	216,605	\$ <u>120,250</u>
Fund balance			
Beginning of year		<u>145,239</u>	
End of year		\$ <u>361,844</u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2009

NOTE A - BUDGETARY DATA

The Village prepares its appropriation ordinance in accordance with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Motor Fuel Tax Fund, Emergency Telephone System Fund, General Obligation Bond Funds, Special Service Area Bond Proceeds Fund, Special Service Area Debt Service Fund, and the Water and Sewer Fund. The Village does not prepare a budget for the Criminal Investigation Fund, or the Grant Fund. The annual appropriations lapse at fiscal year-end. There were no amendments to the fiscal year 2009 appropriations.

1. Within ninety days of the start of the fiscal year, the annual appropriation ordinance is presented for adoption 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.
2. 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.
3. 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.
4. Final action to adopt the appropriation for the year ended April 30 is taken by the Village Board before July 31.
5. The Board may subsequently transfer appropriated amounts to other appropriations, but may not increase overall appropriation of an individual fund without the passage of a supplemental appropriation.
6. The legal level of budgetary control is at the fund level.

NOTE B - EXPENDITURES IN EXCESS OF BUDGET

The following fund had expenditures in excess of the budget:

	<u>Variance</u>
Emergency Telephone System Fund	\$ 30,646

SUPPLEMENTARY INFORMATION

Major Governmental Funds

The General Fund is the primary operating fund for governmental activities that are not accounted for in any other fund.

The Motor Fuel Tax (MFT) Fund is a special revenue fund and is used to account for the use of resources which are provided by the state of Illinois specifically for the improvement of streets through a tax on motor fuel.

The Special Service Area Bond Proceeds Fund is a capital projects fund and is used to account for the bond proceeds issued for the purpose of constructing various capital improvements within the special service area.

The Grant Fund is a capital projects fund and is used to account for the use of resources provided by other governmental agencies for specific public works or capital improvement projects.

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL

Year Ended April 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues			
Taxes			
Property			
General	\$ 1,000,000	\$ 713,536	\$ (286,464)
Police pension	430,067	514,335	84,268
Total property taxes	<u>1,430,067</u>	<u>1,227,871</u>	<u>(202,196)</u>
Other taxes			
Home rule sales tax	885,000	628,333	(256,667)
Video rental tax	2,500	33,084	30,584
Utility	600,000	472,099	(127,901)
Telecommunications	255,000	268,699	13,699
Pull tab	1,200	-	(1,200)
Real estate transfer tax	650,000	252,280	(397,720)
Total other taxes	<u>2,393,700</u>	<u>1,654,495</u>	<u>(739,205)</u>
Total taxes	<u>3,823,767</u>	<u>2,882,366</u>	<u>(941,401)</u>
Intergovernmental revenues			
Taxes			
Personal property replacement tax	10,000	8,094	(1,906)
Sales tax	1,100,000	881,234	(218,766)
State income tax	765,000	755,980	(9,020)
State local use tax	110,000	117,082	7,082
MFT tax transfers	1	-	(1)
Roads and bridges	26,000	25,441	(559)
Grants			
CMAQ Union Ridge	-	15,466	15,466
IDOT Police reimbursement	7,500	4,321	(3,179)
ITEP grant	474,000	-	(474,000)
FAA grant	400,000	-	(400,000)
Total intergovernmental revenues	<u>2,892,501</u>	<u>1,807,618</u>	<u>(1,084,883)</u>
			(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (continued)			
Licenses and permits			
Business licenses	\$ 75,000	\$ 76,349	\$ 1,349
Liquor licenses	37,500	33,075	(4,425)
Overweight truck permits	1,500	660	(840)
Building permits	75,000	64,400	(10,600)
Sewer permits	10,000	2,880	(7,120)
Plumbing permits	10,000	8,130	(1,870)
Electrical permits	10,000	22,129	12,129
Sign permits	500	-	(500)
Elevator inspections	3,000	2,075	(925)
Building inspections	5,000	3,175	(1,825)
Fence permits	1,000	700	(300)
Franchise fees	55,000	57,874	2,874
Dog tags	200	227	27
Vehicle licenses	60,000	59,903	(97)
Total licenses and permits	343,700	331,577	(12,123)
Fines			
Code enforcement fines	1	-	(1)
Traffic	225,000	212,304	(12,696)
Overweight trucks	30,000	-	(30,000)
Driving under the influence (DUI)	3,000	3,826	826
Vehicle Impound Fees	100,000	56,500	(43,500)
Total fines	358,001	272,630	(85,371)
Charges for services			
Youth program fees	16,500	12,630	(3,870)
Hearing fees	2,500	-	(2,500)
Village Hearing Office	1	-	(1)
Escrow bond forfeiture	500	-	(500)
Police reports	1,500	1,780	280
Rental	5,500	3,544	(1,956)
			(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (continued)			
Charges for services (continued)			
Security camera donation	\$ 10,000	\$ -	\$ (10,000)
False alarm fees	4,500	-	(4,500)
Total charges for services	41,001	17,954	(23,047)
Investment income			
Interest	20,000	4,233	(15,767)
Miscellaneous revenues			
Reimbursements			
Workers' compensation	15,000	19,418	4,418
Maintenance staff	220,000	-	(220,000)
Office staff	110,000	-	(110,000)
Insurance	5,000	12,466	7,466
Personnel	25,000	24,379	(621)
Development fees	20,000	1,560	(18,440)
Plan Review	2,000	-	(2,000)
Transfer from Fund Balance	1	-	(1)
Land and Equipment Sales	1	-	(1)
CDBG - Side Streets	100,000	-	(100,000)
CMAQ - Union Ridge	82,400	-	(82,400)
CMAQ - Lawrence Avenue	200,000	-	(200,000)
STP - Lawrence Avenue	250,000	-	(250,000)
AT&T Infrastructure Maintenance	10,000	12,000	2,000
IDOT Helper Bus Grant	58,000	-	(58,000)
Special event fees	1,000	-	(1,000)
Other miscellaneous	7,500	12,327	4,827
Total miscellaneous revenues	1,105,902	82,150	(1,023,752)
Total revenues	\$ 8,584,872	\$ 5,398,528	\$ (3,186,344)

(Concluded)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL

Year Ended April 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Expenditures			
General government			
General management and support			
General administration	\$ 334,078	\$ 292,792	\$ (41,286)
Law department	93,748	149,234	55,486
Finance	446,193	323,369	(122,824)
Building	<u>110,318</u>	<u>108,777</u>	<u>(1,541)</u>
Total general management and support	<u>984,337</u>	<u>874,172</u>	<u>(110,165)</u>
Recreation and cultural opportunities	<u>247,627</u>	<u>162,844</u>	<u>(84,783)</u>
Health	<u>522,738</u>	<u>513,534</u>	<u>(9,204)</u>
Budget contingencies	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Total general government	<u>1,804,702</u>	<u>1,550,550</u>	<u>(254,152)</u>
Public safety			
Police	<u>4,094,552</u>	<u>3,932,032</u>	<u>(162,520)</u>
Public works			
Forestry	36,400	33,768	(2,632)
Streets and lights	849,930	553,095	(296,835)
Truck weight regulation	<u>750</u>	<u>-</u>	<u>(750)</u>
Total public works	<u>887,080</u>	<u>586,863</u>	<u>(300,217)</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Expenditures (continued)			
Debt service (installment note)			
Principal	\$ 229,787	\$ 230,785	\$ 998
Interest and fiscal charges	<u>43,913</u>	<u>43,189</u>	<u>(724)</u>
Total debt service	<u>273,700</u>	<u>273,974</u>	<u>274</u>
Capital outlay			
Village properties	<u>827,247</u>	<u>188,304</u>	<u>(638,943)</u>
Total expenditures	<u>\$ 7,887,281</u>	<u>\$ 6,531,723</u>	<u>\$ (1,355,558)</u>

(Concluded)

Village of Harwood Heights, Illinois
Special Service Area Bond Proceeds Fund
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Investment income	\$ 72,000	\$ 27,787	\$ (44,213)
Total revenues	72,000	27,787	(44,213)
Expenditures			
Current			
General government			
SSA administration	25,000	8,135	(16,865)
Public Works			
Landscaping, trees, and furnishings	313,000	-	(313,000)
Capital outlay			
Pedestrian and street level lighting	100,000	-	(100,000)
Sidewalk and crosswalk accent paving	510,000	239,977	(270,023)
Parallel parking lane and bulb outs	1,586,900	84,555	(1,502,345)
Underground electric utilities	470,000	29,347	(440,653)
Water main replacement project	-	(99,488)	(99,488)
Storm sewer connection at Olcott	266,000	522,127	256,127
Engineering	236,179	88,560	(147,619)
Underground utilities	772,327	665,331	(106,996)
Capitalized interest	-	-	-
Total capital outlay	3,941,406	1,530,409	(2,410,997)
Total expenditures	4,279,406	1,538,544	(2,740,862)
Net change in fund balance	\$ (4,207,406)	(1,510,757)	\$ 2,696,649
Fund balance			
Beginning of year		1,937,628	
End of year		\$ 426,871	

Nonmajor Governmental Funds

The Emergency Telephone System Fund is a special revenue fund and is used to account for the use of revenues provided by network connection surcharges and state grants specifically collected for 911 emergency telephone services.

The Criminal Investigation Fund is a special revenue fund and is used to account for the use of resources specifically designated for police department investigations dealing with illegal drug and narcotic trafficking. Revenues are generally derived from seized monies and property.

The General Obligation Bond Fund is a debt service fund and is used to account for the debt service payments required by the \$3,500,000 Series 2003 general obligation bonds, the \$490,000 Series 2006A general obligation bonds, and the \$2,510,000 Series 2006B general obligation bonds.

The Special Service Area Debt Service Fund is a debt service fund used to account for the resources accumulated and payments made for principal and interest on long-term special service area debt.

Village of Harwood Heights, Illinois

Nonmajor Governmental Funds COMBINING BALANCE SHEET Year Ended April 30, 2009

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		Total
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>General Obligation Bonds</u>	<u>SSA Debt Service</u>	<u>Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 50,175	\$ 20,161	\$ 3,482	\$ 241,572	\$ 315,390
Receivables (net of allowances)					
Property taxes	-	-	204,912		204,912
Other	2,925	-	-	1,136	4,061
Due from					
Other funds	-	-	351,494		351,494
Total assets	<u>\$ 53,100</u>	<u>\$ 20,161</u>	<u>\$ 559,888</u>	<u>\$ 242,708</u>	<u>\$ 875,857</u>
LIABILITIES					
Accounts payable	\$ -	\$ 2,032	\$ -	\$ -	\$ 2,032
Unearned revenue			204,912	-	204,912
Due to other funds	<u>4,005</u>	<u>-</u>	<u>-</u>	<u>65,544</u>	<u>69,549</u>
Total liabilities	<u>4,005</u>	<u>2,032</u>	<u>204,912</u>	<u>65,544</u>	<u>276,493</u>
FUND BALANCE					
Reserved for					
Debt service	-	-	354,976	177,164	532,140
Public safety	<u>49,095</u>	<u>18,129</u>	<u>-</u>	<u>-</u>	<u>67,224</u>
Total fund balance	<u>49,095</u>	<u>18,129</u>	<u>354,976</u>	<u>177,164</u>	<u>599,364</u>
Total liabilities and fund balances	<u>\$ 53,100</u>	<u>\$ 20,161</u>	<u>\$ 559,888</u>	<u>\$ 242,708</u>	<u>\$ 875,857</u>

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended April 30, 2009

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Total</u>
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>General Obligation Bonds</u>	<u>SSA Debt Service</u>	<u>Nonmajor Governmental Funds</u>
Revenues					
Taxes	\$ 98,925	\$ -	\$ 336,922	\$ 429,967	\$ 865,814
Charges for services	-	2,151	-	-	2,151
Investment income	821	59	150	1,542	2,572
Total revenues	<u>99,746</u>	<u>2,210</u>	<u>337,072</u>	<u>431,509</u>	<u>870,537</u>
Expenditures					
Current					
Public safety	105,369	7,250	-	-	112,619
Capital outlay	29,291	-	-	-	29,291
Miscellaneous	-	-	-	14,991	14,991
Debt service					
Principal	-	-	-	115,000	115,000
Interest	-	-	105,890	124,354	230,244
Total expenditures	<u>134,660</u>	<u>7,250</u>	<u>105,890</u>	<u>254,345</u>	<u>502,145</u>
Net change in fund balance	(34,914)	(5,040)	231,182	177,164	368,392
Fund balance					
Beginning of year	84,009	23,169	123,794	-	230,972
End of year	<u>\$ 49,095</u>	<u>\$ 18,129</u>	<u>\$ 354,976</u>	<u>\$ 177,164</u>	<u>\$ 599,364</u>

Village of Harwood Heights, Illinois
Emergency Telephone System Fund
SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended April 30, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues			
Taxes			
911 tax	\$ 120,000	\$ 98,925	\$ (21,075)
Investment income	<u>1,000</u>	<u>821</u>	<u>(179)</u>
Total revenues	<u>121,000</u>	<u>99,746</u>	<u>(21,254)</u>
Expenditures			
Public safety			
Telephone	11,589	16,956	5,367
Seminars and conferences	1,600	1,639	39
Maintenance	-	8,397	8,397
Bank fees	250	147	(103)
Service contracts	47,219	64,332	17,113
L.E.A.D.S. access	10,500	13,622	3,122
Miscellaneous	1	39	38
Dues and subscriptions	<u>607</u>	<u>237</u>	<u>(370)</u>
Total public safety	71,766	105,369	33,603
Capital outlay			
Other equipment	<u>32,248</u>	<u>29,291</u>	<u>(2,957)</u>
Total expenditures	<u>104,014</u>	<u>134,660</u>	<u>30,646</u>
Net change in fund balance	\$ <u>16,986</u>	(34,914)	\$ <u>(51,900)</u>
Fund balance			
Beginning of year		<u>84,009</u>	
End of year		<u>\$ 49,095</u>	

PROPRIETARY FUND

Enterprise Fund

The Water and Sewer Fund is an enterprise fund used to account for the service-related revenues charged to provide water and sewer services to customers and to fund the related expenses.

Village of Harwood Heights, Illinois
Water and Sewer Fund
SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL
Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Operating revenues			
Charges for sales and services			
Water sales	\$ 808,500	\$ 872,296	\$ 63,796
Sewer fees	250,000	249,680	(320)
Water taps	7,500	1,000	(6,500)
Meter sales	22,000	15,382	(6,618)
Water miscellaneous	5,000	2,272	(2,728)
Total charges for sales and services	1,093,000	1,140,630	47,630
Penalties	25,000	33,787	8,787
Total operating revenues	1,118,000	1,174,417	56,417
Nonoperating revenues			
Antenna leasing	25,600	27,163	1,563
Interest income	35,000	13,904	(21,096)
Community Development Block Grant (CDBG)	65,000	-	(65,000)
Total nonoperating revenues	125,600	41,067	(84,533)
Total revenues	\$ 1,243,600	\$ 1,215,484	\$ (28,116)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses			
Personal services			
Water Commissioner	\$ 6,600	\$ 6,600	\$ -
Collector	900	900	-
Meter reading	14,000	13,880	(120)
Services - maintenance men	220,000	220,000	-
Services - office clerks	110,000	110,000	-
Security	4,000	2,939	(1,061)
Fica taxes	1,576	1,567	(9)
Unemployment tax	392	432	40
Total personal services	357,468	356,318	(1,150)
Commodities			
Office Supplies	8,000	1,144	(6,856)
Building maintenance supplies	1,000	40	(960)
Vehicle gas and oil	8,500	10,827	2,327
Purchase of water	432,000	498,439	66,439
Electric power and gas	35,000	4,796	(30,204)
Chlorine	800	844	44
Pump room supplies	1,000	77	(923)
Outside maintenance supplies	10,000	16,513	6,513
Hydrant parts	1,500	150	(1,350)
New meter purchases	100,000	74,880	(25,120)
Uniforms	2,000	999	(1,001)
Water supplies - miscellaneous	1,000	2,560	1,560
Total commodities	600,800	611,269	10,469
Other services			
City of Chicago sewer fees	147,736	150,146	2,410
Insurance - workers' compensation	9,000	8,375	(625)

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Other services (continued)			
Telephone	\$ 4,000	\$ 5,218	\$ 1,218
Postage	7,200	5,500	(1,700)
Legal fees	100	6,712	6,612
Water engineering fees	60,000	8,115	(51,885)
Water testing	10,000	6,051	(3,949)
Dues, lectures, and conference fees	2,500	1,185	(1,315)
Auditing	6,500	-	(6,500)
Computer service	1,200	2,701	1,501
Street, sidewalk, and parkway repair	10,000	5,011	(4,989)
Main testing and maintenance	1,500	5,140	3,640
Office equipment maintenance	500	-	(500)
Buildings and grounds maintenance	2,000	-	(2,000)
Reservoir and tower maintenance	10,000	12,602	2,602
Equipment maintenance	2,000	3,191	1,191
Vehicle repair and maintenance	5,000	4,459	(541)
Outside service - breaks	1	218	217
Outside service - taps	2,000	2,500	500
Water service - miscellaneous	500	159	(341)
Sewer maintenance and repair	5,000	731	(4,269)
Sewer - engineering fees	-	1,000	1,000
Single family flood relief grant	5,000	9,000	4,000
Insurance-property, liability, and auto	6,000	5,583	(417)
Fire hydrant installation	3,000	-	(3,000)
Total other services	300,737	243,597	(57,140)

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL

Year Ended April 30, 2009

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Capital outlay			
Office furniture and equipment	\$ 1,000	\$ -	\$ (1,000)
Building improvements	1	-	(1)
Vehicles	1	-	(1)
Other equipment purchases	1	1,091	1,090
Capital lease payment	802	-	(802)
MIS Renovation	1	-	(1)
Pump room equipment	15,000	2,150	(12,850)
Water distribution phase II	1	(191)	(192)
Water main capital improvement I	1	-	(1)
Water main capital improvement II	1	-	(1)
Wilson Avenue water main	1	-	(1)
Narragansett water service grant	1	-	(1)
Total capital outlay	16,811	3,050	(13,761)
Bad debt expense	-	70,404	70,404
Depreciation	1	66,867	66,866
Total operating expenses	\$ 1,275,817	\$ 1,351,505	\$ 75,688
Other financing sources (uses)			
Transfer out	\$ (650,298)	\$ -	\$ 650,298
Transfer in	682,515	-	(682,515)
Total other financing sources (uses)	\$ 32,217	\$ -	\$ (32,217)

(Concluded)

FIDUCIARY FUND

Agency Fund

The Special Assessments Agency Fund is used to account for the assets, liabilities, and the changes that belong to the special assessment area.

Village of Harwood Heights, Illinois
Fiduciary Fund
Special Assessments Agency Fund
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended April 30, 2009

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ 48,620	\$ 543	\$ -	\$ 49,163
Short-term investments	70,897	2,103	-	73,000
Receivables				
Special assessments	<u>3,147</u>	<u>-</u>	<u>-</u>	<u>3,147</u>
Total assets	\$ <u>122,664</u>	\$ <u>2,646</u>	\$ <u>-</u>	\$ <u>125,310</u>
LIABILITIES				
Due to other funds	\$ 24,948	\$ -	\$ -	\$ 24,948
Due to property owners	<u>97,716</u>	<u>2,646</u>	<u>-</u>	<u>100,362</u>
Total liabilities	\$ <u>122,664</u>	\$ <u>2,646</u>	\$ <u>-</u>	\$ <u>125,310</u>

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