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COMPTROLLER L.G.A.D.

**The Village of  
Harwood Heights, Illinois**

**Annual Financial Report**

**Year Ended April 30, 2011**

CPA/AUDIT  
REVIEWED

JUL 26 2012

By km  
COMPTROLLER L.G.A.D.

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**Village of Harwood Heights, Illinois**  
**ANNUAL FINANCIAL REPORT**  
Year Ended April 30, 2011

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## INTRODUCTORY SECTION

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**Village of Harwood Heights**  
**PRINCIPAL OFFICIALS**  
**Year Ended April 30, 2011**

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Arlene Jeziorny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

**Board of Trustees**

Demetrios Mougolias

Lester Szlendak

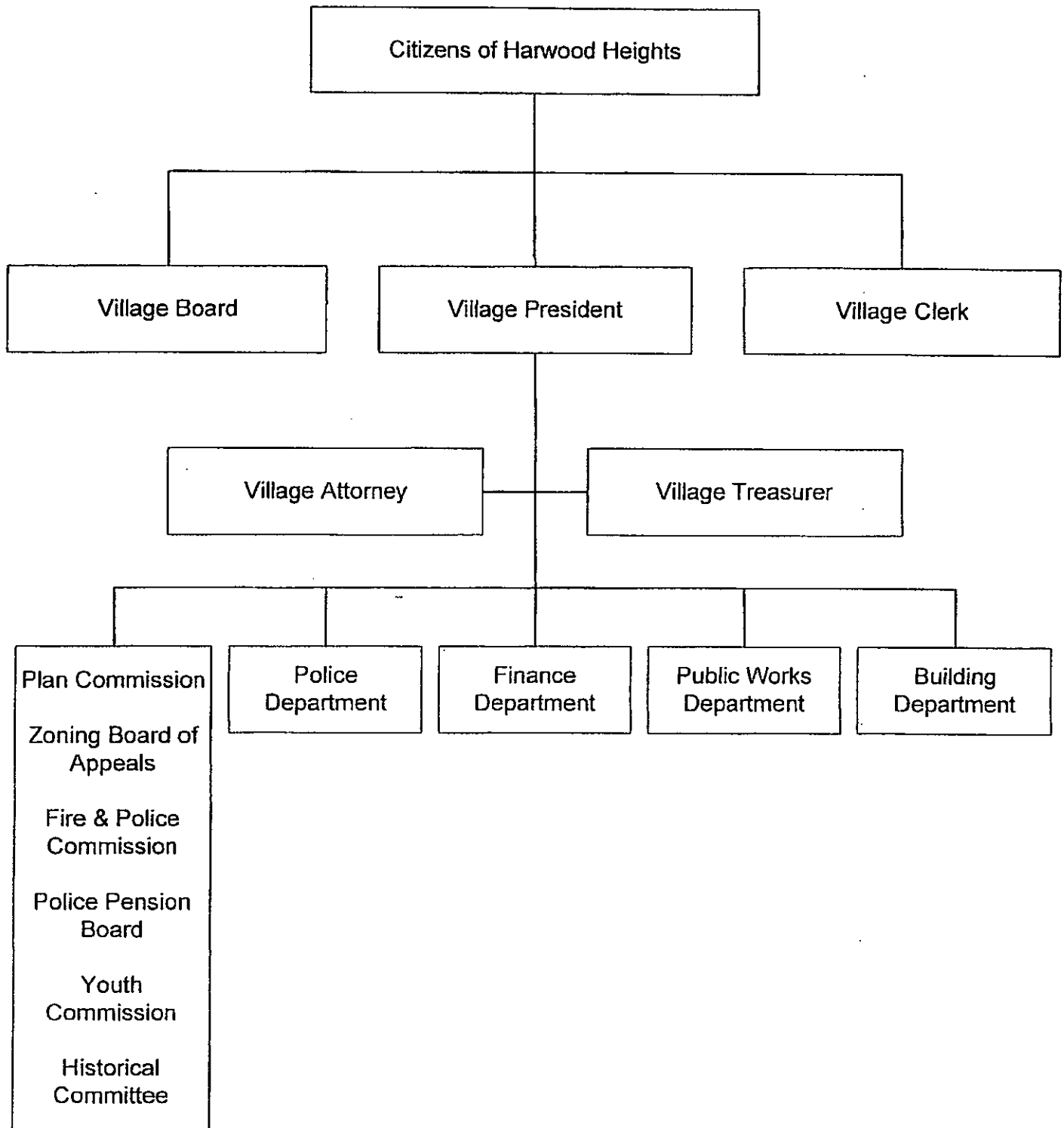
Michael Gadzinski

Mark Dobrzycki

Lawrence Steiner

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, 2011, 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 provides 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, 2011, and the respective changes in the 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)

To the Mayor and Board of Trustees  
Village of Harwood Heights, Illinois

(Continued)

The management's discussion and analysis on pages 3 through 12 and the budgetary comparison information and the Police Pension Funds, Illinois Municipal Retirement, and Other Postemployment Benefits required supplementary information on pages 64 through 70 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  
February 10, 2012

**Village of Harwood Heights, Illinois**  
**Management's Discussion and Analysis**  
**April 30, 2011**

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 2011 by \$9,572,442, including \$7,541,273 in capital assets, net of related debt.
- At the close of Fiscal Year 2011, the Village's governmental funds reported combined ending fund balances of \$3,961,376. Approximately 50%, or \$1,977,498, of the total fund balance is categorized as General Fund unreserved, undesignated fund balances.
- At the end of Fiscal Year 2011, the unreserved, undesignated portion of the General Fund balance was \$1,977,498, or approximately 30% 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 \$671,861 during Fiscal Year 2011.

**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 13 through 15, 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.

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 2011.

## **Fund Financial Statements**

The fund financial statements on pages 16 through 24 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 basis of 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 18) and the change in net assets of governmental activities (as reported in the Statement of Activities, pages 14 and 15) is a part of the fund financial statements and is found on page 18.

The Village of Harwood Heights adopts an annual, fiscal year appropriation ordinance for its General Fund, Grant Fund, Water and Sewer Fund, Motor Fuel Tax Fund, Emergency Telephone System Fund, General Obligation Bond 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, Motor Fuel Tax Fund, Special Service Area Bond Proceeds Fund, Emergency Telephone System Fund, and Water and Sewer 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 2011 is found on page 68 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 27 through 63 inclusive provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the previously described basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Village's pension obligations to its employees and General Fund and Motor Fuel Tax Funds appropriations to actual comparisons, as found on pages 65 through 68, inclusive. Other supplementary information on pages 71 through 84, 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 84. A schedule of changes in fund balance of the last five years of governmental funds is on page 85. A schedule of net assets by component for the last five years is on page 86.

### **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 \$9,572,442 as of April 30, 2011. However, the majority, about 73%, 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 \$1,048,258 and unrestricted net assets for business-type activities, which can be used to finance day-to-day operations, were \$940,031.

**Condensed Statements of Changes in Net Assets-Fiscal Years 2010 and 2011**

	<b>Governmental Activities</b>		<b>Business-Type Activity</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
Current/ Other Assets	\$ 3,904,234	\$ 5,099,251	\$ 631,796	\$ 1,005,234	\$ 4,536,030	\$ 6,104,485
Capital Assets	11,933,519	11,603,588	1,521,821	1,457,257	13,455,340	13,060,845
<b>Total Assets</b>	<b>15,837,753</b>	<b>16,702,839</b>	<b>2,153,617</b>	<b>2,462,491</b>	<b>17,991,370</b>	<b>19,165,330</b>
Current/Other Liabilities	2,173,901	1,798,196	(182,441)	65,203	1,991,460	1,863,399
Long-term liabilities	7,056,448	7,729,489	-	-	7,056,448	7,729,489
<b>Total Liabilities</b>	<b>9,230,349</b>	<b>9,527,685</b>	<b>(182,441)</b>	<b>65,203</b>	<b>9,047,908</b>	<b>9,592,888</b>
Investment in capital assets-net of related debt	5,837,274	6,084,016	1,508,067	1,457,257	7,345,341	7,541,273
Restricted Net Assets	996,642	2,139,396	-	-	996,642	2,139,396
Unrestricted Net Assets	(226,512)	(1,048,258)	827,991	940,031	601,479	(108,227)
<b>Total Net Assets</b>	<b>\$ 6,607,404</b>	<b>\$ 7,175,154</b>	<b>\$ 2,336,058</b>	<b>\$ 2,397,288</b>	<b>\$ 8,943,462</b>	<b>\$ 9,572,442</b>

**Condensed Statements of Changes in Net Assets-Fiscal Years 2010 and 2011**

	<b>Governmental Activities</b>		<b>Business-Type Activity</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$1,518,489	\$1,943,542	\$1,272,705	\$1,381,053	\$2,791,194	\$3,324,595
Operating Grants/Contributions	293,891	-	-	-	293,891	-
Capital Grants/Contributions	-	-	-	-	-	-
<b>General Revenues</b>						
Taxes	3,630,111	3,856,463	-	-	3,630,111	3,856,463
Investment Income	10,075	7,553	898	311	10,973	7,864
Transfers	(23,238)	20,985	-	-	(23,238)	20,985
Intergovernmental	2,133,644	2,503,350	-	-	2,133,644	2,503,350
<b>Total Revenues</b>	<b>7,562,972</b>	<b>8,331,893</b>	<b>1,273,603</b>	<b>1,381,364</b>	<b>8,836,575</b>	<b>9,713,257</b>
<b>Expenses</b>						
<b>General Government</b>						
General Government	1,752,371	1,392,519	-	-	1,752,371	1,392,519
Public Safety	4,240,091	4,234,766	-	-	4,240,091	4,234,766
Public Works	1,196,606	1,872,095	-	-	1,196,606	1,872,095
Interest	256,607	264,763	-	-	256,607	264,763
Water	-	-	1,274,469	1,320,134	1,274,469	1,320,134
<b>Total Expenses</b>	<b>7,445,675</b>	<b>7,764,143</b>	<b>1,274,469</b>	<b>1,320,134</b>	<b>8,720,144</b>	<b>9,084,277</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$117,297</b>	<b>\$567,750</b>	<b>(\$866)</b>	<b>\$61,230</b>	<b>\$116,431</b>	<b>\$628,980</b>
<b>Net Assets-April 30, 2010</b>	<b>\$ 6,607,404</b>			<b>\$ 2,336,058</b>		<b>\$ 8,943,462</b>
<b>Net Assets-April 30, 2011</b>	<b>\$ 7,175,154</b>			<b>\$ 2,397,288</b>		<b>\$ 9,572,442</b>



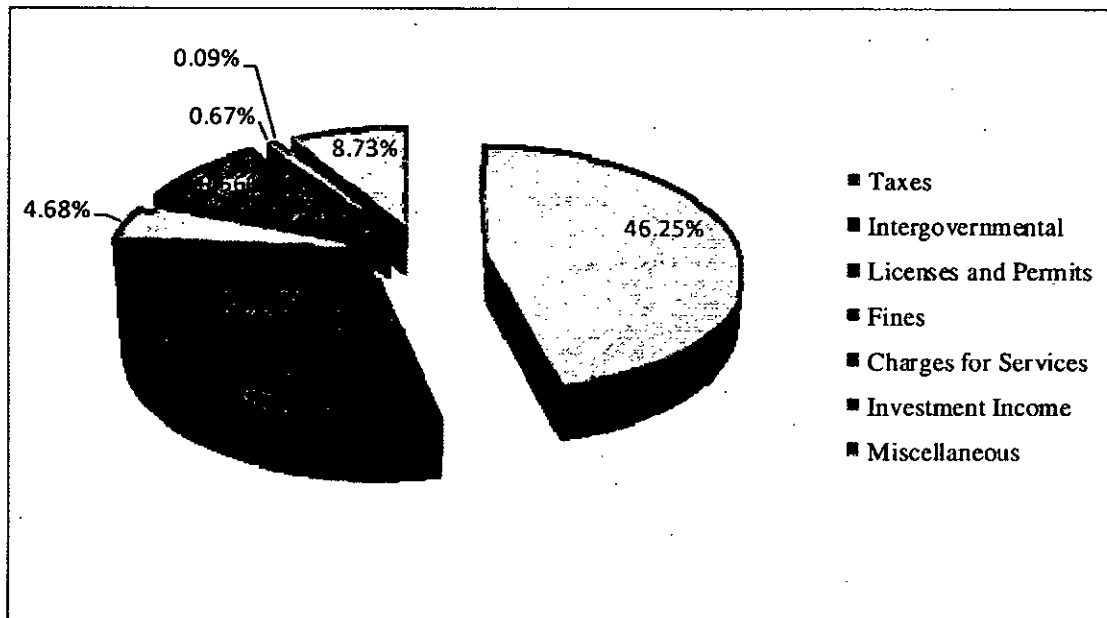
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## Revenues and Expenses

### **Governmental Revenues**

Governmental revenues totaled approximately \$8.39 million, with property taxes comprising 33% of all tax revenues for Fiscal Year 2011. State sales tax and home rule sales tax increased by \$275,609 and were the next largest sources of revenue for the period at \$1,005,237 and \$798,484, respectively. The overall increase in sales taxes compared to Fiscal Year 2010 can be attributed to an upturn in our local economy. State income taxes, a state-shared revenue, totaled \$646,889 for the fiscal year, approximately a 2% decrease from the previous year. Utility taxes generated \$432,047 in revenues, a 13% increase. Village licenses and permit fees totaled \$390,189, an increase of 38%.

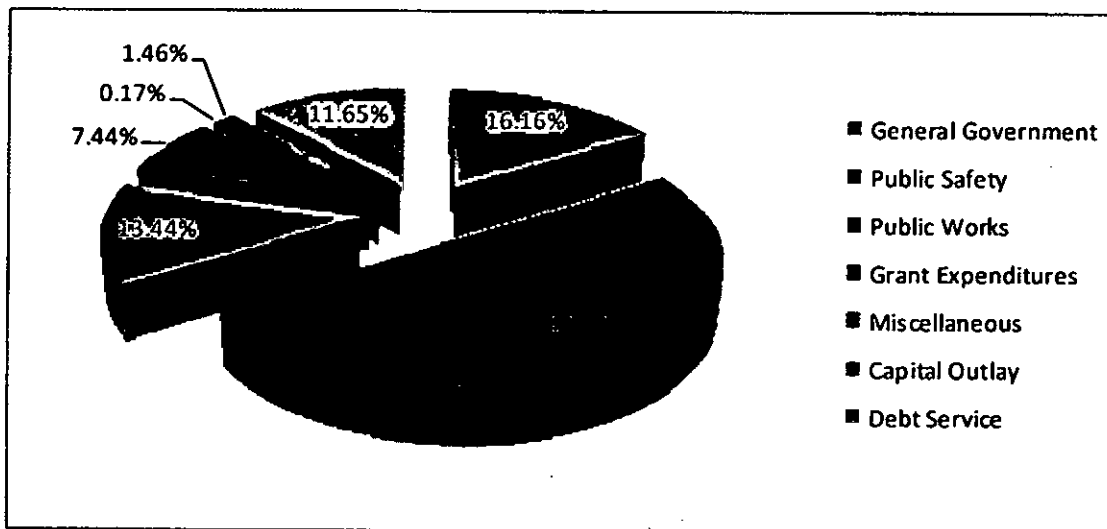
**FY2011 Governmental Revenue Sources**



### Governmental Expenses

Governmental activities expended approximately \$7.91 million during Fiscal Year 2011. Those expenses include public safety, public works, general government, and debt service. Public safety expenses of \$3.93 million comprised the largest expenditure and include police department operating expenses. General government expenses totaled \$1,278,370, 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 \$1,062,923, and debt service totaled \$921,238.

**FY2011 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 2011 were \$1,341,773. Revenues for water taps, meter sales, and miscellaneous revenues totaled \$10,117. Non-operating income of \$29,474 was produced by investment income and antenna leasing. Total operating expenses were \$1,320,134, which includes \$582,603 for water purchased and \$178,509 for sewer fees paid to the City of Chicago. Personal services of \$345,430 were provided by public works and administration employees. Additional expenses were \$640,822 for commodities, other services equaling \$228,263, and \$14,510 in capital outlay.

### 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 2011, the Village was not required to amend its appropriation ordinance. The following table compares appropriated amounts and actual Fiscal Year 2011 General Fund revenues and expenditures.

General Fund	FY 2011 Appropriation	FY2011 Actual
Revenues		
Taxes	\$ 2,850,768	\$ 3,122,987
Intergovernmental	1,781,000	1,880,807
Other	2,395,858	1,972,664
Total Revenues	7,027,626	6,976,458
Expenditures	6,996,946	6,528,445
Other Financing Sources	-	1,123,519
Change in Fund Balance	\$ 30,680	1,571,532

Actual Fiscal Year 2011 General Fund revenues were \$51,168 less than appropriated. Actual Fiscal Year 2011 General Fund expenditures were \$468,501 less than appropriated. Most functional expenditures were below their respective appropriated amounts.

### Capital Assets

As of April 30, 2011, the Village of Harwood Heights has a total capital assets investment of \$21,752,029, less accumulated depreciation of \$8,691,184, for a net capital assets investment of \$13,060,845. Those net capital assets are categorized in the governmental activities and business-type activities in the amounts of \$11,603,588 and \$1,457,257, respectively.

Asset Type	FY2010	FY2011
Land	\$ 629,428	\$ 629,428
Buildings	5,136,952	5,009,553
Machinery and Equipment	657,246	587,643
Land Improvements	29,044	26,394
Infrastructure	7,002,670	6,807,827
Total Net Capital Assets	\$13,455,340	\$13,060,845

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

## Major Funds Discussion

The following schedule presents a comparative summary of General Fund revenues and other financing sources between FY 2010 and FY 2011:

Revenues and Other Financing Sources	FY2010	FY2011	% of FY2011 Total	\$ Change from FY2010	% Change from FY2010
Taxes	\$ 2,830,032	\$ 3,122,987	44.76%	\$ 292,955	10.35%
Intergovernmental	2,211,456	1,880,807	26.96%	(330,649)	-14.95%
Licenses and Permits	281,826	390,189	5.59%	108,363	38.45%
Fines	650,526	797,553	11.43%	147,027	22.60%
Charges for Services	102,902	55,642	0.80%	(47,260)	-45.93%
Investment Income	1,081	1,301	0.02%	220	20.35%
Miscellaneous	430,181	727,979	10.43%	297,798	69.23%
<b>Total</b>	<b>\$ 6,508,004</b>	<b>\$ 6,976,458</b>	<b>100 %</b>	<b>\$ 468,454</b>	<b>7.20%</b>

The following schedule presents a comparative summary of General Fund expenditures for FY 2010 and FY 2011:

Expenditures by Program	FY2010	FY2011	% of FY2011 Total	\$ Change from FY2010	% Change from FY2010
General Administration	\$ 78,013	\$ 277,765	4.25%	\$ 199,752	256.05%
Law Department	172,840	227,727	3.49%	54,887	31.76%
Finance	606,783	280,476	4.30%	(326,307)	-53.78%
Buildings	98,489	95,044	1.46%	(3,445)	-3.50%
Recreation	141,384	134,146	2.05%	(7,238)	-5.12%
Health	503,960	36,024	0.55%	(467,936)	-92.85%
Budget Contingencies	30,980	227,128	3.48%	196,148	633.14%
Public Safety	3,966,298	3,798,569	58.18%	(167,729)	-4.23%
Public Works	525,617	971,728	14.88%	446,111	84.87%
Debt Service	273,700	313,853	4.81%	40,153	14.67%
Capital Outlay	310,377	115,485	1.77%	(194,892)	-62.79%
Grants	100,106	50,500	0.77%	(49,606)	-49.55%
<b>Total</b>	<b>\$ 6,808,547</b>	<b>\$ 6,528,445</b>	<b>100 %</b>	<b>\$ (280,102)</b>	<b>-4.11%</b>

**Debt Administration**

As of April 30, 2011, 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 \$375,000 Series 2006 promissory note payable in monthly installments through December 1, 2011.

**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 have increased from the previous fiscal year and are expected to increase due to new economic development initiatives. Long-range goals include revitalization of the Village's commercial areas and attracting new businesses.

**Requests for Information**

This financial report is intended to provide our citizens, customers, investors, and creditors with a 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.

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## **BASIC FINANCIAL STATEMENTS**



# Village of Harwood Heights, Illinois

## STATEMENT OF NET ASSETS

April 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 2,553,253	\$ 660,744	\$ 3,213,997
Receivables	1,717,159	168,803	1,885,962
Internal balances	(175,687)	175,687	-
Prepaid items	4,526	-	4,526
Land held for resale	1,000,000	-	1,000,000
Noncurrent assets			
Capital assets not being depreciated	629,428	-	629,428
Capital assets, net of accumulated depreciation	<u>10,974,160</u>	<u>1,457,257</u>	<u>12,431,417</u>
Total assets	<u>16,702,839</u>	<u>2,462,491</u>	<u>19,165,330</u>
<b>LIABILITIES</b>			
Current			
Accounts payable	90,207	65,203	155,410
Accrued payroll liabilities	20,651	-	20,651
Deposits payable	47,503	-	47,503
Accrued interest	67,001	-	67,001
Unearned revenue	979,514	-	979,514
Noncurrent liabilities			
Due within one year	593,320	-	593,320
Due in more than one year	<u>7,729,489</u>	<u>-</u>	<u>7,729,489</u>
Total liabilities	<u>9,527,685</u>	<u>65,203</u>	<u>9,592,888</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,084,016	1,457,257	7,541,273
Restricted	2,139,396	-	2,139,396
Unrestricted	<u>(1,048,258)</u>	<u>940,031</u>	<u>(108,227)</u>
Total net assets	<u>\$ 7,175,154</u>	<u>\$ 2,397,288</u>	<u>\$ 9,572,442</u>

The accompanying notes are an integral part of this statement.

**Village of Harwood Heights, Illinois**  
**STATEMENT OF ACTIVITIES**  
Year Ended April 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
Governmental activities			
General government	\$ 1,392,519	\$ 755,800	\$ -
Public safety	4,234,766	797,553	-
Public works	1,872,095	390,189	-
Interest	264,763	-	-
Total governmental activities	<u>7,764,143</u>	<u>1,943,542</u>	<u>-</u>
Business-type activities			
Water and Sewer	<u>1,320,134</u>	<u>1,381,053</u>	<u>-</u>
Total	<u>\$ 9,084,277</u>	<u>\$ 3,324,595</u>	<u>\$ -</u>
General revenues			
Taxes			
Intergovernmental			
Interest			
Transfers - internal activity			
Total general revenues			
Change in net assets			
Net assets - beginning			
Net assets - ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (636,719)	\$ -	\$ (636,719)
(3,437,213)	-	(3,437,213)
(1,481,906)	-	(1,481,906)
<u>(264,763)</u>	<u>-</u>	<u>(264,763)</u>
<u>(5,820,601)</u>	<u>-</u>	<u>(5,820,601)</u>
<u>-</u>	<u>60,919</u>	<u>60,919</u>
<u>(5,820,601)</u>	<u>60,919</u>	<u>(5,759,682)</u>
3,856,463	-	3,856,463
2,503,350	-	2,503,350
7,553	311	7,864
<u>20,985</u>	<u>-</u>	<u>20,985</u>
<u>6,388,351</u>	<u>311</u>	<u>6,388,662</u>
567,750	61,230	628,980
<u>6,607,404</u>	<u>2,336,058</u>	<u>8,943,462</u>
<u>\$ 7,175,154</u>	<u>\$ 2,397,288</u>	<u>\$ 9,572,442</u>

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# Village of Harwood Heights, Illinois

Governmental Funds

## BALANCE SHEET

April 30, 2011

	General	Motor Fuel Tax	Special Service Area Bond Proceeds	General Obligation Bonds Fund	Grant	Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,160,875	\$ 433,180	\$ 332,706	\$ 7,592	\$ 311,635	\$ 307,265	\$ 2,553,253
Receivables, net of allowances							
Property taxes	631,731	-	-	196,189	-	-	827,920
Intergovernmental	592,596	17,124	-	-	-	-	609,720
Other	113,398	-	-	-	164,985	1,136	279,519
Prepays	4,526	-	-	-	-	-	4,526
Due from other funds	986,925	-	-	378,058	-	30,373	1,395,356
Advances to other fund	7,475	-	-	-	-	-	7,475
Land held for resale	1,000,000	-	-	-	-	-	1,000,000
<b>Total assets</b>	<b>\$ 4,497,526</b>	<b>\$ 450,304</b>	<b>\$ 332,706</b>	<b>\$ 581,839</b>	<b>\$ 476,620</b>	<b>\$ 338,774</b>	<b>\$ 6,677,769</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 88,175	\$ -	\$ -	\$ -	\$ -	\$ 2,032	\$ 90,207
Accrued payroll liabilities	20,651	-	-	-	-	-	20,651
Deposits payable	47,503	-	-	-	-	-	47,503
Advances from other fund	-	7,475	-	-	-	-	7,475
Due to other funds	572,899	-	330,564	-	639,613	27,967	1,571,043
Due to Police Pension Fund	-	-	-	-	-	-	-
Unearned revenue	783,325	-	-	196,189	-	-	979,514
<b>Total liabilities</b>	<b>1,512,553</b>	<b>7,475</b>	<b>330,564</b>	<b>196,189</b>	<b>639,613</b>	<b>29,999</b>	<b>2,716,393</b>
<b>Fund balances</b>							
<b>Reserved for:</b>							
Advances to other fund	7,475	-	-	-	-	-	7,475
Land held for resale	1,000,000	-	-	-	-	-	1,000,000
Capital projects	-	-	2,142	-	-	-	2,142
Debt service	-	-	-	385,650	-	257,477	643,127
Special revenue	-	442,829	-	-	-	51,298	494,127
Unreserved - undesignated	1,977,498	-	-	-	(162,993)	-	1,814,505
<b>Total fund balance (deficit)</b>	<b>2,984,973</b>	<b>442,829</b>	<b>2,142</b>	<b>385,650</b>	<b>(162,993)</b>	<b>308,775</b>	<b>3,961,376</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,497,526</b>	<b>\$ 450,304</b>	<b>\$ 332,706</b>	<b>\$ 581,839</b>	<b>\$ 476,620</b>	<b>\$ 338,774</b>	<b>\$ 6,677,769</b>

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, 2011

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

Total fund balance - governmental funds	\$ 3,961,376
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,603,588
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>(8,389,810)</u>
Net assets - governmental activities	\$ <u><u>7,175,154</u></u>

# Village of Harwood Heights, Illinois

## Governmental Funds

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended April 30, 2011

	General Fund	Motor Fuel Tax Fund	Special Service Area Bond Proceeds Fund	General Obligation Bonds Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 3,122,987	\$ -	\$ -	\$ 375,273	\$ -	\$ 358,203	\$ 3,856,463
Intergovernmental	1,880,807	249,961	-	-	372,582	-	2,503,350
Licenses and permits	390,189	-	-	-	-	-	390,189
Fines	797,553	-	-	-	-	-	797,553
Charges for services	55,642	-	-	-	-	-	55,642
Investment income	1,301	458	3,232	141	351	2,070	7,553
Miscellaneous	1,072,979	-	-	-	-	-	1,072,979
<b>Total revenues</b>	<b>7,321,458</b>	<b>250,419</b>	<b>3,232</b>	<b>375,414</b>	<b>372,933</b>	<b>360,273</b>	<b>8,683,729</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	1,403,314	-	60	-	-	-	1,403,374
Public safety	3,798,569	-	-	-	-	131,390	3,929,959
Public works	1,191,724	91,195	-	-	-	-	1,282,919
Grant expenditures	50,500	-	-	-	538,246	-	588,746
Miscellaneous	-	-	1,030	929	-	11,232	13,191
Capital outlay	115,485	-	-	-	-	343	115,828
Debt service							
Principal	257,510	-	-	270,000	-	125,000	652,510
Interest	56,343	-	-	97,603	-	115,482	269,428
<b>Total expenditures</b>	<b>6,873,445</b>	<b>91,195</b>	<b>1,090</b>	<b>368,532</b>	<b>538,246</b>	<b>383,447</b>	<b>8,255,955</b>
<b>Other financing sources</b>							
Loan proceeds	1,102,534	-	-	-	-	-	1,102,534
Transfer in	20,985	-	-	-	-	-	20,985
<b>Total other financing sources</b>	<b>1,123,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,123,519</b>
<b>Net change in fund balances</b>	<b>1,571,532</b>	<b>159,224</b>	<b>2,142</b>	<b>6,882</b>	<b>(165,313)</b>	<b>(23,174)</b>	<b>1,551,293</b>
<b>Fund balance (deficit)</b>							
Beginning of year	1,441,262	283,605	-	378,768	2,320	331,949	2,437,904
End of year	\$ 3,012,794	\$ 442,829	\$ 2,142	\$ 385,650	\$ (162,993)	\$ 308,775	\$ 3,989,197

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, 2011

---

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

Net change in fund balances - total governmental funds	\$ 1,551,293
activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay.	(329,931)
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>(625,791)</u>
Change in net assets - governmental activities	<u>\$ 595,571</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, 2011

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	<u>Business-Type Activity</u>
<b>ASSETS</b>	
Current	
Cash and cash equivalents	\$ 660,744
Customer receivables (net of allowance)	168,803
Due from other funds	<u>175,687</u>
Total current assets	1,005,234
Capital assets, net of accumulated depreciation	<u>1,457,257</u>
Total assets	<u>2,462,491</u>
<b>LIABILITIES</b>	
Accounts payable	<u>65,203</u>
Total liabilities	<u>65,203</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,457,257
Unrestricted	<u>940,031</u>
Total net assets	<u>\$ 2,397,288</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 REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
Year Ended April 30, 2011

	Business-Type Activity
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,311,746
Penalties	<u>40,144</u>
Total operating revenues	<u>1,351,890</u>
<b>OPERATING EXPENSES</b>	
Current	
Personal services	371,975
Commodities	640,822
Other services	228,263
Capital outlay	14,510
Depreciation	<u>64,564</u>
Total operating expenses	<u>1,320,134</u>
<b>OPERATING INCOME</b>	<u>31,756</u>
<b>NONOPERATING REVENUE</b>	
Antenna leasing	29,163
Interest income	<u>311</u>
Total nonoperating revenues	<u>29,474</u>
<b>CHANGE IN NET ASSETS</b>	61,230
<b>TOTAL NET ASSETS</b>	
Beginning of year	<u>2,336,058</u>
End of year	<u>\$ 2,397,288</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 FLOWS

Year Ended April 30, 2011

	Business-Type Activity
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 1,346,571
Cash paid to suppliers for goods and services	(816,268)
Cash paid to employees for services	(371,975)
Net cash provided by operating activities	158,328
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Change in due from/to other funds	43,885
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Repayment of capital lease	(13,754)
Net cash used in capital and related financing activities	(13,754)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	311
Antenna leasing	29,163
Net cash provided by operating activities	29,474
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	217,933
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	442,811
End of year	\$ 660,744
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 31,756
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	64,564
Changes in assets and liabilities	
Accounts receivable	(5,319)
Accounts payable	41,826
Sewer fee liability	25,501
Net cash provided in operating activities	\$ 158,328

The accompanying notes are an integral part of this statement.

**Village of Harwood Heights, Illinois**

**Fiduciary Funds**

**STATEMENT OF NET ASSETS**

April 30, 2011

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	<u>Pension Fund</u>	<u>Agency Fund</u>
	<u>Police Pension</u>	<u>Special Assessments</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 109,224	\$ 24,513
Investments	13,895,478	74,473
Accrued interest receivable	<u>97,819</u>	<u>-</u>
Total assets	<u>14,102,521</u>	<u>\$ 98,986</u>
<b>LIABILITIES</b>		
Due to property owners	<u>-</u>	<u>\$ 98,986</u>
Total liabilities	<u>-</u>	<u>\$ 98,986</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 14,102,521</u>	

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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, 2011

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**ADDITIONS**

Contributions

Employer	\$ 472,179
Members	<u>184,741</u>

Total contributions	<u>656,920</u>
---------------------	----------------

Investment income

Net increase in fair value of investments	784,357
Interest	<u>419,798</u>

Total investment income	1,204,155
-------------------------	-----------

Less investment expense	<u>(39,828)</u>
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Net investment income	<u>1,164,327</u>
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Total additions	<u>1,821,247</u>
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**DEDUCTIONS**

Pension benefits	711,062
Refunds	583
Administrative expense	<u>26,578</u>

Total deductions	<u>738,223</u>
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NET INCREASE	1,083,024
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**PLAN NET ASSETS HELD IN TRUST  
FOR PENSION BENEFITS**

Beginning of year	<u>13,019,497</u>
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End of year	<u><u>\$ 14,102,521</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, 2010

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**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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, 2011

---

**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 aggregated in the fund financial statements, reported separately 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, 2011

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**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, Grant 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 Obligation Bonds 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's capital project fund is the Special Service Area Bond Proceeds 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, 2011

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**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, 2011

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**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 *General Obligation Bonds Fund* is a debt service fund and is used to account for the payment of principal and interest on the Village's general obligation bonds. The principal sources of revenue are property taxes.

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 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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Additionally, the Village reports the following fiduciary fund types:

The *Police Pension Trust 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 which are based upon actuarial studies and 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 debt payments.

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 revenues.

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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Cash Equivalents**

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

**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, 2011

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**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, 2011

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**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	\$ 442,829
Crime investigation	6,337
Public safety - 911 service	44,961
Debt service	643,127
Capital projects	<u>2,142</u>
Total net assets restricted by enabling legislation	<u>\$ 1,139,396</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, 2011

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**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	17,287,685
Accumulated depreciation	<u>(6,313,525)</u>
Net total capital assets not reported in governmental funds	\$ <u>11,603,588</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	\$ (5,265,000)
Installment notes	(1,153,037)
Accrued interest	(67,001)
Compensated absences payable	(774,071)
Capital lease payable	(97,920)
Net pension obligation	<u>(1,032,781)</u>
Net total long-term liabilities not reported in governmental funds	\$ <u>(8,389,810)</u>



**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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 – total 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	\$ 102,534
Depreciation expense	<u>(432,465)</u>
Net total amount by which depreciation expense exceeded capital outlay	<u>\$ (329,931)</u>

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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	\$ 4,665
Net increase in general installment notes	(738,875)
Principal payments on general obligation bonds	395,000
Net increase in net pension obligation	(157,204)
Net increase in compensated absences	(53,520)
Net increase in capital lease obligation	<u>(75,857)</u>
 Net changes in current financial resources	 \$ <u><u>(625,791)</u></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, 2011

**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, 2011, \$78,670 of the Village's total deposits of \$3,312,986 was uncollateralized.

*Investments*

The following table presents the Village's investments and maturities as of April 30, 2011.

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 - 5	Greater than 5
The Illinois Funds	\$ 1,265,238	\$ 1,265,238	\$	\$
Certificates of Deposit	74,473	74,473		
	<u>\$ 1,339,711</u>	<u>\$ 1,339,711</u>	<u>\$ -</u>	<u>\$ -</u>

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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 AAAM.

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, 2011, 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, 2011

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**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.

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

*Deposits.* At year-end, the carrying amount of the Pension Fund's deposits totaled \$109,224, and the bank balances totaled \$109,224.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

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

**a. Credit Risk, Custodial Credit Risk, and Concentration Risk (Continued)**

*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	\$ 447,437	\$ -	\$ 111,219	\$ 336,218	\$ -
U.S. Treasury					
Strips	381,677	146,570	159,850	75,257	-
Governmental					
National Mortgage	111,210	-	-	-	111,210
Federal National					
Mortgage	245,662	-	245,662	-	-
Federal Farm					
Credit Bank	2,320,473	-	900,851	1,419,622	-
Federal Home					
Loan Bank	3,512,215	-	1,487,598	1,133,428	891,189
State and Local					
Obligations	1,628,338	150,323	340,092	856,121	281,802
Money Market					
Mutual Funds	502,706	502,706	-	-	-
The Illinois Funds	1,431	1,431	-	-	-
<b>TOTAL</b>	<b>\$ <u>9,151,149</u></b>	<b>\$ <u>801,030</u></b>	<b>\$ <u>3,245,272</u></b>	<b>\$ <u>3,820,646</u></b>	<b>\$ <u>1,284,201</u></b>

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

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

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

**a. Credit Risk, Custodial Credit Risk, and Concentration Risk (Continued)**

*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 establishes 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 and state and local obligations 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, 2011, 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 party. Illinois Funds, money market mutual funds, and equity mutual funds are not subject to custodial credit risk. At April 30, 2011, 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 regard to custodial credit risk for investments.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

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

**a. Credit Risk, Custodial Credit Risk, and Concentration Risk (Continued)**

*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, 2011, 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	\$ 747,270
Baron Small Cap Fund	276,107
DFA Emerging Markets Value Fund	27,662
DFA International Value Fund	190,605
DFA Real Estate Fund	190,541
Fidelity Advisor New Insights	856,297
First Eagle Overseas Fund	167,967
Lazard Emerging Markets Equity Fund	82,914
Royce Premier Fund	283,206
Royce Total Return Fund	247,968
RS Global Natural Resource A	126,402
T. Rowe Price International Discovery Fund	161,041
Vanguard Institutional Index Fund	1,200,295
William Blair International Growth Fund	186,054
Total equity mutual funds	<u>\$ 4,744,329</u>



**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE D - PROPERTY TAXES**

Property taxes for 2010 tax year attach as an enforceable lien on January 1, 2010 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, 2011 and September 1, 2011. 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 2010 levy is intended to finance the fiscal year ended April 30, 2012, it has been offset by unearned revenue at April 30, 2011. The 2011 levy, which attached as an enforceable lien on property as of January 1, 2011, has not been recorded as a receivable as of April 30, 2011, as the tax has not yet been levied by the Village and will not be levied until December 2011; therefore, the levy is not measurable at April 30, 2011.

**NOTE E - INTERFUND TRANSACTIONS**

1. Due from/to Other Funds

	<u>Due from</u>	<u>Due to</u>
General		
General Obligation Bonds	\$ -	\$ 378,058
SSA Bond Proceeds	300,191	-
SSA Debt Service	11,163	-
Grant	639,613	-
Motor Fuel Tax	7,475	-
Water and Sewer	-	175,687
Emergency 911	16,804	-
	<u>          </u>	<u>          </u>
Total General	\$ 975,246	\$ 553,745

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE E - INTERFUND TRANSACTIONS (Continued)**

	<u>Due from</u>	<u>Due to</u>
<b>1. <u>Due from/to Other Funds (Continued)</u></b>		
Other governmental funds		
General Obligation Bonds - General	\$ 378,058	\$ -
Emergency 911	-	16,804
SSA Bond Proceeds - General	-	300,191
Motor Fuel Tax - General	-	7,475
SSA Debt Service - General	-	11,163
SSA Bonds Proceeds - SSA Debt Service	30,373	-
SSA Debt Service - SSA Bonds Proceeds	-	30,373
Grant - General	-	639,613
	<u>408,431</u>	<u>1,005,619</u>
Water and Sewer Fund	<u>175,687</u>	<u>-</u>
Total all Funds	1,559,364	1,559,364
Less amounts eliminated during GASB 34 conversion	<u>(1,383,677)</u>	<u>(1,383,677)</u>
Total Village internal balances	<u>\$ 175,687</u>	<u>\$ 175,687</u>
<b>2. <u>Advances from/to Other Funds</u></b>		
	<u>Advances to</u>	<u>Advances from</u>
General - Motor Fuel Tax	\$ 7,475	\$ -
Motor Fuel Tax - General	<u>-</u>	<u>7,475</u>
Less amounts eliminated during GASB 34 conversion	<u>(7,475)</u>	<u>(7,475)</u>
Total Village advances from/to other funds	<u>\$ -</u>	<u>\$ -</u>

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE F - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2011 was as follows:

1. Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 629,428	\$ -	\$ -	\$ 629,428
Capital assets, being depreciated				
Buildings	6,095,881	-	-	6,095,881
Machinery and equipment	2,116,983	102,534	156,357	2,063,160
Land improvements	121,499	-	-	121,499
Infrastructure	9,007,145	-	-	9,007,145
Total capital assets, being depreciated	<u>17,341,508</u>	<u>102,534</u>	<u>156,357</u>	<u>17,287,685</u>
Less accumulated depreciation for				
Buildings	958,929	127,399	-	1,086,328
Machinery and equipment	1,527,657	160,173	156,357	1,531,473
Land improvements	92,455	2,650	-	95,105
Infrastructure	3,458,376	142,243	-	3,600,619
Total accumulated depreciation	<u>6,037,417</u>	<u>432,465</u>	<u>156,357</u>	<u>6,313,525</u>
Total capital assets, being depreciated, net	<u>11,304,091</u>	<u>(329,931)</u>	<u>-</u>	<u>10,974,160</u>
Governmental activities capital assets, net	<u>\$ 11,933,519</u>	<u>\$ (329,931)</u>	<u>\$ -</u>	<u>\$ 11,603,588</u>

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE F - CAPITAL ASSETS (Continued)**

**2. Business-Type Activities**

	Beginning Balance	Increases	Disposals	Ending Balance
Capital assets, being depreciated				
Machinery and equipment	\$ 185,687	\$ -	\$ -	\$ 185,687
Land improvements	34,700	-	-	34,700
Infrastructure	3,614,529	-	-	3,614,529
Total capital assets, being depreciated	3,834,916	-	-	3,834,916
Less accumulated depreciation for				
Machinery and equipment	117,767	11,964	-	129,731
Land improvements	34,700	-	-	34,700
Infrastructure	2,160,628	52,600	-	2,213,228
Total accumulated depreciation	2,313,095	64,564	-	2,377,659
Business-type activities, capital assets, net	\$ <u>1,521,821</u>	\$ <u>(64,564)</u>	\$ <u>-</u>	\$ <u>1,457,257</u>

**3. Depreciation Expense**

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

Governmental activities:

General government	\$ 103,792
Public safety	117,198
Public works, streets, and lighting	211,475
	<u>\$ 432,465</u>

Business – type activities:

Water and sewer	\$ <u>64,564</u>
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**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**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, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental activities</u></b>					
General obligation bonds					
Series 2003	\$ 2,895,000	\$ -	\$ 270,000	\$ 2,625,000	\$ 280,000
Series 2006A	255,000	-	125,000	130,000	130,000
Series 2006B	2,510,000	-	-	2,510,000	-
Total general obligation bonds	5,660,000	-	395,000	5,265,000	410,000
Installment notes	414,162	1,000,000	261,125	1,153,037	156,652
Net pension obligation	869,954	1,026,877	869,954	1,026,877	-
OPEB obligation payable	5,623	5,904	5,623	5,904	-
Compensated absences	720,551	774,071	720,551	774,071	-
Capital lease obligations (Note I)	22,063	91,593	15,736	97,920	26,668
Total governmental long- term liabilities	\$ 7,692,353	\$ 2,898,445	\$ 2,267,989	\$ 8,322,809	\$ 593,320
<b><u>Business-type activities</u></b>					
Capital lease	\$ 13,754	\$ -	\$ 13,754	\$ -	\$ -

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE H- LONG-TERM LIABILITIES (Continued)**

**2. Long-Term Debt - Terms and Maturities**

General obligation bonds payable at April 30, 2011 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. \$ 2,625,000

\$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. 130,000

\$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 \$ 5,265,000

The installment notes payable at April 30, 2011 is as follows:

\$1,000,000 promissory note, payable on May 31, 2012, with monthly interest payments at 4.0%. \$ 996,385

\$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%. \$ 156,652

Total installment notes payable \$ 1,153,037

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE H- LONG-TERM LIABILITIES (Continued)**

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

The annual requirements to retire the general obligation bonds and installment notes outstanding as of April 30, 2011 are as follows:

Year Ending April 30,	General Obligation Bonds Payable			Installment Notes	
	Principal	Interest	Total	Principal	Interest
2012	\$ 410,000	\$ 199,521	\$ 609,521	\$ 156,652	\$ 43,006
2013	425,000	185,378	610,378	996,385	-
2014	445,000	170,282	615,282	-	-
2015	465,000	154,338	619,338	-	-
2016	485,000	137,468	622,468	-	-
2017-2021	1,960,000	416,200	2,376,200	-	-
2022-2026	1,075,000	140,688	1,215,688	-	-
	<u>\$ 5,265,000</u>	<u>\$ 1,403,875</u>	<u>\$ 6,668,875</u>	<u>\$ 1,153,037</u>	<u>\$ 43,006</u>

**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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE I - CAPITAL LEASE OBLIGATION**

At April 30, 2011, the Village is obligated for future payments under a noncancellable equipment lease as follows:

Year Ending April 30,	Capital Lease	
	Governmental	Activities
	Principal	Interest
2012	\$ 26,668	\$ 5,469
2013	27,331	3,828
2014	29,087	2,051
2015	14,834	292
	<u>\$ 97,920</u>	<u>\$ 11,640</u>

The cost of the capital assets acquired through capital lease is \$194,915, with accumulated depreciation and depreciation expense of \$68,373 and \$46,174, respectively, at April 30, 2011.

**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](http://www.imrf.org).



**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)**

**1. Illinois Municipal Retirement Fund (Continued)**

**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 2010 was 11.82 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.

**c. Annual Pension Cost**

For 2010, the Village's annual pension cost of \$116,230 for the regular plan was equal to the Village's required and actual contributions.

Trend Information			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 116,230	100%	\$ -
12/31/09	71,684	100%	-
12/31/08	80,418	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 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 at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30-year basis.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE J - DEFINED BENEFIT PENSION PLANS** (Continued)

1. Illinois Municipal Retirement Fund (Continued)

d. Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the regular plan was 77.45 percent funded. The actuarial accrued liability for benefits was \$2,141,909 and the actuarial value of assets was \$1,658,811, resulting in underfunded actuarial accrued liability (UAAL) of \$483,098. The covered payroll (annual payroll of active employees covered by the plan) was \$983,333 and the ratio of the UAAL to the covered payroll was 49 percent.

The schedule of funding progress, presented as required supplementary information 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, 2011, the date of the latest actuarial valuation, the Police Pension Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	15
Active plan members	24
	<hr/>
Total plan membership	39
	<hr/> <hr/>

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

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE J - DEFINED BENEFIT PENSION PLANS** (Continued)

**2. Police Pension Plan** (Continued)

**a. Plan Description** (Continued)

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.

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 ten 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 2040, the Village's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% 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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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 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.

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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE J - DEFINED BENEFIT PENSION PLANS** (Continued)

**2. Police Pension Plan** (Continued)

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

**iii. Measurement Focus and Basis of Accounting** (Continued)

*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.

**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**

Police Pension Fund receivables consist of all revenues earned at year-end and not yet received. The major receivable balances for the Police Pension Fund is accrued interest from cash and investments:

**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, 2011 was \$1,795,261 out of a total payroll of \$3,405,371.

For the year ended April 30, 2011, the Village's annual pension cost was \$629,028. Actual contributions made by the Village were \$472,175. The information presented was determined as part of the actuarial valuation as of April 30 of the prior fiscal year.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE J - DEFINED BENEFIT PENSION PLANS** (Continued)

**2. Police Pension Plan** (Continued)

**c. Funding Policy and Annual Pension Cost** (Continued)

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 28 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 of 4.5%, compounded annually, including a 2.5% inflation factor, and cost-of-living adjustments of 3.0%, compounded annually.

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, 2011) and are as follows:

Annual required contribution	\$ 576,467
Interest on net pension obligation	<u>52,631</u>
Annual pension cost	629,098
Contributions made	<u>(472,175)</u>
Increase in net pension obligation	156,923
Net pension obligation as of May 1, 2009	<u>869,954</u>
Net pension obligation as of April 30, 2010	<u><u>\$ 1,026,877</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>
4/30/11	\$	576,467	81.91%	\$	1,026,877
4/30/10		514,990	83.72%		869,954
4/30/09		542,423	94.82%		737,056

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**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, 2011 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 - OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description*

The Village administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides the ability for retirees and their spouses to access the Village's group health insurance plan during retirement, provided they are on the group health insurance plan at the time of retirement, until the age of 65. Retirees may be responsible to contribute a portion of the premium toward the cost of their insurance. Retirees may also access dental benefits on a "direct pay" basis. For 2011, a total of 2 former employees or spouses accessed a postemployment benefit through the Village.

*Funding Policy*

Retirees have the option of choosing from an HMO or PPO plan through the Village. The Village contributes a percentage of the health insurance premium in accordance with applicable board policy in force at the time of retirement. For fiscal year 2011, the Village contributed \$18,627 toward the cost of the postemployment benefits for retirees.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

*Annual OPEB Cost and Net OPEB Obligation*

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the Retiree Health Plan:

	<u>April 30,</u> <u>2011</u>
Annual required contribution	\$ 18,627
Interest on net OPEB obligation	281
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	18,908
Contributions made	<u>(18,627)</u>
Increase in net OPEB obligation	281
Net OPEB obligation beginning of year	<u>5,623</u>
Net OPEB obligation end of year	<u>\$ 5,904</u>



# Village of Harwood Heights, Illinois

## NOTES TO FINANCIAL STATEMENTS

April 30, 2011

### NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years were as follows:

<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
4/30/11	\$ 18,908	98.5%	\$ 5,904
4/30/10	19,344	70.9%	5,623
4/30/09	N/A	N/A	N/A

N/A - not available

#### *Funding Status and Funding Progress*

As of April 30, 2010, the most recent actuary date, the actuarial accrued liability for benefits was \$0. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll were not available.

The projection of future benefit payments for an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information 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.

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Contribution rates:	
Village	N/A
Plan members	0.00%
Actuarial valuation date	4/30/2010
Actuarial cost method	Entry age
Amortization period	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases	5.00%
Healthcare inflation rate	8.00% initial 6.00% ultimate
Mortality, Turnover, Disability, Retirement Ages	Same rate utilized for IMRF and Police Pension Funds
Percentage of active employees assumed to elect benefit	20%

(Continued)

**Village of Harwood Heights, Illinois**  
**NOTES TO FINANCIAL STATEMENTS**  
April 30, 2011

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Methods and Assumptions (Continued)*

Employer provided benefit

Explicit (eligible disabled pensioners): 100% of premium for life

Implicit: 40% of premium to age 65 (50% of \$345/mo + 50% of \$681/mo)

\*Includes inflation at 3.00%

**NOTE L - 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 M - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 10, 2012, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than those events noted below, have occurred subsequent to the balance sheet date that require disclosure in the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

# Village of Harwood Heights, Illinois

## Police Pension Fund

### SCHEDULE OF FUNDING PROGRESS

April 30, 2011

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)
2011	4/30/10	\$ 14,553,194	\$ 17,879,996	\$ 3,326,802	81.39 %	\$ 1,795,261	185.31 %
2010	4/30/09	13,738,504	16,276,113	2,537,609	84.41	1,898,391	133.67
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

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, 2011

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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)
12/31/10	\$ 1,658,811	\$ 2,141,909	\$ 483,098	77.4 %	\$ 983,333	49.1 %
12/31/09	1,418,160	1,969,763	551,603	72.0	1,005,380	54.9
12/31/08	1,197,584	1,789,101	591,517	66.9	1,052,595	56.2

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$1,846,103. On a market basis, the funded ratio would be 86.19%

**Village of Harwood Heights, Illinois**  
**Other Postemployment Benefits**  
**SCHEDULE OF FUNDING PROGRESS**  
April 30, 2011

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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)
04/30/10	\$ -	\$ 399,518	\$ 399,518	0.0 %	\$ N/A	N/A %
04/30/09	N/A	N/A	N/A	N/A	N/A	N/A
04/30/08	N/A	N/A	N/A	N/A	N/A	N/A

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N/A - Not Available

The Village implemented GASB 45 in its fiscal year ended April 30, 2010. April 30, 2010 was the most recent actuarial valuation date.



**Village of Harwood Heights, Illinois**  
**Police Pension Fund**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
April 30, 2011

<u>Year Ended April 30</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 472,179	\$ 576,467	81.91 %	\$ 979,869
2010	431,147	514,990	83.72	869,954
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, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
<b>Revenues</b>			
Taxes	\$ 2,850,768	\$ 3,122,987	\$ 272,219
Intergovernmental	1,781,000	1,880,807	99,807
Licenses and permits	417,450	390,189	(27,261)
Fines	794,500	797,553	3,053
Charges for services	55,361	55,642	281
Investment income	700	1,301	601
Miscellaneous	<u>1,127,847</u>	<u>1,072,979</u>	<u>(54,868)</u>
Total revenues	<u>7,027,626</u>	<u>7,321,458</u>	<u>293,832</u>
<b>Expenditures</b>			
Current			
General government	1,380,463	1,403,314	22,851
Public safety	3,935,413	3,798,569	(136,844)
Public works	1,180,421	1,191,724	11,303
Debt service (installment note)			
Principal	251,673	257,510	5,837
Interest	22,027	56,343	34,316
Grants	77,000	50,500	(26,500)
Capital outlay	<u>149,949</u>	<u>115,485</u>	<u>(34,464)</u>
Total expenditures	<u>6,996,946</u>	<u>6,873,445</u>	<u>(123,501)</u>
<b>Other financing sources</b>			
Loan proceeds	-	1,102,534	1,102,534
Transfer in	<u>-</u>	<u>20,985</u>	<u>20,985</u>
Total other financing sources	<u>-</u>	<u>1,123,519</u>	<u>1,123,519</u>
Net change in fund balance	\$ <u>30,680</u>	1,571,532	\$ <u>1,540,852</u>
<b>Fund balance</b>			
Beginning of year		<u>1,441,262</u>	
End of year		\$ <u>3,012,794</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, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
<b>Revenues</b>			
Intergovernmental			
State of Illinois motor fuel tax	\$ 194,618	\$ 249,961	\$ 55,343
Investment income	350	458	108
Total revenues	194,968	250,419	55,451
<b>Expenditures</b>			
Public works			
Streets and lighting			
Street light repair	6,000	558	(5,442)
Traffic light repair	6,000	5,936	(64)
Alley construction	-	1,714	1,714
Street signs	2,700	-	(2,700)
Sidewalks	-	2,604	2,604
Engineering services	68,658	29,915	(38,743)
Tree trimming and removal	4,260	-	(4,260)
Tree maintenance program	32,000	19,935	(12,065)
Salt	25,000	19,934	(5,066)
Street repair projects	50,000	10,599	(39,401)
Total public works	194,618	91,195	(103,423)
Total expenditures	194,618	91,195	(103,423)
Excess (deficiency) of revenues over expenditures	\$ 350	159,224	\$ 158,874
<b>Fund balance</b>			
Beginning of year		283,605	
End of year		\$ 442,829	

**Village of Harwood Heights, Illinois**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
April 30, 2011

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**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 Bonds 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 2011 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, 2011 is taken by the Village Board before July 31, 2010.
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.

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## 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 General Obligation Bonds 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 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 improvements.

**Village of Harwood Heights, Illinois**  
**General Fund**  
**SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL**  
**Year Ended April 30, 2011**

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes			
Property			
General	\$ 489,251	\$ 486,057	\$ (3,194)
Police protection	317,616	316,636	(980)
Police pension	458,000	472,179	14,179
Total property taxes	<u>1,264,867</u>	<u>1,274,872</u>	<u>10,005</u>
Other taxes			
Home rule sales tax	725,000	798,484	73,484
Video rental tax	10,000	21,891	11,891
Utility	320,000	432,047	112,047
Telecommunications	265,000	246,863	(18,137)
Pull tab	900	1,104	204
Gas tax	70,000	82,007	12,007
Self-storage tax	1	23,435	23,434
Real estate transfer tax	195,000	242,284	47,284
Total other taxes	<u>1,585,901</u>	<u>1,848,115</u>	<u>262,214</u>
Total taxes	<u>2,850,768</u>	<u>3,122,987</u>	<u>272,219</u>
Intergovernmental revenues			
Taxes			
Personal property replacement tax	5,000	6,662	1,662
Sales tax	1,000,000	1,005,237	5,237
State income tax	650,000	646,889	(3,111)
State local use tax	100,000	118,638	18,638
MFT tax transfers	-	575	575
Roads and bridges	26,000	29,030	3,030
911 Fund reimbursement	-	73,776	73,776
Total intergovernmental revenues	<u>1,781,000</u>	<u>1,880,807</u>	<u>99,807</u>

(Continued)



# Village of Harwood Heights, Illinois

## General Fund

### SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (continued)			
Licenses and permits			
Business licenses	\$ 120,000	\$ 79,669	\$ (40,331)
Liquor licenses	61,000	35,970	(25,030)
Overweight truck permits	1,000	7,182	6,182
Building permits	25,000	41,400	16,400
Sewer permits	1,000	575	(425)
Plumbing permits	4,500	4,425	(75)
Electrical permits	6,000	6,895	895
Sign permits	100	-	(100)
Elevator inspections	2,150	2,700	550
Building inspections	6,000	11,350	5,350
Fence permits	500	550	50
Franchise fees	60,000	73,650	13,650
Dog tags	200	190	(10)
Vehicle licenses	130,000	125,633	(4,367)
Total licenses and permits	417,450	390,189	(27,261)
Fines			
Code enforcement fines	1,500	2,385	885
Traffic	180,000	201,930	21,930
Overweight trucks	90,000	79,061	(10,939)
Red Speed	190,000	201,645	11,645
Parking tickets	200,000	195,722	(4,278)
Driving under the influence (DUI)	3,000	3,165	165
Compliance tickets	50,000	-	(50,000)
Vehicle impound fees	80,000	113,645	33,645
Total fines	794,500	797,553	3,053

(Continued)

# Village of Harwood Heights, Illinois

## General Fund

### SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (Continued)			
Charges for services			
Youth program fees	\$ 17,980	\$ 19,415	\$ 1,435
Hearing fees	1,500	1,895	395
Village hearing office	4,000	385	(3,615)
Escrow bond forfeiture	1,000	5,032	4,032
Police reports	1,000	1,094	94
Rental	2,200	-	(2,200)
False alarm fees	1	-	(1)
	<u>55,361</u>	<u>55,642</u>	<u>281</u>
Total charges for services			
Investment income			
Interest	<u>700</u>	<u>1,301</u>	<u>601</u>
Miscellaneous revenues			
Reimbursements			
Workers' compensation	5,000	7,120	2,120
FEMA	-	14,789	14,789
Maintenance staff	220,000	220,000	-
Office staff	125,000	125,000	-
Insurance	1	45,127	45,126
Personnel	1	4,493	4,492
Development fees	20,000	-	(20,000)
Plan Review	1	-	(1)
Transfer from Fund balance	116,603	-	(116,603)
Crossing guard	9,936	-	(9,936)
False alarm	1	-	(1)
IDOT bus advertising	4,800	2,270	(2,530)
Contracted police services	16,500	31,436	14,936
CDBG reimbursement	50,000	50,000	-
Cook county disaster reimbursement	14,000	-	(14,000)
Hartford reimbursement	18,000	18,755	755
911 fund reimbursement	73,776	-	(73,776)

**Village of Harwood Heights, Illinois**  
**General Fund**  
**SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL**  
**Year Ended April 30, 2011**

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (Continued)			
Miscellaneous revenues (Continued)			
Crossing guard	-	2,605	2,605
Recoveries	-	2,747	2,747
Vacant properties	2,500	5,200	2,700
Garbage fees	451,728	516,300	64,572
Other miscellaneous	-	27,137	27,137
Total miscellaneous revenues	1,127,847	1,072,979	(54,868)
Total revenues	\$ 7,027,626	\$ 7,321,458	\$ 293,832
Expenditures			
General government			
General management and support			
General administration	\$ 266,091	\$ 277,765	\$ 11,674
Law department	179,502	227,727	48,225
Finance	505,773	405,480	(100,293)
Building	98,641	95,044	(3,597)
Total general management and support	1,050,007	1,006,016	(43,991)
Recreation and cultural opportunities	136,104	134,146	(1,958)
Health	29,605	36,024	6,419
Fire and police commission	14,747	-	(14,747)
Budget contingencies	150,000	227,128	77,128
Total general government	1,380,463	1,403,314	22,851
Public safety			
Police	3,935,413	3,798,569	(136,844)

(Continued)

# Village of Harwood Heights, Illinois

## General Fund

### SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Expenditures (Continued)			
Public works			
Forestry	2	-	(2)
Streets and lights	704,615	668,642	(35,973)
Refuse disposal	451,728	503,125	51,397
Truck weight regulation	24,076	19,957	(4,119)
Total public works	1,180,421	1,191,724	11,303
Debt service (installment note)			
Principal	\$ 251,673	\$ 257,510	\$ 5,837
Interest and fiscal charges	22,027	56,343	34,316
Total debt service	273,700	313,853	40,153
Capital outlay			
Village properties	149,949	115,485	(34,464)
Grants			
FAA match	77,000	50,500	(26,500)
Total grants	77,000	50,500	(26,500)
Total expenditures	\$ 6,996,946	\$ 6,873,445	\$ (123,501)
Other financing sources			
Loan proceeds	\$ -	\$ 1,102,534	\$ 1,102,534
Transfer in	-	20,985	20,985
Total other financing sources	\$ -	\$ 1,123,519	\$ 1,123,519

(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, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Investment income	\$ -	\$ 3,232	\$ 3,232
Total revenues	-	3,232	3,232
Expenditures			
Current			
General government			
Bond issuance	-	1,030	1,030
Bank Fees	-	60	60
Total expenditures	-	1,090	1,090
Net change in fund balance	\$ -	2,142	\$ 2,142
Fund balance			
Beginning of year		-	
End of year		\$ 2,142	

## **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 Special Service Area (SSA) 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, 2011

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>SSA Debt Service</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,765	\$ 8,369	\$ 237,131	\$ 307,265
Receivables				
Other	-	-	1,136	1,136
Due from				
Other funds	-	-	30,373	30,373
	<u>-</u>	<u>-</u>	<u>30,373</u>	<u>30,373</u>
Total assets	\$ <u>61,765</u>	\$ <u>8,369</u>	\$ <u>268,640</u>	\$ <u>338,774</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 2,032	\$ -	\$ 2,032
Due to other funds	16,804	-	11,163	27,967
	<u>16,804</u>	<u>-</u>	<u>11,163</u>	<u>27,967</u>
Total liabilities	<u>16,804</u>	<u>2,032</u>	<u>11,163</u>	<u>29,999</u>
<b>FUND BALANCE</b>				
Reserved for				
Debt service	-	-	257,477	257,477
Public safety	44,961	6,337	-	51,298
	<u>44,961</u>	<u>6,337</u>	<u>-</u>	<u>51,298</u>
Total fund balance	<u>44,961</u>	<u>6,337</u>	<u>257,477</u>	<u>308,775</u>
Total liabilities and fund balances	\$ <u>61,765</u>	\$ <u>8,369</u>	\$ <u>268,640</u>	\$ <u>338,774</u>

**Village of Harwood Heights, Illinois**  
Nonmajor Governmental Funds  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
Year Ended April 30, 2011

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>SSA Debt Service</u>	
<b>Revenues</b>				
Taxes	\$ 99,601	\$ -	\$ 258,602	\$ 358,203
Investment income	<u>212</u>	<u>4</u>	<u>1,854</u>	<u>2,070</u>
Total revenues	<u>99,813</u>	<u>4</u>	<u>260,456</u>	<u>360,273</u>
<b>Expenditures</b>				
Current				
Public safety	130,988	402	-	131,390
Capital outlay	343	-	-	343
Miscellaneous	-	-	11,232	11,232
Debt service				
Principal	-	-	125,000	125,000
Interest	<u>-</u>	<u>-</u>	<u>115,482</u>	<u>115,482</u>
Total expenditures	<u>131,331</u>	<u>402</u>	<u>251,714</u>	<u>383,447</u>
Net change in fund balance	(31,518)	(398)	8,742	(23,174)
<b>Fund balance</b>				
Beginning of year	<u>76,479</u>	<u>6,735</u>	<u>248,735</u>	<u>331,949</u>
End of year	<u>\$ 44,961</u>	<u>\$ 6,337</u>	<u>\$ 257,477</u>	<u>\$ 308,775</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, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes			
911 tax	\$ 110,000	\$ 99,601	\$ (10,399)
Interest income	180	212	32
Total revenues	110,180	99,813	(10,367)
Expenditures			
Public safety			
Telephone	20,000	21,348	1,348
Seminars and conferences	2,000	1,304	(696)
Maintenance	20,000	6,687	(13,313)
Bank fees	-	155	155
Service contracts	39,404	27,718	(11,686)
Reimbursement to GF for Police Dispatch	73,776	73,776	-
Total public safety	155,180	130,988	(24,192)
Capital outlay			
Other equipment	20,000	343	(19,657)
Total expenditures	175,180	131,331	(43,849)
Other financing sources (uses)			
Transfer in	65,000	-	(65,000)
Total other financing sources (uses)	65,000	-	(65,000)
Net change in fund balance	\$ (65,000)	(31,518)	\$ (31,518)
Fund balance			
Beginning of year		76,479	
End of year		\$ 44,961	

## **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, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Operating revenues			
Charges for sales and services			
Water sales	\$ 1,081,000	\$ 1,045,497	\$ (35,503)
Sewer fees	230,000	256,132	26,132
Water taps	1,000	-	(1,000)
Meter sales - commercial	22,500	-	(22,500)
Meter sales	22,000	9,200	(12,800)
Water miscellaneous	-	917	917
Total charges for sales and services	1,356,500	1,311,746	(44,754)
Penalties	-	40,144	40,144
Total operating revenues	1,356,500	1,351,890	(4,610)
Nonoperating revenues			
Antenna leasing	27,000	29,163	2,163
Interest income	600	311	(289)
Total nonoperating revenues	27,600	29,474	1,874
Total revenues	\$ 1,384,100	\$ 1,381,364	\$ (2,736)

**Village of Harwood Heights, Illinois**  
**Water and Sewer Fund**  
**SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL**  
**Year Ended April 30, 2011**

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses			
Personal services			
Water Commissioner	\$ 6,600	\$ 6,600	\$ -
Collector	1,800	1,800	-
Meter reading	14,616	14,482	(134)
Services - maintenance men	220,000	219,996	(4)
Services - office clerks	125,000	125,434	434
Security	4,000	2,142	(1,858)
Fica taxes	1,625	1,521	(104)
Federal unemployment	167	-	(167)
State unemployment tax	280	-	(280)
Total personal services	374,088	371,975	(2,113)
Commodities			
Office supplies	3,000	-	(3,000)
Building maintenance supplies	1,000	587	(413)
Vehicle gas and oil	12,000	6,940	(5,060)
Purchase of water	580,000	582,603	2,603
Electric power and gas	25,000	21,953	(3,047)
Chlorine	1,000	880	(120)
Pump room supplies	1,000	2,461	1,461
Outside maintenance supplies	10,000	4,392	(5,608)
Hydrant parts	2,000	720	(1,280)
New meter purchases	20,000	19,229	(771)
Uniforms	1,500	-	(1,500)
Water supplies - miscellaneous	1,000	1,057	57
Total commodities	657,500	640,822	(16,678)

(Continued)

**Village of Harwood Heights, Illinois**  
**Water and Sewer Fund**  
**SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL (Continued)**  
Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Other services			
City of Chicago sewer fees	\$ 175,000	\$ 178,509	\$ 3,509
Telephone	5,000	5,226	226
Postage	7,000	5,630	(1,370)
Legal fees	10,000	612	(9,388)
Water testing	7,000	4,335	(2,665)
Bank charges	-	10	10
Dues, lectures, and conference fees	1,500	1,840	340
Auditing	6,000	-	(6,000)
Computer service	8,000	-	(8,000)
Street, sidewalk, and parkway repair	10,000	541	(9,459)
Main testing and maintenance	7,300	8,249	949
Office equipment maintenance	1,000	-	(1,000)
Buildings and grounds maintenance	2,000	212	(1,788)
Reservoir and tower maintenance	13,000	2,907	(10,093)
Equipment maintenance	3,000	(11,119)	(14,119)
Vehicle repair and maintenance	13,000	6,176	(6,824)
Outside service - breaks	500	570	70
Outside service - taps	2,000	-	(2,000)
Water service - miscellaneous	500	12,032	11,532
Single family flood relief grant	4,500	-	(4,500)
Reimbursement of Grant - supplies	18,000	-	(18,000)
Reimbursement of Grant - other	20,000	-	(20,000)
Contractual services - software support	2,525	1,125	(1,400)
Insurance-property, liability, and auto	15,685	11,408	(4,277)
Fire hydrant installation	3,000	-	(3,000)
Total other services	335,510	228,263	(107,247)

(Continued)

# Village of Harwood Heights, Illinois

## Water and Sewer Fund

### SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2011

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Capital outlay			
Office furniture and equipment	\$ 1,000	\$ -	\$ (1,000)
Building improvements	1,000	-	(1,000)
Vehicles	1	-	(1)
Other equipment purchases	1	-	(1)
Pump room equipment	15,000	4,342	(10,658)
East Side drainage engineering	-	10,168	10,168
Total capital outlay	<u>17,002</u>	<u>14,510</u>	<u>(2,492)</u>
Depreciation	<u>-</u>	<u>64,564</u>	<u>64,564</u>
Total operating expenses	\$ <u>1,384,100</u>	\$ <u>1,320,134</u>	\$ <u>(63,966)</u>

(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 Assessment Agency Fund**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended April 30, 2011**

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balances</u>
<b>ASSETS</b>				
Cash	\$ 24,425	\$ -	\$ 88	\$ 24,513
Short-term investments	73,733	740	-	74,473
Receivables				
Special assessments	<u>3,147</u>	<u>-</u>	<u>3,147</u>	<u>-</u>
Total assets	\$ <u>101,305</u>	\$ <u>740</u>	\$ <u>3,235</u>	\$ <u>98,986</u>
<b>LIABILITIES</b>				
Due to property owners	\$ <u>101,305</u>	\$ <u>(2,319)</u>	<u>-</u>	\$ <u>98,986</u>
Total liabilities	\$ <u>101,305</u>	\$ <u>(2,319)</u>	\$ <u>-</u>	\$ <u>98,986</u>



## **OTHER SUPPLEMENTAL INFORMATION**

**Village of Harwood Heights, Illinois**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**Last Five Years**

	2011	2010	2009	2008	2007
<b>Revenues</b>					
Taxes	\$3,856,463	\$3,630,111	\$3,748,180	\$3,553,157	\$5,991,307
Intergovernmental	2,503,350	2,427,535	2,074,130	2,228,332	235,366
Licenses and Permits	390,189	281,826	331,577	346,884	760,021
Fines	797,553	650,526	272,630	340,592	234,051
Charges for Services	55,642	123,265	20,105	47,163	60,750
Investment Income	7,553	10,075	44,641	194,915	204,976
Miscellaneous	1,072,979	462,872	82,150	116,500	65,012
<b>Total Revenues</b>	<b>8,683,729</b>	<b>7,586,210</b>	<b>6,573,413</b>	<b>6,827,543</b>	<b>7,551,483</b>
<b>Expenditures</b>					
General Government	1,403,374	1,632,449	1,558,685	1,820,853	2,888,719
Public Safety	3,929,959	4,088,584	4,044,711	4,179,744	3,404,299
Public Works	1,282,919	555,032	593,137	884,981	1,010,866
Grant Expenditures	588,746	100,106	50,000	923,649	202,474
Miscellaneous	13,191	331,135	18,987	-	-
Capital Outlay	115,828	310,722	1,748,004	-	-
Debt Service					
Principal	652,510	618,808	345,785	218,436	87,809
Interest	269,428	260,252	273,433	223,331	333,302
<b>Total Expenditures</b>	<b>8,255,955</b>	<b>7,897,088</b>	<b>8,632,742</b>	<b>8,250,994</b>	<b>7,927,469</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	-	-	-	-	3,000,000
Installment Note Issued	-	-	-	-	1,195,000
Discount on Issuance of Bonds	-	-	-	-	(9,065)
Payment to Escrow Agent	-	-	-	-	(1,195,000)
Proceeds from Sale of Capital Assets	-	-	-	-	1,281,986
Transfer (out)	-	(893,150)	-	-	-
Transfer in	20,985	869,912	-	-	-
Loan Proceeds	1,102,534	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,123,519</b>	<b>(23,238)</b>	<b>-</b>	<b>-</b>	<b>4,272,921</b>
<b>Net Change in Fund Balance</b>	<b>1,551,293</b>	<b>(334,116)</b>	<b>(2,059,329)</b>	<b>(1,423,451)</b>	<b>3,896,935</b>
<b>Fund Balance</b>					
Beginning of Year	2,437,904	2,772,020	4,831,349	6,255,300	2,358,365
End of Year	\$3,989,197	\$2,437,904	\$2,772,020	\$4,831,849	\$6,255,300

**Village of Harwood Heights, Illinois**  
**NET ASSETS BY COMPONENT**  
Last Five Fiscal Years

	2011	2010	2009	2008	2007
<b>Governmental activities</b>					
Investment in capital assets net of related debt	\$ 6,084,016	\$ 5,837,274	\$ 5,335,018	\$ 6,577,380	\$ 6,784,375
Restricted	2,139,396	996,642	1,664,718	2,824,551	719,309
Unrestricted	(1,048,258)	(226,512)	(509,629)	(1,672,373)	1,537,431
<b>Total governmental activities</b>	<b>7,175,154</b>	<b>6,607,404</b>	<b>6,490,107</b>	<b>7,729,558</b>	<b>9,041,115</b>
<b>Business-type activities</b>					
Investment in capital assets net of related debt	1,457,257	1,508,067	1,561,446	57,240	60,209
Unrestricted	940,031	827,991	775,478	899,700	919,531
<b>Total business-type activities</b>	<b>2,397,288</b>	<b>2,336,058</b>	<b>2,336,924</b>	<b>956,940</b>	<b>979,740</b>
<b>Total</b>	<b>\$ 9,572,442</b>	<b>\$ 8,943,462</b>	<b>\$ 8,827,031</b>	<b>\$ 8,686,498</b>	<b>\$ 10,020,855</b>

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