

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2012

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2012

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INTRODUCTORY SECTION

Village of Harwood Heights

PRINCIPAL OFFICIALS

Year Ended April 30, 2012

Arlene Jezierny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Demetrios Mougolias

Lester Szlendak

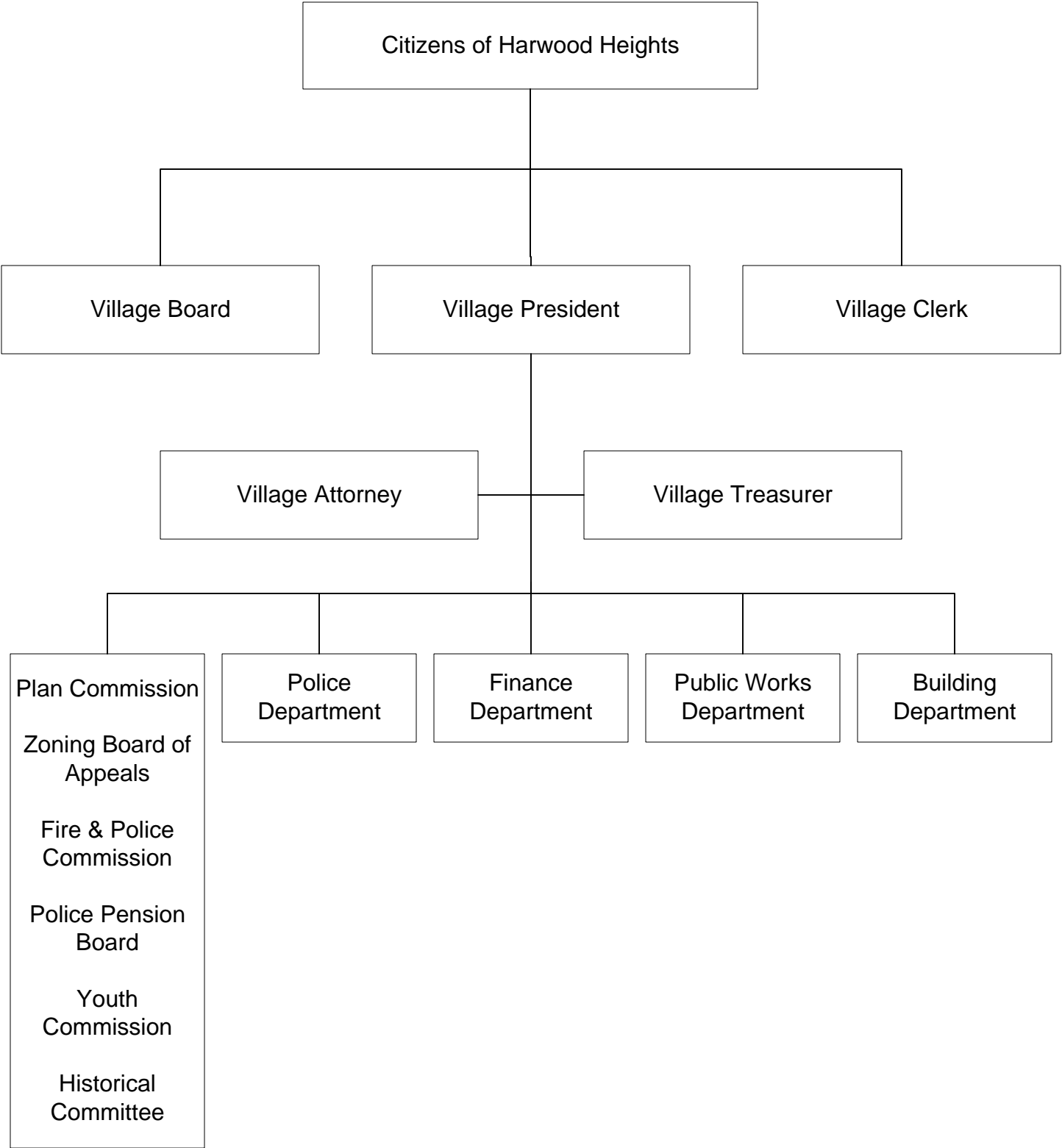
Michael Gadzinski

Mark Dobrzycki

Lawerence 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, 2012, which collectively comprise the Villages' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of 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 Village of Harwood Heights, Illinois as of April 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(Continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, the Illinois Municipal Retirement Fund historical data on page 66, the other postemployment benefits data on page 67, and the budgetary comparison schedules and notes to required supplementary information on pages 68 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Harwood Heights's basic financial statements. The other schedules, listed in the table of contents as supplementary financial information and other supplemental information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Harwood Heights's basic financial statements. The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

MILLER, COOPER & CO., LTD



Certified Public Accountants

Deerfield, Illinois
January 8, 2013

Village of Harwood Heights, Illinois
Management's Discussion and Analysis
April 30, 2012

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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Village of Harwood Heights focus on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant issues, broaden a basis for comparison, and enhance the Village's accountability.

Government-Wide Financial Statements

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

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

The governmental activities reflect the Village's core services. Shared state revenues (income, use, and replacement taxes) and other tax revenue from sales (municipal and home rule), local utility, real estate transfer, etc., finance the majority of these services. The business-type activities reflect private sector type operations (water and sewer), where the fees for services typically are intended to cover all or most of the cost of operations, including depreciation.

FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the fund financial statements presentation to be more familiar. The focus is on major funds, rather than fund types. The Village uses fund accounting, like other state or local government entities. The Village has three groups of funds: governmental, proprietary and fiduciary. Brief explanations of these funds are provided below.

Governmental Funds

The governmental major funds are presented on a sources and uses of current resources basis. This is the manner in which the budget is typically developed. The flow and availability of current resources is a clear and appropriate focus of any analysis of a government. Governmental funds are used to account for the general governmental revenues and expenditures of the Village. The General Fund is the main operating account of the Village and the largest of the governmental funds. Governmental funds use the flow of current financial resources measurement focus at the fund financial statement level. The current financial resources measurement focus uses the modified accrual basis of accounting. Therefore, following the Statement of Net Assets for the Governmental Funds is a reconciliation of the balance sheet to the statement of net assets to calculate net assets on the full accrual basis of accounting.

Proprietary Fund

The Proprietary Fund consists of the enterprise fund. This fund comprises the business-type category reported in the government-wide statements. This fund accounts for business or service type operations of the Village that are similar to private sector operations in which costs are recovered as a user fee. The Village's only proprietary fund is the Water and Sewer Fund.

Fiduciary Funds

The Fiduciary Funds are excluded from the government-wide financial statements. While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. The Village's fiduciary funds are the Special Assessments Agency Fund and the Police Pension Fund.

Notes to the Financial Statements

The Notes to the Financial Statements are intended to supplement the reader with additional information. The notes include information on significant accounting policies, explanations on the reconciliations of statements, investments, receivables, capital assets, debt, interfund balances, contingent liabilities, pensions and other information related to the Village's financial status. The information contained within the notes not only supplements financial statement information, but clarifies line-items that are part of the financial statements.

Other Supplemental Information

The supplemental information section includes detailed information as a context for understanding what the information in the financial statements and notes says about the Village's overall financial health.

Infrastructure Assets

A government's largest group of assets usually consists of infrastructure assets (land, streets, storm sewers, etc.). This statement requires that these assets be valued and reported within the governmental column of the Government-wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The Village has chosen to depreciate assets over their useful lives. If a project is considered maintenance - a recurring cost that does not extend the asset's original useful life or expand its capacity - the cost of the project will be expensed.

For example, the "overlay" of a street will be considered maintenance whereas a "rebuild" of a street will be capitalized.

GOVERNMENT-WIDE STATEMENT

Statement of Net Assets

Net assets are defined as the amount by which assets exceed liabilities. Net assets can be a useful indicator of a government's financial condition. As of April 30, 2012, assets exceeded liabilities by \$9.87M. This is an increase of \$298K from the prior year. The following condensed Statement of Net Assets compares the current and prior fiscal years.

A significant portion of the Village's net assets, about 78% reflects its investment in capital assets (i.e., land, streets, storm sewers, water mains, buildings and vehicles), less any related outstanding debt 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 related debt, the resources required to repay that debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets As of April 30, 2012

	Governmental Activities		Business-Type Activity		Total Government	
	2012	2011	2012	2011	2012	2011
Assets						
Current/ Other Assets	\$ 5,511,883	\$ 5,099,251	\$ 805,614	\$ 1,005,234	\$ 6,317,497	\$ 6,104,485
Capital Assets	11,418,478	11,603,588	1,440,254	1,457,257	12,858,732	13,060,845
Total Assets	16,930,361	16,702,839	2,245,868	2,462,491	19,176,229	19,165,330
Liabilities						
Current/Other Liabilities	2,627,391	1,798,196	89,786	65,203	2,717,177	1,863,399
Long-term liabilities	6,588,363	7,729,489	-	-	6,588,363	7,729,489
Total Liabilities	\$ 9,215,754	9,527,685	89,786	65,203	9,305,540	9,592,888
Net Assets						
Investment in Capital Assets						
Net of Related Debt	6,315,694	6,084,016	1,440,254	1,457,257	7,755,948	7,541,273
Restricted Net Assets	1,091,492	2,139,396	-	-	1,091,492	2,139,396
Restricted for Debt Service	761,849	-	-	-	761,849	
Unrestricted Net Assets	(454,428)	(1,048,258)	715,828	940,031	261,400	(108,227)
Total Net Assets	\$ 7,714,607	\$ 7,175,154	\$ 2,156,082	\$ 2,397,288	\$ 9,870,689	\$ 9,572,442

Changes in Net Assets

The following table compares revenue and expenses for the current and prior fiscal years.

Changes in Net Assets For the Fiscal Year Ended April 30, 2012						
	Governmental Activities		Business-Type Activity		Total Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$ 2,278,339	\$ 1,943,542	\$ 1,463,384	\$ 1,381,053	\$ 3,741,723	\$ 3,324,595
Operating Grants	177,453	-	-	-	177,453	-
Capital Grants	180,180	-	-	-	180,180	-
General Revenues						
Taxes	4,060,950	3,856,463	-	-	4,060,950	3,856,463
Investment Income	3,731	7,553	623	311	4,354	7,864
Intergovernmental	2,119,361	2,503,350	-	-	2,119,361	2,503,350
Total Revenues	8,820,014	8,310,908	1,464,007	1,381,364	10,284,021	9,692,272
Expenses						
General Government	1,446,656	1,392,519	-	-	1,446,656	1,392,519
Public Safety	4,386,332	4,234,766	-	-	4,386,332	4,234,766
Public Works	2,212,292	1,872,095	-	-	2,212,292	1,872,095
Interest	235,281	264,763	-	-	235,281	264,763
Water	-	-	1,705,213	1,320,134	1,705,213	1,320,134
Total Expenses	8,280,561	7,764,143	1,705,213	1,320,134	9,985,774	9,084,277
Excess (Deficiency)						
Before Transfers	539,453	546,765	(241,206)	61,230	298,247	607,995
Transfers	-	20,985	-	-	-	20,985
Change in Net Assets	539,453	567,750	(241,206)	61,230	298,247	628,980
Beginning Net Assets	7,175,154	6,607,404	2,397,288	2,336,058	9,572,442	8,943,462
Ending Net Assets	<u>\$ 7,714,607</u>	<u>\$ 7,175,154</u>	<u>\$ 2,156,082</u>	<u>\$ 2,397,288</u>	<u>\$ 9,870,689</u>	<u>\$ 9,572,442</u>

HIGHLIGHTS

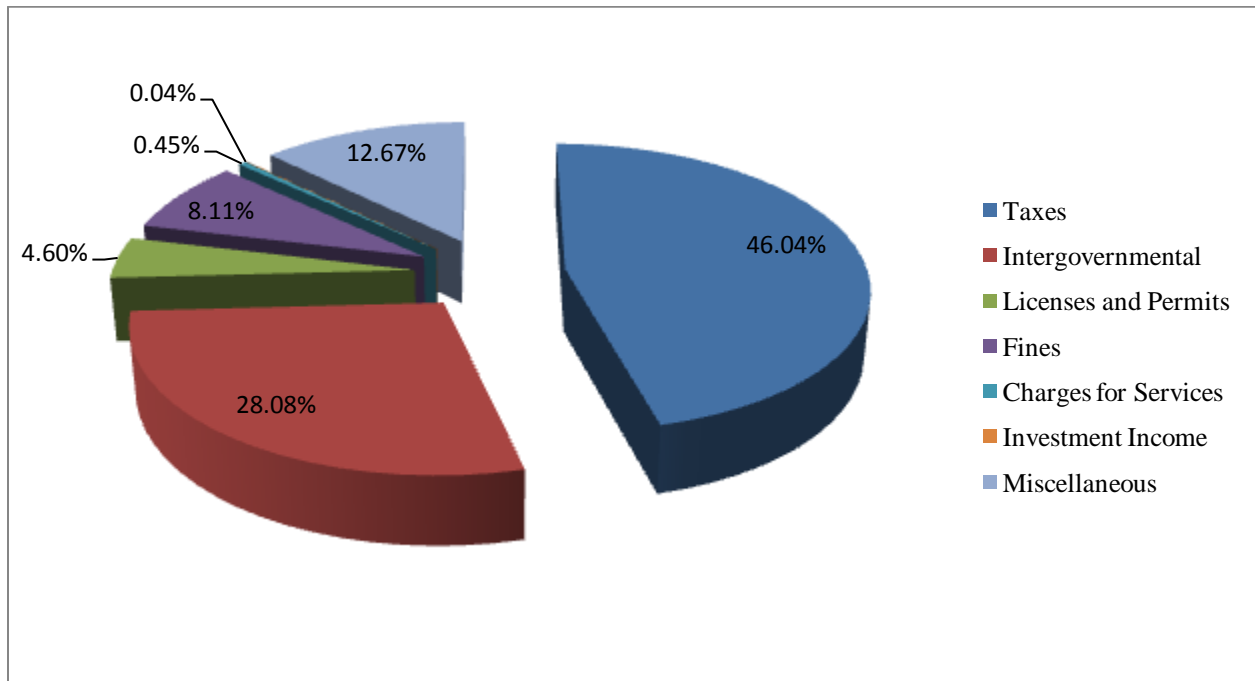
- At the close of the fiscal year, the total assets of the Village exceeded its liabilities by \$9.87M, including \$7.65M in capital assets, net of related debt.
- At the close of Fiscal Year 2012, the Village's governmental funds reported combined ending fund balances of \$4.43M. Approximately 53%, or \$2.3M, of the total Governmental Fund balance is categorized as unrestricted.
- At the end of Fiscal Year 2012, the unrestricted portion of the General Fund balance was \$2.52M, or approximately 72% of General Fund balance for the fiscal year.

GOVERNMENT-WIDE REVENUE

Revenue For the Fiscal Year Ended April 30, 2012

	Governmental Activities		Business-Type Activity		Total Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Taxes	\$ 4,060,950	\$ 3,856,463	\$ -	\$ -	\$ 4,060,950	\$ 3,856,463
Intergovernmental	2,476,994	2,503,350	-	-	2,476,994	2,503,350
Licenses and Permits	405,655	390,189	-	-	405,655	390,189
Fines	715,279	797,553	-	-	715,279	797,553
Charges for Services	40,008	55,642	1,463,384	1,381,053	1,503,392	1,436,695
Investment Income	3,731	7,553	623	311	4,354	7,864
Miscellaneous	1,117,397	700,158	-	-	1,117,397	700,158
Total Revenues	8,820,014	8,310,908	1,464,007	1,381,364	10,284,021	9,692,272

Category Percent of Governmental Activities Revenue



Governmental Activities Revenue

Governmental Activities revenue totaled approximately \$8.82 million, with taxes comprising 46.04% of total revenues for Fiscal Year 2012. State sales tax and home rule sales tax increased by \$107K and were the two largest sources of revenue for the period at \$1,032,604 and \$878,474, respectively. The overall increase in sales taxes compared to Fiscal Year 2011 can be attributed to an upturn in our local economy. State income taxes, a state-shared revenue, totaled \$698,636 for the fiscal year, approximately a 7.99% increase from the previous year. Utility taxes generated \$413,973 in revenues, a 4.18% decrease from the previous fiscal year. Village licenses and permit fees totaled \$405,655, an increase of 4% from the previous fiscal year.

Business-Type Activity Revenue

The Village of Harwood Heights' only business-type activity is its Water and Sewer Department. Water service charges, sewer fees, and late payment penalties for Fiscal Year 2012 totaled \$1.39 million. Revenues for water taps, meter sales, and miscellaneous revenues totaled \$42,797. Non-operating income of \$30,450 was produced by investment income and antenna leasing.

GOVERNMENT-WIDE EXPENSES

For the fiscal year ended April 30, 2012, expenses for all activities totaled \$9.99 million as compared to \$9.08 million in fiscal year ended April 30, 2011. This represents an increase of \$901K.

Governmental Activities Expenses

Governmental activities expended \$8.28 million in fiscal year ended April 30, 2012 as compared to \$7.76 million from the previous fiscal year. This represents an increase of \$516K in governmental activities expenditures from the previous fiscal year. Public safety expenses of \$4.39 million comprised the largest expenditure and include police department operating expenses. General government expenses totaled \$1.45 million, and include general administration, law department, finance, building, recreational and cultural opportunities, and health. This represents an increase of \$54K from the previous year. Public works related expenses totaled \$2.21 million. This represents an increase of \$340K from the previous year.

Business-Type Activity Expenses

The Village of Harwood Heights' only business-type activity is its Water and Sewer Department. Commodities and operating expenses totaled \$1.70 million, which includes \$636,951 for water purchased and \$139,992 for sewer fees paid to the City of Chicago. Personal services in the amount of \$373,500 were provided by public works and administration employees.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year. As of April 30, 2012, the governmental funds reported a combined fund balance of \$4.43 million, an increase of \$471K or 11.9% from the previous year's fund balance of \$3.96 million.

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 2012, the Village was not required to amend its appropriation ordinance. General Fund revenue came in over budget by \$938K, or approximately 15%. General Fund expenditures came in over budget by \$2K, or approximately .02%. The following tables compare appropriated amounts and actual Fiscal Year 2012 General Fund revenues and expenditures.

General Fund Revenue

	FY2012	FY2012	
	Appropriation	Actual	Variance
Revenues			
Taxes	\$ 3,011,368	\$ 3,219,641	\$ 208,273
Intergovernmental	1,731,000	1,891,004	160,004
Licenses and Permits	381,251	405,655	24,404
Fines	752,500	715,279	(37,221)
Charges for Services	29,901	30,659	758
Investment Income	1,000	1,201	201
Miscellaneous Revenues	535,652	1,117,397	581,745
Total Revenues	\$ 6,442,672	\$ 7,380,836	\$ 938,164

General Fund Expenditures

	FY2012	FY2012	
	Appropriation	Actual	Variance
Expenditures			
General Government	\$ 1,521,369	\$ 1,381,726	\$ (139,643)
Public Safety	3,850,496	3,972,119	121,623
Public Works	1,240,661	1,256,736	16,075
Debt Service	230,468	197,080	(33,388)
Capital Outlay	197,691	235,026	37,335
Total Expenditures	7,040,685	7,042,687	2,002

Capital Assets

At the end of the Fiscal Year 2012, the Village had a combined total of capital assets of \$12.86 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines. This amount represents a net decrease of \$202K from the previous fiscal year.

Total Capital Assets at Fiscal Year End Net of Depreciation

Asset Type	Governmental Activities		Business-Type Activity		Total Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 629,428	\$ 629,428	\$ -	\$ -	\$ 629,428	\$ 629,428
Buildings	4,963,157	5,009,553	-	-	4,963,157	5,009,553
Machinery and Equipment	537,841	531,687	45,208	55,956	583,049	587,643
Land Improvements	23,744	26,394	-	-	23,744	26,394
Infrastructure	5,264,308	5,406,526	1,395,046	1,401,301	6,659,354	6,807,827
Total Capital Assets	\$11,418,478	\$11,603,588	\$ 1,440,254	\$ 1,457,257	\$12,858,732	\$13,060,845

For further information on capital assets, please refer to the Notes to the Financial Statements.

Major Funds Discussion

The following schedule presents a comparative summary of General Fund revenues and other financing sources between FY 2011 and FY 2012:

Comparative Summary of General Fund Revenues

	FY2012	FY2011	\$ Change from FY2011	% Change from FY2011	% of FY2012 Total
Taxes	\$ 3,219,641	\$ 3,122,987	\$ 96,654	3.09%	43.62%
Intergovernmental	1,891,004	1,880,807	10,197	0.54%	25.62%
Licenses and Permits	405,655	390,189	15,466	3.96%	5.50%
Fines	715,279	797,553	(82,274)	-10.32%	9.69%
Charges for Services	30,659	55,642	(24,983)	-44.90%	0.42%
Investment Income	1,201	1,301	(100)	-7.69%	0.02%
Miscellaneous	1,117,397	1,072,979	44,418	4.14%	15.14%
Total	\$ 7,380,836	\$ 7,321,458	\$ 59,378	0.81%	100.00%

The following schedule presents a comparative summary of General Fund expenditures for FY 2011 and FY 2012:

Comparative Summary of General Fund Expenditures

	FY2012	FY2011	\$ Change from FY2011	% Change from FY2011	% of FY2012 Total
General Administration	\$ 328,747	\$ 277,765	\$ 50,982	18.35%	4.67%
Law Department	228,911	227,727	1,184	0.52%	3.25%
Finance	404,666	405,480	(814)	-0.20%	5.75%
Buildings	94,029	95,044	(1,015)	-1.07%	1.34%
Recreation	161,115	134,146	26,969	20.10%	2.29%
Health	32,137	36,024	(3,887)	-10.79%	0.46%
Budget Contingencies	132,121	227,128	(95,007)	-41.83%	1.88%
Public Safety	3,972,119	3,798,569	173,550	4.57%	56.40%
Public Works	1,256,736	1,191,724	65,012	5.46%	17.84%
Debt Service	197,080	313,853	(116,773)	-37.21%	2.80%
Capital Outlay	235,026	115,485	119,541	103.51%	3.34%
Grants	-	50,500	(50,500)	-100.00%	0.00%
Total	\$ 7,042,687	\$ 6,873,445	\$ 169,242	2.46%	100.00%

Debt Administration

As of April 30, 2012, the Village of Harwood Heights had two outstanding General Obligation Bond issues in the amount of \$4,855,000 million and one outstanding installment note in the amount of \$990,275, for a total of \$5,845,275. The Village's debt is rated A+ by Standard and Poor's.

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

BASIC FINANCIAL STATEMENTS

Village of Harwood Heights, Illinois

STATEMENT OF NET ASSETS

April 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current			
Cash and cash equivalents	\$ 2,462,856	\$ 691,050	\$ 3,153,906
Receivables	1,950,784	180,283	2,131,067
Internal balances	93,717	(93,717)	-
Prepaid items	4,526	27,998	32,524
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>10,789,050</u>	<u>1,440,254</u>	<u>12,229,304</u>
Total assets	<u>16,930,361</u>	<u>2,245,868</u>	<u>19,176,229</u>
LIABILITIES			
Current			
Accounts payable	66,772	89,786	156,558
Accrued payroll liabilities	26,948	-	26,948
Deposits payable	54,453	-	54,453
Accrued interest	62,331	-	62,331
Due to Police Pension Fund	17,709	-	17,709
Unearned revenue	913,376	-	913,376
Noncurrent liabilities			
Due within one year	1,485,802	-	1,485,802
Due in more than one year	<u>6,588,363</u>	<u>-</u>	<u>6,588,363</u>
Total liabilities	<u>9,215,754</u>	<u>89,786</u>	<u>9,305,540</u>
NET ASSETS			
Investment in capital assets, net of related debt	6,315,694	1,440,254	7,755,948
Restricted by enabling legislation	1,091,492	-	1,091,492
Restricted for debt service	761,849	-	761,849
Unrestricted (deficit)	<u>(454,428)</u>	<u>715,828</u>	<u>261,400</u>
Total net assets	<u>\$ 7,714,607</u>	<u>\$ 2,156,082</u>	<u>\$ 9,870,689</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities				
General government	\$ 1,446,656	\$ 1,157,405	\$ 55,816	\$ -
Public safety	4,386,332	715,279	121,637	-
Public works	2,212,292	405,655	-	180,180
Interest	235,281	-	-	-
Total governmental activities	8,280,561	2,278,339	177,453	180,180
Business-type activities				
Water and Sewer	1,705,213	1,463,384	-	-
Total	\$ 9,985,774	\$ 3,741,723	\$ 177,453	\$ 180,180

General revenues

Taxes

Intergovernmental

Interest

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (233,435)	\$ -	\$ (233,435)
(3,549,416)	-	(3,549,416)
(1,626,457)	-	(1,626,457)
<u>(235,281)</u>	<u>-</u>	<u>(235,281)</u>
 <u>(5,644,589)</u>	 <u>-</u>	 <u>(5,644,589)</u>
 <u>-</u>	 <u>(241,829)</u>	 <u>(241,829)</u>
 <u>(5,644,589)</u>	 <u>(241,829)</u>	 <u>(5,886,418)</u>
 4,060,950	 -	 4,060,950
2,119,361	-	2,119,361
<u>3,731</u>	<u>623</u>	<u>4,354</u>
 <u>6,184,042</u>	 <u>623</u>	 <u>6,184,665</u>
 539,453	 (241,206)	 298,247
<u>7,175,154</u>	<u>2,397,288</u>	<u>9,572,442</u>
 <u>\$ 7,714,607</u>	 <u>\$ 2,156,082</u>	 <u>\$ 9,870,689</u>

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2012

	General	Motor Fuel Tax	Special Service Area Bond Proceeds	General Obligation Bonds Fund	Grant	Nonmajor Governmental	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,436,838	\$ 250,829	\$ -	\$ 254,963	\$ 329	\$ 519,897	\$ 2,462,856
Receivables, net of allowances							
Property taxes	603,628	-	-	178,224	-	-	781,852
Intergovernmental	695,893	16,719	-	-	-	-	712,612
Other	130,803	-	-	-	324,381	1,136	456,320
Prepays	4,526	-	-	-	-	-	4,526
Due from other funds	727,627	-	32,943	156,769	-	30,373	947,712
Land held for resale	1,000,000	-	-	-	-	-	1,000,000
 Total assets	 \$ 4,599,315	 \$ 267,548	 \$ 32,943	 \$ 589,956	 \$ 324,710	 \$ 551,406	 \$ 6,365,878
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 66,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,772
Accrued payroll liabilities	26,948	-	-	-	-	-	26,948
Deposits payable	54,453	-	-	-	-	-	54,453
Due to other funds	189,712	4,036	30,373	-	509,855	120,019	853,995
Due to Police Pension Fund	-	-	-	-	-	17,709	17,709
Unearned revenue	735,152	-	-	178,224	-	-	913,376
 Total liabilities	 1,073,037	 4,036	 30,373	 178,224	 509,855	 137,728	 1,933,253
Fund balances							
Nonspendable for prepaid items	4,526	-	-	-	-	-	4,526
Restricted - special revenue funds	-	263,512	-	-	-	63,561	327,073
Restricted - land held for resale	1,000,000	-	-	-	-	-	1,000,000
Restricted for capital projects	-	-	2,570	-	-	-	2,570
Restricted for Debt service	-	-	-	411,732	-	350,117	761,849
Unrestricted	2,521,752	-	-	-	(185,145)	-	2,336,607
 Total fund balance (deficit)	 3,526,278	 263,512	 2,570	 411,732	 (185,145)	 413,678	 4,432,625
 Total liabilities and fund balance	 \$ 4,599,315	 \$ 267,548	 \$ 32,943	 \$ 589,956	 \$ 324,710	 \$ 551,406	 \$ 6,365,878

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, 2012

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

Total fund balance - governmental funds	\$ 4,432,625
---	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,418,478
--	------------

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>(8,136,496)</u>
--	--------------------

Net assets - governmental activities	\$ <u><u>7,714,607</u></u>
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Village of Harwood Heights, Illinois

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended April 30, 2012

	General Fund	Motor Fuel Tax Fund	Special Service Area Bond Proceeds Fund	General Obligation Bonds Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 3,219,641	\$ -	\$ -	\$ 394,902	\$ -	\$ 446,407	\$ 4,060,950
Intergovernmental	1,891,004	251,560	-	-	334,430	-	2,476,994
Licenses and permits	405,655	-	-	-	-	-	405,655
Fines	715,279	-	-	-	-	-	715,279
Charges for services	30,659	-	-	-	-	9,349	40,008
Investment income	1,201	281	428	9	62	1,750	3,731
Miscellaneous	1,117,397	-	-	-	-	-	1,117,397
Total revenues	7,380,836	251,841	428	394,911	334,492	457,506	8,820,014
Expenditures							
Current							
General government	1,381,726	-	-	-	-	-	1,381,726
Public safety	3,972,119	-	-	-	-	100,010	4,072,129
Public works	1,256,736	431,158	-	-	-	-	1,687,894
Grant expenditures	-	-	-	-	357,633	-	357,633
Miscellaneous	-	-	-	-	-	8,873	8,873
Capital outlay	235,026	-	-	-	-	3,026	238,052
Debt service							
Principal	162,762	-	-	280,000	-	130,000	572,762
Interest	40,428	-	-	88,829	-	110,694	239,951
Total expenditures	7,048,797	431,158	-	368,829	357,633	352,603	8,559,020
Excess (deficiency) of revenues over expenditures	332,039	(179,317)	428	26,082	(23,141)	104,903	260,994
Other financing sources							
Transfer in (out)	(989)	-	-	-	989	-	-
Loan proceeds	210,255	-	-	-	-	-	210,255
Total other financing sources	209,266	-	-	-	989	-	210,255
Net change in fund balances	541,305	(179,317)	428	26,082	(22,152)	104,903	471,249
Fund balance (deficit)							
Beginning of year	2,984,973	442,829	2,142	385,650	(162,993)	308,775	3,961,376
End of year	\$ 3,526,278	\$ 263,512	\$ 2,570	\$ 411,732	\$ (185,145)	\$ 413,678	\$ 4,432,625

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, 2012

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

Net change in fund balances - total governmental funds	\$ 471,249
--	------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay.	(185,110)
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The issuance of long-term debt (e.g. bonds, compensated absences) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, increases in compensated absences, and increases in accrued interest payable consume the current financial resources of governmental funds.	<u>253,314</u>
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Change in net assets - governmental activities	<u><u>\$ 539,453</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF NET ASSETS

April 30, 2012

ASSETS

Current

Cash and cash equivalents	\$ 691,050
Customer receivables (net of allowance)	180,283
Prepaid Assets	<u>27,998</u>

Total current assets	899,331
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Capital assets, net of accumulated depreciation	<u>1,440,254</u>
---	------------------

Total assets	<u>2,339,585</u>
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LIABILITIES

Accounts payable	89,786
Due to general fund	<u>93,717</u>

Total liabilities	<u>183,503</u>
-------------------	----------------

NET ASSETS

Invested in capital assets, net of related debt	1,440,254
Unrestricted	<u>715,828</u>

Total net assets	<u>\$ 2,156,082</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, 2012

OPERATING REVENUES	
Charges for services	\$ 1,400,507
Penalties	<u>33,050</u>
Total operating revenues	<u>1,433,557</u>
OPERATING EXPENSES	
Current	
Personal services	398,211
Commodities	963,694
Other services	275,690
Capital outlay	7,006
Depreciation	<u>60,612</u>
Total operating expenses	<u>1,705,213</u>
OPERATING LOSS	<u>(271,656)</u>
NONOPERATING REVENUE	
Antenna leasing	29,827
Interest income	<u>623</u>
Total nonoperating revenues	<u>30,450</u>
CHANGE IN NET ASSETS	(241,206)
TOTAL NET ASSETS	
Beginning of year	<u>2,397,288</u>
End of year	<u><u>\$ 2,156,082</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended April 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,422,077
Cash paid to suppliers for goods and services	(1,206,196)
Cash paid to employees for services	<u>(398,211)</u>

Net cash used in operating activities	<u>(182,330)</u>
---------------------------------------	------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Change in due from/to other funds	<u>225,795</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition of capital assets	<u>(43,609)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	623
Antenna leasing	<u>29,827</u>

Net cash provided by investing activities	<u>30,450</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	30,306
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CASH AND CASH EQUIVALENTS

Beginning of year	<u>660,744</u>
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End of year	<u><u>\$ 691,050</u></u>
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CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (271,656)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	60,612
Changes in assets and liabilities	
Accounts receivable	(11,480)
Capital assets	43,609
Accounts payable	24,583
Sewer fee liability	<u>(27,998)</u>

Net cash used in operating activities	<u><u>\$ (182,330)</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds

STATEMENT OF NET ASSETS

April 30, 2012

	Police Pension Fund	Agency Fund
	Police Pension	Special Assessments
ASSETS		
Cash and cash equivalents	\$ 172,997	\$ 98,892
Investments	14,389,600	-
Accrued interest receivable	87,832	-
Due from the Village	17,709	-
Total assets	14,668,138	\$ 98,892
LIABILITIES		
Due to property owners	\$ -	\$ 98,892
Due from members	3,658	-
Total liabilities	\$ 3,658	\$ 98,892
NET ASSETS		
Held in trust for pension benefits	\$ 14,664,480	

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, 2012

ADDITIONS

Contributions

Employer	\$ 507,119
Members	<u>186,159</u>

Total contributions	<u>693,278</u>
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Investment income

Net increase in fair value of investments	277,095
Investment Earnings	<u>450,677</u>

Total investment income	727,772
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Less investment expense	<u>(42,491)</u>
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Net investment income	<u>685,281</u>
-----------------------	----------------

Total additions	<u>1,378,559</u>
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DEDUCTIONS

Pension benefits	796,466
Administrative expense	<u>20,134</u>

Total deductions	<u>816,600</u>
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NET INCREASE	561,959
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PLAN NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS

Beginning of year	<u>14,102,521</u>
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End of year	<u><u>\$ 14,664,480</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, 2012

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Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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, 2012

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, 2012

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, 2012

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. **Fund Balance**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which was adopted by the Village as of the fiscal year ended April 30, 2012. In the fund financial statements, governmental funds now report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

- a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as prepaid items or inventories.
- b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority (the Village Board). The Village Board commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Village removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Balance (Continued)

d. *Assigned* - refers to amounts that are constrained by the Village's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Trustees or the individual the Village Board delegates the authority to assign amounts to be used for specific purposes. The Village Board has not delegated this authority as of April 30, 2012.

e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally they act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

5. 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Village reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for the provision of potable water services to the residents of the Village. All activities necessary to provide such services are accounted for in this Fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Additionally, the Village reports the following fiduciary fund types:

The *Police Pension 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

6. Cash Equivalents

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

7. 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.

8. 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. 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.

10. 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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. 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 the proprietary fund is recorded as expenses and liabilities of that fund as the benefits accrue to employees.

12. 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.

13. 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	\$ 263,512
Crime investigation	15,318
Public safety - 911 service	48,243
Debt service	761,849
Capital projects	<u>2,570</u>
Total net assets restricted by enabling legislation	\$ <u><u>1,091,492</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. 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.

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	17,568,971
Accumulated depreciation	<u>(6,779,921)</u>
Net total capital assets not reported in governmental funds	<u>\$ 11,418,478</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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

(Continued)

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

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	\$ (4,855,000)
Installment notes	(990,275)
Accrued interest	(62,331)
Compensated absences payable	(824,001)
Capital lease payable	(247,887)
Other post-employment benefit obligation	(9,433)
Net pension obligation	<u>(1,147,569)</u>
Net total long-term liabilities not reported in governmental funds	\$ <u><u>(8,136,496)</u></u>

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	\$ 281,286
Depreciation expense	<u>(466,396)</u>
Net total amount by which depreciation expense exceeded capital outlay	\$ <u><u>(185,110)</u></u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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	\$ 4,670
Net decrease in general installment notes	162,762
Principal payments on general obligation bonds	410,000
Net increase in net pension obligation	(120,692)
Net increase in other post-employment benefits obligation	(3,529)
Net increase in compensated absences	(49,930)
Net increase in capital lease obligation	<u>(149,967)</u>
Net changes in current financial resources	\$ <u><u>253,314</u></u>

NOTE C - DEPOSITS AND INVESTMENTS

1. Village Deposits and Investments

The Village's investment policy is in line with state statutes and 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, 2012

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, 2012, all of the Village's deposits were insured or collateralized.

Investments

The following table presents the Village's investments and maturities as of April 30, 2012.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>Greater than 5</u>
The Illinois Funds	\$ <u>1,659,919</u>	\$ <u>1,659,919</u>	\$ <u>-</u>	\$ <u>-</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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, 2012, 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, 2012

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 \$172,997, and the bank balances totaled \$157,270.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. Treasury					
Notes	\$ 543,802	\$ -	\$ 460,761	\$ 83,041	\$ -
Governmental					
National Mortgage	103,438	-	-	-	103,438
Federal National					
Mortgage	247,874	103,240	144,634	-	-
Federal Farm					
Credit Bank	2,013,033	-	715,830	1,297,203	-
Federal Home					
Loan Bank	2,546,547	-	1,283,841	1,009,196	253,510
State and Local					
Obligations	3,217,666	158,025	1,170,962	1,888,679	-
Money Market					
Mutual Funds	<u>74,128</u>	<u>74,128</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	\$ <u>8,746,488</u>	\$ <u>335,393</u>	\$ <u>3,776,028</u>	\$ <u>4,278,119</u>	\$ <u>356,948</u>

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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 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, 2012, 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, 2012

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, 2012, 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	\$ 991,534
Baron Small Cap Fund	275,131
DFA Emerging Markets Value Fund	26,005
DFA International Value Fund	235,855
Fidelity Advisor New Insights	991,065
First Eagle Overseas Fund	183,545
Invesco Global Real Estate Fund	143,134
Lazard Emerging Markets Equity Fund	83,880
Royce Premier Fund	183,115
Royce Total Return Fund	271,857
RS Global Natural Resource A	293,670
Scout International Fund	253,106
T. Rowe Price International Discovery Fund	198,204
Vanguard Institutional Index Fund	<u>1,513,011</u>
Total equity mutual funds	<u>\$ 5,643,112</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE D - PROPERTY TAXES

Property taxes for 2011 tax year attach as an enforceable lien on January 1, 2011 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, 2012 and September 1, 2012. 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 2011 levy is intended to finance the fiscal year ended April 30, 2013, it has been offset by unearned revenue at April 30, 2012. The 2012 levy, which attached as an enforceable lien on property as of January 1, 2012, has not been recorded as a receivable as of April 30, 2012, as the tax has not yet been levied by the Village and will not be levied until December 2012; therefore, the levy is not measurable at April 30, 2012.

NOTE E - INTERFUND TRANSACTIONS

1. Due from/to Other Funds

	<u>Due from</u>	<u>Due to</u>
General		
General Obligation Bonds	\$ -	\$ 156,769
SSA Bond Proceeds	-	32,943
SSA Debt Service	102,902	-
Grant	509,855	-
Criminal Investigation	313	-
Motor Fuel Tax	4,036	-
Water and Sewer	93,717	-
Emergency 911	<u>16,804</u>	<u>-</u>
Total General	\$ <u>727,627</u>	\$ <u>189,712</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE E - INTERFUND TRANSACTIONS (Continued)

	<u>Due from</u>	<u>Due to</u>
1. <u>Due from/to Other Funds</u> (Continued)		
Other governmental funds		
General Obligation Bonds - General	\$ 156,769	\$ -
Emergency 911	-	16,804
SSA Bond Proceeds - General	32,943	-
Motor Fuel Tax - General	-	4,036
SSA Debt Service - General	-	102,902
SSA Bonds Proceeds - SSA Debt Service	30,373	-
SSA Debt Service - SSA Bonds Proceeds	-	30,373
Criminal Investigation - General	-	313
Grant - General	-	509,855
	<u>220,085</u>	<u>664,283</u>
Total governmental funds		
Water and Sewer Fund	-	93,717
	<u>947,712</u>	<u>947,712</u>
Total all Funds		
Less amounts eliminated during GASB 34 conversion	<u>(853,995)</u>	<u>(853,995)</u>
Total Village internal balances	<u>\$ 93,717</u>	<u>\$ 93,717</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 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	90,003	-	6,185,884
Machinery and equipment	2,063,160	191,283	-	2,254,443
Land improvements	121,499	-	-	121,499
Infrastructure	9,007,145	-	-	9,007,145
Total capital assets, being depreciated	<u>17,287,685</u>	<u>281,286</u>	<u>-</u>	<u>17,568,971</u>
Less accumulated depreciation for				
Buildings	1,086,328	136,399	-	1,222,727
Machinery and equipment	1,531,473	185,129	-	1,716,602
Land improvements	95,105	2,650	-	97,755
Infrastructure	3,600,619	142,218	-	3,742,837
Total accumulated depreciation	<u>6,313,525</u>	<u>466,396</u>	<u>-</u>	<u>6,779,921</u>
Total capital assets, being depreciated, net	<u>10,974,160</u>	<u>(185,110)</u>	<u>-</u>	<u>10,789,050</u>
Governmental activities capital assets, net	<u>\$ 11,603,588</u>	<u>\$ (185,110)</u>	<u>\$ -</u>	<u>\$ 11,418,478</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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	43,609	-	3,658,138
Total capital assets, being depreciated	3,834,916	43,609	-	3,878,525
Less accumulated depreciation for				
Machinery and equipment	129,731	10,748	-	140,479
Land improvements	34,700	-	-	34,700
Infrastructure	2,213,228	49,864	-	2,263,092
Total accumulated depreciation	2,377,659	60,612	-	2,438,271
Business-type activities, capital assets, net	\$ <u>1,457,257</u>	\$ <u>(17,003)</u>	\$ <u>-</u>	\$ <u>1,440,254</u>

3. Depreciation Expense

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

Governmental activities:

General government	\$ 107,405
Public safety	161,963
Public works, streets, and lighting	197,028
	<u>\$ 466,396</u>

Business – type activities:

Water and sewer	\$ <u>60,612</u>
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Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
General obligation bonds					
Series 2003	\$ 2,625,000	\$ -	\$ 280,000	\$ 2,345,000	\$ 290,000
Series 2006A	130,000	-	130,000	-	-
Series 2006B	2,510,000	-	-	2,510,000	135,000
Total general obligation bonds	<u>5,265,000</u>	<u>-</u>	<u>410,000</u>	<u>4,855,000</u>	<u>425,000</u>
Installment notes	1,153,037	-	162,762	990,275	990,275
Net pension obligation	1,026,877	627,811	507,119	1,147,569	-
OPEB obligation payable	5,904	3,529	-	9,433	-
Compensated absences	774,071	49,930	-	824,001	-
Capital lease obligations (Note I)	<u>97,920</u>	<u>210,255</u>	<u>60,288</u>	<u>247,887</u>	<u>70,527</u>
Total governmental long- term liabilities	<u>\$ 8,322,809</u>	<u>\$ 891,525</u>	<u>\$ 1,140,169</u>	<u>\$ 8,074,165</u>	<u>\$ 1,485,802</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE H- LONG-TERM LIABILITIES (Continued)

2. Long-Term Debt - Terms and Maturities

General obligation bonds payable at April 30, 2012 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. \$ 2,345,000

\$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 \$ 4,855,000

The installment note payable at April 30, 2012 is as follows:

\$1,000,000 promissory note, principal payable in one installment on November 30, 2012, and payment of monthly interest payments at 4.0%. \$ 990,275

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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 note outstanding as of April 30, 2012 are as follows:

Year Ending April 30,	General Obligation Bonds Payable			Installment Notes	
	Principal	Interest	Total	Principal	Interest
2013	\$ 425,000	\$ 185,378	\$ 610,378	\$ 990,275	\$ 39,611
2014	445,000	170,282	615,282	-	-
2015	465,000	154,338	619,338	-	-
2016	485,000	137,468	622,468	-	-
2017	510,000	119,678	629,678	-	-
2018-2022	1,645,000	341,903	1,986,903	-	-
2023-2026	880,000	95,308	975,308	-	-
	<u>\$ 4,855,000</u>	<u>\$ 1,204,355</u>	<u>\$ 6,059,355</u>	<u>\$ 990,275</u>	<u>\$ 39,611</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, 2012

NOTE I - CAPITAL LEASE OBLIGATION

At April 30, 2012, the Village is obligated for future payments under a noncancellable leases for vehicles, public works equipment and a security system as follows:

Year Ending April 30,	Capital Lease	
	Governmental	Activities
	Principal	Interest
2013	\$ 70,527	\$ 10,815
2014	76,718	6,916
2015	36,106	3,166
2016	16,691	2,147
2017	17,325	1,514
2018-2022	<u>30,520</u>	<u>1,030</u>
	<u>\$ 247,887</u>	<u>\$ 25,588</u>

The cost of the capital assets acquired through capital lease is \$300,699, with accumulated depreciation and depreciation expense of \$40,369 and \$48,642, respectively, at April 30, 2012.

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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 2011 was 11.44 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 2011, the Village's annual pension cost of \$113,078 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
12/31/11	\$	113,078	100%	\$ -
12/31/10		116,230	100%	-
12/31/09		71,684	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009 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, 2009 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, 2012

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

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

d. **Funded Status and Funding Progress**

As of December 31, 2011, the most recent actuarial valuation date, the regular plan was 80.87 percent funded. The actuarial accrued liability for benefits was \$2,401,244 and the actuarial value of assets was \$1,941,872, resulting in underfunded actuarial accrued liability (UAAL) of \$459,372. The covered payroll (annual payroll of active employees covered by the plan) was \$983,444 and the ratio of the UAAL to the covered payroll was 46 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, 2010, 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, 2012

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 hired before January 1, 2012, 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. Covered employees hired on or after January 1, 2012, attaining the age of 55 with at least 10 years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2012. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2012, 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. The monthly pension of a police officer hired on or after January 1, 2012, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or 1/2 of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

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, including administrative costs, 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

2. Police Pension Plan (Continued)

b. Summary of Significant Accounting Policies and Plan Asset Matters

i. Reporting Entity

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

The Village's police employees participate in the Police Pension Employees' Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. two members appointed by the Village's Mayor, one elected pension beneficiary, and two elected police employees constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The state of Illinois is authorized to establish benefit levels 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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

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

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

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

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2012 was \$1,683,445 out of a total payroll of \$3,477,402.

For the year ended April 30, 2012, the Village's annual pension cost was \$627,811. Actual contributions made by the Village were \$507,119. The information presented was determined as part of the actuarial valuation as of April 30, 2011, the most recent actuarial information available.

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 22 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 which includes a 2.5% inflation factor, a projected salary increase assumption range of 3.6% through 7.4% compounded annually, which includes 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>51,344</u>
Annual pension cost	627,811
Contributions made	<u>(507,119)</u>
Increase in net pension obligation	120,692
Net pension obligation as of May 1, 2011	<u>1,026,877</u>
Net pension obligation as of April 30, 2012	\$ <u><u>1,147,569</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

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

d. **Three-Year Trend Information**

<u>Year Ending</u>		<u>Annual Required Contribution</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
4/30/12	\$	576,467	80.78%	\$	1,147,569
4/30/11		576,467	81.91%		1,026,877
4/30/10		514,990	83.72%		869,954

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, 2012 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 2012, 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 2012, the Village contributed \$15,394 toward the cost of the postemployment benefits for retirees.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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, 2012</u>
Annual required contribution	\$ 18,627
Interest on net OPEB obligation	296
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	18,923
Contributions made	<u>(15,394)</u>
Increase in net OPEB obligation	3,529
Net OPEB obligation beginning of year	<u>5,904</u>
Net OPEB obligation end of year	<u><u>\$ 9,433</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

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 2012 and the two preceding fiscal years were as follows:

Actuarial Valuation Date		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Obligation
4/30/12	\$	15,394	98.1%	\$	9,433
4/30/11		18,908	98.5%		5,904
4/30/10		19,344	70.9%		5,623

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, 2012

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, 2012

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

1. Grants

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.

2. Litigation

The Village has pending legal proceedings that, in the opinion of management, are ordinary routine matters incidental to the normal business conducted by the Village. In the opinion of management, the outcome is neither probable nor estimable, and the ultimate dispositions of such proceedings are not expected to have a material adverse effect on the Village's net assets or activities.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 8, 2013, 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.

On November 30, 2012, the installment note's single principal payment was extended to May 31, 2013. All other terms remained unchanged.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Village of Harwood Heights, Illinois

Police Pension Fund

SCHEDULE OF FUNDING PROGRESS

April 30, 2012

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	4/30/11	\$ N/A	\$ N/A	\$ N/A	N/A %	\$ N/A	N/A %
2010	4/30/10	14,553,194	17,879,996	3,326,802	81.39	1,795,261	185.31
2009	4/30/09	13,738,504	16,276,113	2,537,609	84.41	1,898,391	133.67

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

N/A - No actuarial valuation was performed. The Village levied \$500,000 for fiscal year end April 30, 2012.

Village of Harwood Heights, Illinois

Illinois Municipal Retirement Fund SCHEDULE OF FUNDING PROGRESS

April 30, 2012

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)
12/31/11	\$ 1,941,872	\$ 2,401,244	\$ 459,372	80.9 %	\$ 988,444	46.5 %
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

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$1,808,244. On a market basis, the funded ratio would be 75.18%

Village of Harwood Heights, Illinois
Other Postemployment Benefits
SCHEDULE OF FUNDING PROGRESS
April 30, 2012

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)
04/30/12	N/A	N/A	N/A	N/A	N/A	N/A
04/30/11	N/A	N/A	N/A	N/A	N/A	N/A
04/30/10	\$ -	\$ 399,518	\$ 399,518	0.0 %	\$ N/A	N/A %

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, 2012

<u>Year Ended April 30</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 507,119	\$ N/A	N/A %	\$ 1,147,569
2011	472,179	576,467	81.91	1,026,877
2010	431,147	514,990	83.72	979,869
2009	514,335	542,423	94.82	869,954
2008	402,352	470,168	85.58	737,056
2007	386,150	417,478	92.50	659,505
2006	312,343	400,261	78.03	571,663
2005	-	376,670	-	543,271
2004	295,239	339,791	86.89	456,458
2003	323,479	316,680	102.15	79,458

N/A - The Village did not obtain an actuarial report for the year ended April 30, 2012. The Net Pension Obligation was estimated using the prior year annual required contribution and adding interest.

Village of Harwood Heights, Illinois

General Fund

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

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes	\$ 3,011,368	\$ 3,219,641	\$ 208,273
Intergovernmental	1,731,000	1,891,004	160,004
Licenses and permits	381,251	405,655	24,404
Fines	752,500	715,279	(37,221)
Charges for services	29,901	30,659	758
Investment income	1,000	1,201	201
Miscellaneous	535,652	1,117,397	581,745
Total revenues	6,442,672	7,380,836	938,164
Expenditures			
Current			
General government	1,521,369	1,381,726	(139,643)
Public safety	3,850,496	3,972,119	121,623
Public works	1,240,661	1,256,736	16,075
Debt service (installment note)			
Principal	167,783	162,762	(5,021)
Interest	62,685	40,428	(22,257)
Capital outlay	197,691	235,026	37,335
Total expenditures	7,040,685	7,048,797	8,112
Other financing sources			
Transfer out	-	(989)	(989)
Loan proceeds	-	210,255	210,255
Total other financing sources	-	209,266	209,266
Net change in fund balance	\$ (598,013)	541,305	\$ 1,139,318
Fund balance			
Beginning of year		2,984,973	
End of year		\$ 3,526,278	

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, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Intergovernmental			
State of Illinois motor fuel tax	\$ 215,964	\$ 251,560	\$ 35,596
Investment income	250	281	31
Total revenues	<u>216,214</u>	<u>251,841</u>	<u>35,627</u>
Expenditures			
Public works			
Streets and lighting			
Street light repair	7,500	4,656	(2,844)
Traffic Light Maint - IDOT	2,208	5,242	3,034
Traffic Signal Maint - Meade	7,620	2,429	(5,191)
Street signs	2,700	-	(2,700)
Sidewalks	-	173,153	173,153
Engineering - Ainslie/Argyle	40,000	46,464	6,464
Engineering - ERP	75,000	17,550	(57,450)
Reimbursement to GF for Mtce Staff	95,506	95,506	-
Tree trimming and removal	20,000	21,920	1,920
Salt	25,000	12,779	(12,221)
Street repair projects	50,000	51,459	1,459
Total public works	<u>325,534</u>	<u>431,158</u>	<u>105,624</u>
Total expenditures	<u>325,534</u>	<u>431,158</u>	<u>105,624</u>
Other financing sources			
Transfer in	109,320	-	(109,320)
Total other financing sources	<u>109,320</u>	<u>-</u>	<u>(109,320)</u>
Net change in fund balance	\$ <u>-</u>	(179,317)	\$ <u>(179,317)</u>
Fund balance			
Beginning of year		<u>442,829</u>	
End of year		\$ <u>263,512</u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2012

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 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 2012 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, 2012 is taken by the Village Board before July 31, 2011.
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.

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, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes			
Property			
General	\$ 481,464	\$ 505,969	\$ 24,505
Police protection	312,560	333,199	20,639
Police pension	470,843	507,119	36,276
Total property taxes	1,264,867	1,346,287	81,420
Other taxes			
Home rule sales tax	775,000	878,474	103,474
Video rental tax	1	3,689	3,688
Utility	390,000	413,973	23,973
Telecommunications	250,000	267,759	17,759
Pull tab	1,500	1,077	(423)
Gas tax	80,000	87,844	7,844
Self-storage tax	-	1,842	1,842
Real estate transfer tax	250,000	218,696	(31,304)
Total other taxes	1,746,501	1,873,354	126,853
Total taxes	3,011,368	3,219,641	208,273
Intergovernmental revenues			
Taxes			
Personal property replacement tax	5,000	5,789	789
Sales tax	950,000	1,032,604	82,604
State income tax	650,000	698,636	48,636
State local use tax	100,000	125,693	25,693
Roads and bridges	26,000	28,282	2,282
Total intergovernmental revenues	1,731,000	1,891,004	160,004

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (continued)			
Licenses and permits			
Business licenses	\$ 80,000	\$ 75,317	\$ (4,683)
Liquor licenses	33,750	34,040	290
Overweight truck permits	1,000	5,679	4,679
Building permits	40,000	55,654	15,654
Sewer permits	1,000	1,175	175
Plumbing permits	5,000	3,665	(1,335)
Electrical permits	9,000	5,728	(3,272)
Sign inspections	1	200	199
Elevator inspections	2,800	1,850	(950)
Building inspections	10,000	10,600	600
Fence permits	500	650	150
Franchise fees	80,000	81,721	1,721
Dog tags	200	272	72
Parking Permit	-	1,422	1,422
Vehicle licenses	118,000	127,682	9,682
Total licenses and permits	381,251	405,655	24,404
Fines			
Code enforcement fines	2,500	2,075	(425)
Traffic	65,000	241,959	176,959
Overweight trucks	90,000	9,938	(80,062)
Red Speed	165,000	118,431	(46,569)
Parking tickets	200,000	239,184	39,184
Driving under the influence (DUI)	3,000	7,156	4,156
Compliance tickets	115,000	8,036	(106,964)
Vehicle impound fees	112,000	88,500	(23,500)
Total fines	752,500	715,279	(37,221)

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (Continued)			
Charges for services			
Youth program fees	\$ 19,400	\$ 17,588	\$ (1,812)
Hearing fees	1,500	4,505	3,005
Village hearing office	2,000	700	(1,300)
Escrow bond forfeiture	1,000	3,670	2,670
Police reports	1,000	1,245	245
Rental	3,500	583	(2,917)
Credit Card Processing	1,500	2,368	868
False alarm fees	1	-	(1)
	<u>29,901</u>	<u>30,659</u>	<u>649</u>
Total charges for services			
Investment income			
Interest	<u>1,000</u>	<u>1,201</u>	<u>201</u>
Miscellaneous revenues			
Reimbursements			
Workers' compensation	5,000	75,421	70,421
FEMA	24,000	24,052	52
Insurance	26,652	25,993	(659)
Personnel (Guards)	11,000	11,000	-
Personnel (Police)	16,500	494,841	478,341
Police	-	5,349	5,349
IDOT bus advertising	3,000	-	(3,000)

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues (Continued)			
Miscellaneous revenues (Continued)			
Vacant properties	\$ 3,500	\$ 3,600	\$ 100
Garbage fees	436,000	405,143	(30,857)
Other miscellaneous	10,000	71,998	61,998
Total miscellaneous revenues	535,652	1,117,397	581,745
Total revenues	\$ 6,442,672	\$ 7,380,836	\$ 938,164
Expenditures			
General government			
General management and support			
General administration	\$ 358,632	\$ 328,747	\$ (29,885)
Law department	176,500	228,911	52,411
Finance	463,865	404,666	(59,199)
Building	96,193	94,029	(2,164)
Total general management and support	1,095,190	1,056,353	(38,837)
Recreation and cultural opportunities	171,008	161,115	(9,893)
Health	36,506	32,137	(4,369)
Fire and police commission	18,665	-	(18,665)
Budget contingencies	200,000	132,121	(67,879)
Total general government	1,521,369	1,381,726	(139,643)
Public safety			
Police	3,850,496	3,972,119	121,623

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Expenditures (Continued)			
Public works			
Forestry	\$ 35,000	\$ 34,865	\$ (135)
Streets and lights	745,245	726,523	(18,722)
Refuse disposal	436,000	486,176	50,176
Truck weight regulation	24,416	9,172	(15,244)
Total public works	1,240,661	1,256,736	16,075
Debt service (installment note)			
Principal	167,783	156,652	(11,131)
Interest and fiscal charges	62,685	40,428	(22,257)
Total debt service	230,468	197,080	(33,388)
Capital outlay			
Village properties	197,691	235,026	37,335
Total expenditures	\$ 7,040,685	\$ 7,042,687	\$ 2,002
Other financing sources			
Transfer (out)	\$ -	\$ (989)	\$ (989)
Transfer in	598,013	-	(598,013)
Loan proceeds	-	210,255	210,255
Total other financing sources	\$ 598,013	\$ 209,266	\$ (388,747)

(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, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Investment income	\$ -	\$ 428	\$ 428
Total revenues	-	428	428
Expenditures			
Current			
General government			
Bond issuance	-	-	-
Bank Fees	-	-	-
Total expenditures	-	-	-
Net change in fund balance	\$ -	428	\$ 428
Fund balance			
Beginning of year		2,142	
End of year		\$ 2,570	

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, 2012

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>SSA Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 65,047	\$ 15,631	\$ 439,219	\$ 519,897
Receivables				
Other	-	-	1,136	1,136
Due from				
Other funds	<u>-</u>	<u>-</u>	<u>30,373</u>	<u>30,373</u>
Total assets	<u>\$ 65,047</u>	<u>\$ 15,631</u>	<u>\$ 470,728</u>	<u>\$ 551,406</u>
LIABILITIES				
Due to other funds	<u>\$ 16,804</u>	<u>\$ 313</u>	<u>\$ 120,611</u>	<u>\$ 137,728</u>
Total liabilities	<u>16,804</u>	<u>313</u>	<u>120,611</u>	<u>137,728</u>
FUND BALANCE				
Reserved for				
Debt service	-	-	350,117	350,117
Public safety	<u>48,243</u>	<u>15,318</u>	<u>-</u>	<u>63,561</u>
Total fund balance	<u>48,243</u>	<u>15,318</u>	<u>350,117</u>	<u>413,678</u>
Total liabilities and fund balances	<u>\$ 65,047</u>	<u>\$ 15,631</u>	<u>\$ 470,728</u>	<u>\$ 551,406</u>

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended April 30, 2012

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Emergency Telephone System	Criminal Investigation	SSA Debt Service	
Revenues				
Taxes	\$ 105,833	\$ -	\$ 340,574	\$ 446,407
Charges for services	-	9,349	-	9,349
Investment income	141	6	1,603	1,750
Total revenues	105,974	9,355	342,177	457,506
Expenditures				
Current				
Public safety	99,666	344	-	100,010
Capital outlay	3,026	-	-	3,026
Miscellaneous	-	30	8,843	8,873
Debt service				
Principal	-	-	130,000	130,000
Interest	-	-	110,694	110,694
Total expenditures	102,692	374	249,537	352,603
Net change in fund balance	3,282	8,981	92,640	104,903
Fund balance				
Beginning of year	44,961	6,337	257,477	308,775
End of year	\$ 48,243	\$ 15,318	\$ 350,117	\$ 413,678

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, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Revenues			
Taxes			
911 tax	\$ 70,000	\$ 105,833	\$ 35,833
Interest income	180	141	(39)
Total revenues	70,180	105,974	35,794
Expenditures			
Public safety			
Telephone	20,000	28,889	8,889
Seminars and conferences	2,000	92	(1,908)
Maintenance	-	38,986	38,986
Bank fees	-	229	229
Service contracts	31,000	31,470	470
Total public safety	53,000	99,666	46,666
Capital outlay			
Other equipment	7,000	3,026	(3,974)
Total expenditures	60,000	102,692	42,692
Net change in fund balance	\$ 10,180	3,282	\$ (6,898)
Fund balance			
Beginning of year		44,961	
End of year		\$ 48,243	

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, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Operating revenues			
Charges for sales and services			
Water sales	\$ 1,081,000	\$ 1,120,856	\$ 39,856
Sewer fees	230,000	236,854	6,854
Water taps	1,000	13,111	12,111
Meter sales - commercial	22,500	-	(22,500)
Meter sales	10,000	26,331	16,331
Water miscellaneous	<u>-</u>	<u>3,355</u>	<u>3,355</u>
Total charges for sales and services	1,344,500	1,400,507	56,007
Penalties	<u>-</u>	<u>33,050</u>	<u>33,050</u>
Total operating revenues	<u>1,344,500</u>	<u>1,433,557</u>	<u>89,057</u>
Nonoperating revenues			
Antenna leasing	29,028	29,827	799
Interest income	600	623	23
Transfer In	<u>391,498</u>	<u>-</u>	<u>(391,498)</u>
Total nonoperating revenues	<u>421,126</u>	<u>30,450</u>	<u>(390,676)</u>
Total revenues	\$ <u><u>1,765,626</u></u>	\$ <u><u>1,464,007</u></u>	\$ <u><u>(301,619)</u></u>

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL

Year Ended April 30, 2012

	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	15,000	14,509	(491)
Services - maintenance men	248,500	248,500	-
Services - office clerks	125,000	125,000	-
Security	4,000	148	(3,852)
Fica taxes	1,625	1,615	(10)
State unemployment tax	-	39	39
Total personal services	<u>402,525</u>	<u>398,211</u>	<u>(4,314)</u>
Commodities			
Office supplies	2,000	539	(1,461)
Building maintenance supplies	1,000	3,086	2,086
Vehicle gas and oil	20,000	8,099	(11,901)
Purchase of water	600,000	636,951	36,951
Electric power and gas	25,000	15,947	(9,053)
Chlorine	1,000	-	(1,000)
Pump room supplies	2,000	50	(1,950)
Outside maintenance supplies	10,000	8,708	(1,292)
Hydrant parts	2,000	2,521	521
New meter purchases (Commercial)	22,500	26,415	238,420
New meter purchases (Residential)	180,000	260,920	(179,542)
Uniforms	1,500	458	(1,042)
Water supplies - miscellaneous	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total commodities	<u>868,500</u>	<u>963,694</u>	<u>69,237</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Other services			
City of Chicago sewer fees	\$ 175,000	\$ 139,992	\$ (35,008)
Engineering	20,000	2,800	(17,200)
Telephone	5,300	4,637	(663)
Postage	7,000	6,000	(1,000)
Legal fees	2,000	612	(1,388)
Water testing	7,000	4,138	(2,862)
Dues, lectures, and conference fees	2,000	2,313	313
Auditing	6,000	-	(6,000)
Computer service	8,000	-	(8,000)
Street, sidewalk, and parkway repair	20,000	8,195	(11,805)
Main testing and maintenance	8,300	4,642	(3,658)
Office equipment maintenance	500	-	(500)
Buildings and grounds maintenance	2,000	1,010	(990)
Reservoir and tower maintenance	13,000	2,531	(10,469)
Equipment maintenance	3,000	188	(2,812)
Vehicle repair and maintenance	13,000	15,742	2,742
Outside service - breaks	500	-	(500)
Outside service - taps	2,000	-	(2,000)
Water service - miscellaneous	-	2,708	2,708
Single family flood relief grant	4,500	16,500	12,000
Reimbursement to General Fund - supplies	15,000	15,000	-
Contractual services - software support	2,525	4,330	1,805
Insurance-property, liability, and auto	16,824	19,671	2,847
Fire hydrant installation	3,000	-	(3,000)
Sewer Repair	5,000	7,491	2,491
Dump Fees	7,000	1,306	(5,694)
Printing	1,000		(1,000)
Catch Basin Repairs	34,750	15,884	(18,866)
Total other services	384,199	275,690	(91,309)

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - BUDGET AND ACTUAL (Continued)

Year Ended April 30, 2012

	Original and Final Budget	Actual	Variance Over / (Under)
Operating expenses (continued)			
Capital outlay			
Equipment	\$ 3,400	\$ 412	\$ (2,988)
Paint Water Tower	90,000	-	(90,000)
Office furniture and equipment	1,000	803	(197)
Building improvements	1,000	-	(1,000)
Vehicles	1	-	(1)
Other equipment purchases	1	-	(1)
Pump room equipment	15,000	5,791	(9,209)
Total capital outlay	110,402	7,006	(103,396)
Depreciation	-	60,612	60,612
Total operating expenses	\$ 1,765,626	\$ 1,705,213	\$ (69,170)

(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, 2012

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ 24,513	\$ 74,379	\$ -	\$ 98,892
Short-term investments	74,473	-	(74,473)	-
Receivables				
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u><u>98,986</u></u>	\$ <u><u>74,379</u></u>	\$ <u><u>(74,473)</u></u>	\$ <u><u>98,892</u></u>
LIABILITIES				
Due to property owners	\$ <u>98,986</u>	\$ <u>-</u>	\$ <u>(94)</u>	\$ <u>98,892</u>
Total liabilities	\$ <u><u>98,986</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(94)</u></u>	\$ <u><u>98,892</u></u>

OTHER SUPPLEMENTAL INFORMATION

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

	2012	2011	2010	2009	2008
Revenues					
Taxes	\$4,060,950	\$3,856,463	\$3,630,111	\$3,748,180	\$3,553,157
Intergovernmental	2,476,994	2,503,350	2,427,535	2,074,130	2,228,332
Licenses and Permits	405,655	390,189	281,826	331,577	346,884
Fines	715,279	797,553	650,526	272,630	340,592
Charges for Services	40,008	55,642	123,265	20,105	47,163
Investment Income	3,731	7,553	10,075	44,641	194,915
Miscellaneous	1,117,397	1,072,979	462,872	82,150	116,500
Total Revenues	8,820,014	8,683,729	7,586,210	6,573,413	6,827,543
Expenditures					
General Government	1,381,726	1,431,195	1,632,449	1,558,685	1,820,853
Public Safety	4,072,129	3,929,959	4,088,584	4,044,711	4,179,744
Public Works	1,687,894	1,282,919	555,032	593,137	884,981
Grant Expenditures	357,633	588,746	100,106	50,000	923,649
Miscellaneous	8,873	13,191	331,135	18,987	-
Capital Outlay	238,052	115,828	310,722	1,748,004	-
Debt Service					
Principal	572,762	652,510	618,808	345,785	218,436
Interest	239,951	269,428	260,252	273,433	223,331
Total Expenditures	8,559,020	8,283,776	7,897,088	8,632,742	8,250,994
Other Financing Sources (Uses)					
Transfer (out)	(989)	-	(893,150)	-	-
Transfer in	989	20,985	869,912	-	-
Loan Proceeds	210,255	1,102,534	-	-	-
Total Other Financing Sources (Uses)	210,255	1,123,519	(23,238)	-	-
Net Change in Fund Balance	471,249	1,523,472	(334,116)	(2,059,329)	(1,423,451)
Fund Balance					
Beginning of Year	3,961,376	2,437,904	2,772,020	4,831,349	6,255,300
End of Year	\$4,432,625	\$3,961,376	\$2,437,904	\$2,772,020	\$4,831,849

Village of Harwood Heights, Illinois

NET ASSETS BY COMPONENT

Last Five Fiscal Years

	2012	2011	2010	2009	2008
Governmental activities					
Investment in capital assets net of related debt	\$ 6,315,694	\$ 6,084,016	\$ 5,837,274	\$ 5,335,018	\$ 6,577,380
Restricted	1,853,341	2,139,396	996,642	1,664,718	2,824,551
Unrestricted	(454,428)	(1,048,258)	(226,512)	(509,629)	(1,672,373)
Total governmental activities	7,714,607	7,175,154	6,607,404	6,490,107	7,729,558
Business-type activities					
Investment in capital assets net of related debt	1,440,254	1,457,257	1,508,067	1,561,446	57,240
Unrestricted	715,828	940,031	827,991	775,478	899,700
Total business-type activities	2,156,082	2,397,288	2,336,058	2,336,924	956,940
Total	9,870,689	\$ 9,572,442	\$ 8,943,462	\$ 8,827,031	\$ 8,686,498