

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2016

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i - iii
INTRODUCTORY SECTION	
Principal Officials	iv
Organization Chart	v
FINANCIAL SECTION	
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14 - 15
Statement of Activities	16 - 17
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Fund - Water and Sewer Fund	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24

(Continued)

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Basic Financial Statements (Continued)	
Fund Financial Statements (Continued)	
Fiduciary Funds	
Statement of Net Position -	
Police Pension Fund	25
Agency Fund	25
Statement of Changes in Plan Net Position - Police Pension Fund	26
Index to the Notes to Financial Statements	27 - 28
Notes to Financial Statements	29 - 77
Required Supplementary Information (Unaudited)	
Schedule of Changes in Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund	78
Schedule of Contributions - Illinois Municipal Retirement Fund	79
Schedule of Changes in Net Pension Liability and Related Ratios -	
Police Pension Fund	80
Multiyear Schedule of Contributions - Police Pension Fund	81
Multiyear Schedule of Investment Returns - Police Pension Fund	82
Schedule of Funding Progress - Other Postemployment Benefits	83
Schedules of Revenues, Expenditures, and Changes in Fund Balance (Deficit) -	
Appropriation and Actual	
General Fund	84
Motor Fuel Tax Fund	85
General Obligation Fund	86
Notes to Required Supplementary Information	87

(Continued)

Village of Harwood Heights, Illinois

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Supplementary Financial Information	
General Fund	
Schedule of Detailed Revenues - Appropriation and Actual	88 - 91
Schedule of Detailed Expenditures - Appropriation and Actual	92
Nonmajor Governmental Funds	
Combining Balance Sheet	93 - 94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	95 - 96
Emergency Telephone System Fund	
Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balance - Appropriation and Actual	97 - 98
SSA Debt Service Fund	
Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balance - Appropriation and Actual	99
Grant Fund	
Schedule of Detailed Revenues, Expenditures, and Changes in Fund Balance - Appropriation and Actual	100
Proprietary Fund - Water and Sewer Fund	
Schedule of Detailed Revenues - Appropriation and Actual	101
Schedule of Detailed Expenses - Appropriation and Actual	102 - 104
Fiduciary - Agency Fund - Special Service Area Agency Fund	
Schedule of Changes in Assets and Liabilities	105
Other Supplemental Information (Unaudited)	
Changes in Fund Balance - Governmental Funds - Last Five Fiscal Years	106
Net Position By Component - Last Five Fiscal Years	107

(Concluded)

INTRODUCTORY SECTION

Village of Harwood Heights, Illinois

PRINCIPAL OFFICIALS

Year Ended April 30, 2016

Arlene Jezierny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Lawrence Steiner

Lester Szlendak

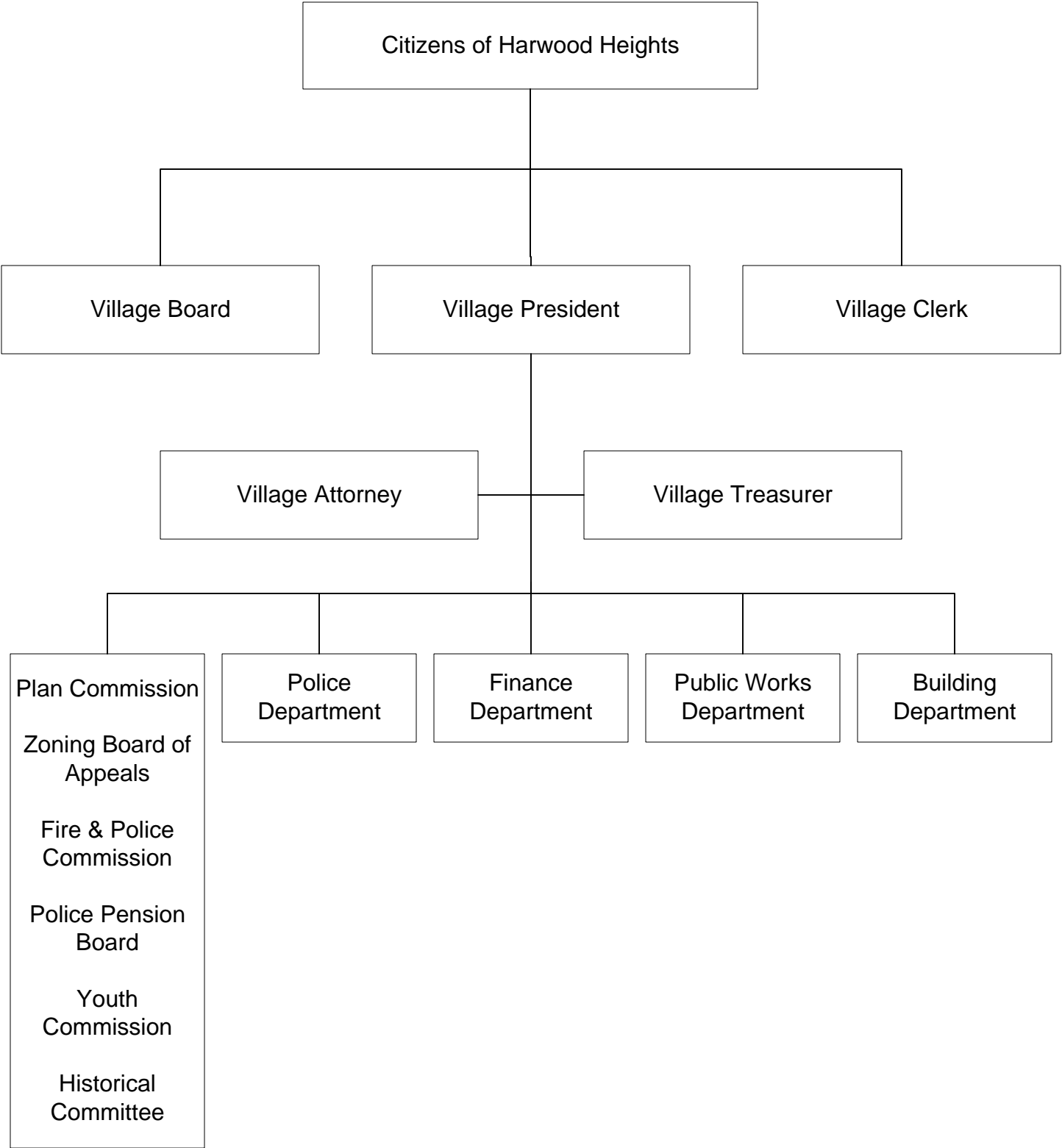
Michael Gadzinski

Jeffrey Rasche

Annette Brzezniak-Volpe

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

Report on the Financial Statements

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 (the Village), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Village's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, which represents ninety-nine percent of the assets, net position and revenues of the fiduciary funds. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Pension Fund, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Harwood Heights, Illinois, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note M to the audited financial statements, net position, long-term liabilities, and deferred outflows as of May 1, 2015 have been restated as a result of an adjustment due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans - An amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (GASB 71). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the Illinois Municipal Retirement Fund and Police Pension Fund data on pages 78 - 82, the other postemployment benefits data on page 83, and budgetary comparison schedules and notes to required supplementary information on pages 84 - 87 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by 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.

(Continued)

Other Information

Our audit for the year ended April 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Harwood Heights, Illinois' basic financial statements. The other schedules listed in the table of contents in the introductory section, the supplementary information and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information for the year ended April 30, 2016 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended April 30, 2016.

The introductory sections and other supplemental information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
December 6, 2016

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

The Village of Harwood Heights, Illinois (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 statement of net position presents information on all of the Village's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

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 government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services.

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.

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

Governmental Funds

The governmental major funds are presented on a current financial resources basis. This is the manner in which the appropriation 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 balance sheet for the governmental funds is a reconciliation of the balance sheet to the statement of net position to calculate net position on the full accrual basis of accounting.

Proprietary Funds

The Proprietary Funds consist of enterprise and internal service funds. These funds comprise the business-type category reported in the government-wide statements. These funds account 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 or agency responsibilities of the Village, these assets are restricted in purpose and do not represent discretionary assets of the Village. Therefore, these assets are not presented as part of the government-wide financial statements. The Village's fiduciary funds are the Special Service Area 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 Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 78-87 of this report.

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

Additional information on governmental funds is presented following the required supplementary information in the supplementary information section. Combining and individual fund statements and appropriation comparison schedules for nonmajor governmental funds can be found on pages 88-100 of this report.

Infrastructure Assets

The Village's largest group of assets consists of infrastructure assets and water and sewer systems (land, streets, storm sewers, etc.). These assets are valued and reported in both the governmental activities and business-type activities 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 STATEMENTS

Statement of Net Position

Net position can be a useful indicator of a government's financial condition and is defined as the amount by which assets exceed liabilities and deferred inflows of resources. The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Financial Reporting for Pensions* (GASB 68), and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71), which were adopted by the Village as of the fiscal year ended April 30, 2016. GASB 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pension liabilities. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to period of employee service. GASB 71 established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 68 and 71 required the Village to record the net pension liability for Harwood Heights Police Pension Fund and IMRF. As a result of this implementation, net position as of May 1, 2015 decreased by \$7,890,967, net pension liability (included in long-term liabilities) increased by \$7,934,921 and deferred outflows increased by \$43,954. Under previous financial reporting standards, the Village was only required to report its obligations to the pension funds as required supplementary information (i.e., the obligations did not affect the statement of net position).

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

Additionally, a significant portion of the Village's net position reflects its investment in capital assets, net of depreciation (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 Position As of April 30,

	Governmental Activities		Business-Type Activity		Total Government	
	2016	2015 *	2016	2015 *	2016	2015 *
Assets						
Current/ Other Assets	\$ 5,651,448	\$ 5,366,678	\$ 218,631	\$ 402,550	\$ 5,870,079	\$ 5,769,228
Capital Assets	13,389,578	13,723,255	3,524,241	2,222,272	16,913,819	15,945,527
Total Assets	19,041,026	19,089,933	3,742,872	2,624,822	22,783,898	21,714,755
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	2,248,331	33,405	106,124	10,549	2,354,455	43,954
Total Deferred Outflows	2,248,331	33,405	106,124	10,549	2,354,455	43,954
Liabilities						
Current/Other Liabilities	621,407	496,833	679,416	318,809	1,300,823	815,642
Long-term liabilities	17,847,784	15,823,497	1,003,802	125,693	18,851,586	15,949,190
Total Liabilities	18,469,191	16,320,330	1,683,218	444,502	20,152,409	16,764,832
Deferred Inflows of Resources						
Property Taxes Levied for a Future Period	871,243	860,601	-	-	871,243	860,601
Deferred Inflows Related to Pensions	459,770	-	-	-	459,770	-
Total Deferred Inflows	1,331,013	860,601	-	-	1,331,013	860,601
Net Position						
Net Investment in Capital Assets	9,770,027	9,818,034	2,686,985	2,172,997	12,457,012	11,991,031
Restricted Net Assets	1,046,746	841,223	-	-	1,046,746	841,223
Restricted for Debt Service	445,237	295,938	-	-	445,237	295,938
Unrestricted Net Assets	(9,772,857)	(9,012,788)	(521,207)	17,872	(10,294,064)	(8,994,916)
Total Net Position	\$ 1,489,153	\$ 1,942,407	\$ 2,165,778	\$ 2,190,869	\$ 3,654,931	\$ 4,133,276

* Restated due to implementation of GASB 68 and GASB 71.

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

Changes in Net Position

The following table summarizes the revenues, expenses, and net position of the Village's activities.

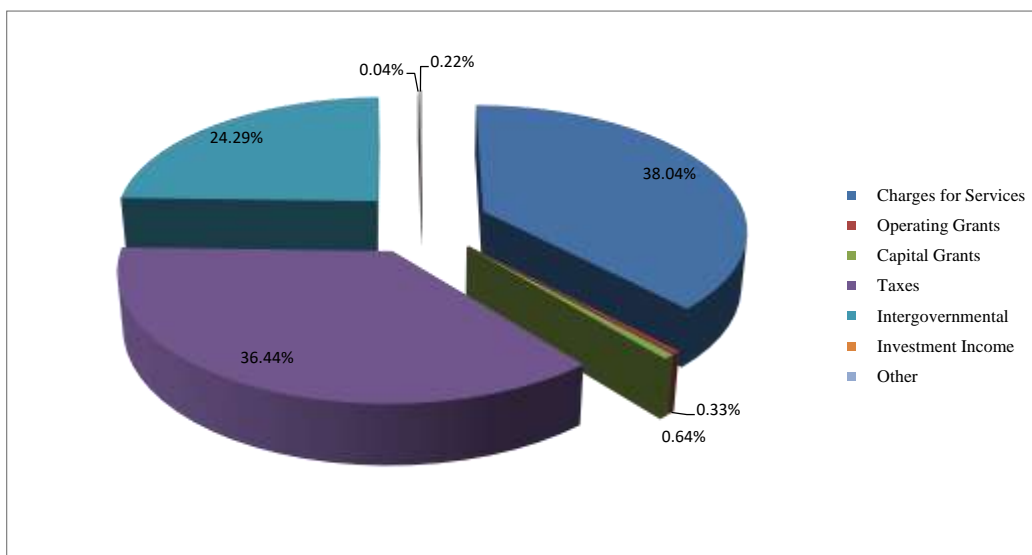
Changes in Net Position For the Fiscal Year Ended April 30, 2016						
	Governmental Activities		Business-Type Activity		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 2,036,861	\$ 1,845,186	\$ 2,199,605	\$ 2,115,891	\$ 4,236,466	\$ 3,961,077
Operating Grants	37,229	2,219	-	-	37,229	2,219
Capital Grants	70,850	-	-	200,000	70,850	200,000
General Revenues						
Taxes	4,057,880	4,147,841	-	-	4,057,880	4,147,841
Intergovernmental	2,704,462	2,495,891	-	-	2,704,462	2,495,891
Investment Income	4,771	2,007	113	199	4,884	2,206
Other	-	-	24,502	22,111	24,502	22,111
Total Revenues	8,912,053	8,493,144	2,224,220	2,338,201	11,136,273	10,831,345
Expenses						
General Government	1,667,920	1,949,607	-	-	1,667,920	1,949,607
Public Safety	6,050,839	4,700,701	-	-	6,050,839	4,700,701
Public Works	1,553,911	1,477,976	-	-	1,553,911	1,477,976
Interest	92,637	252,455	-	-	92,637	252,455
Water	-	-	2,249,311	2,141,289	2,249,311	2,141,289
Total Expenses	9,365,307	8,380,739	2,249,311	2,141,289	11,614,618	10,522,028
Change in Net Position	(453,254)	112,405	(25,091)	196,912	(478,345)	309,317
Beginning Net Position (See Note M)	1,942,407 **	9,655,100	2,190,869 **	2,059,826	4,133,276 **	11,714,926
Ending Net Position	\$ 1,489,153	\$ 9,767,505 *	\$ 2,165,778	\$ 2,256,738 *	\$ 3,654,931	\$12,024,243 *

* This amount is presented as originally reported. The amount was restated at May 1, 2015 due to the implementation of GASB 68 and GASB 71.

** The beginning net position was restated due to the implementation of GASB 68 and GASB 71.

Village of Harwood Heights, Illinois Management's Discussion and Analysis April 30, 2016

Total Government Fiscal Year 2016 Revenues



For the fiscal year ended April 30, 2016, revenues totaled approximately \$11.14 million. The Village benefits from a highly diversified revenue base. The “taxes” classification includes property taxes as well as other taxes collected directly by the Village. Revenues from the Village’s largest single source, property taxes, amounted to approximately \$1.73 million. Property taxes support governmental activities, which include the Village’s contribution to the Harwood Heights Police Pension Fund. Between fiscal years 2015 and 2016, total property tax revenues increased by 3.5%. The increase can be attributed directly to an increased property tax levy in 2015 (payable in 2016) to satisfy the actuarially determined contributions for the Harwood Heights Police Pension Fund.

The two major types of sales taxes are the retailer’s occupation tax (ROT) and the home-rule sales tax. Both of these sales taxes are collected by the State of Illinois. A portion of the ROT is shared by the state with its municipalities based upon the point of sale. In fiscal year 2016, ROT revenue was approximately \$1.51 million compared to approximately \$1.56 million in 2015. Home-rule sales tax revenue was approximately \$1.06 million compared to approximately \$1.07 million in 2015. Although the Village’s overall sales tax revenue experienced a slight decrease, the Village is anticipating an additional \$450,000 in annual sales tax revenue based on current economic development projects expected to be completed during calendar year 2017.

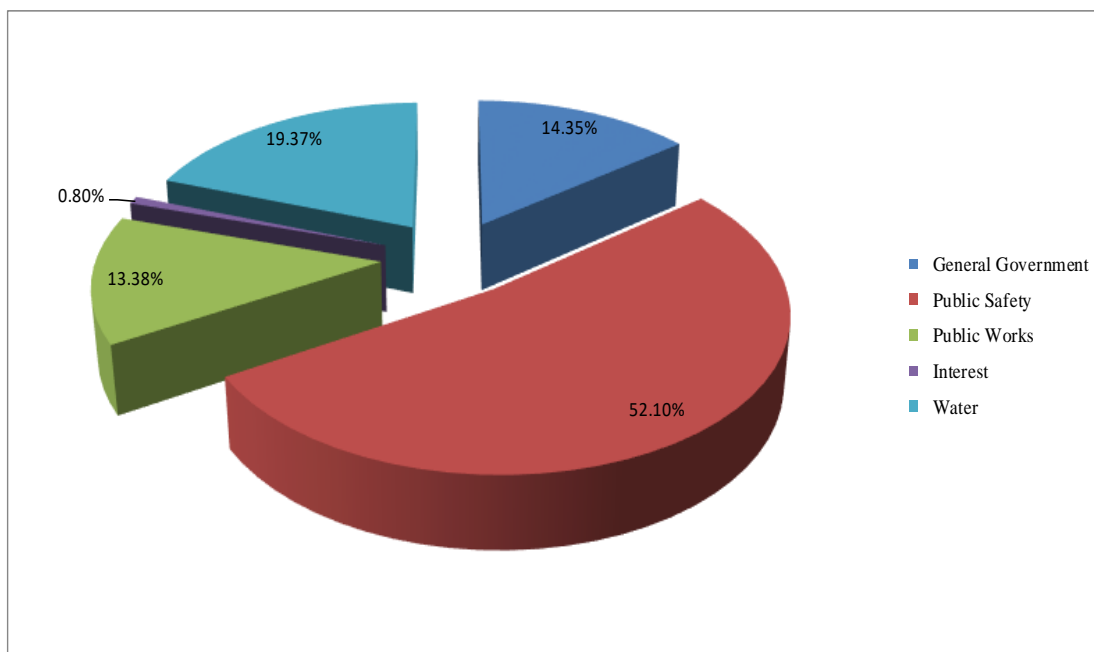
Income taxes are also shared by the state, but on a per-capita basis. In fiscal year 2016, state income tax revenue was approximately \$1.04 million, an increase of \$322,021 from the previous year.

Charges for services increased by \$275,389. Building permit fee revenue was the main source of this increase resulting from the Village’s economic development initiatives.

Village of Harwood Heights, Illinois Management's Discussion and Analysis April 30, 2016

The Village's sole business-type activity is its Water and Sewer Department. Water service charges, sewer fees, and late payment penalties for fiscal year 2016 totaled approximately \$2.20 million, an increase of 4.0% from the prior year. Also, non-operating income of \$24,615 was produced by investment income and antenna leasing.

Total Government Fiscal Year 2016 Expenses



The Village of Harwood Heights expenses totaled approximately \$11.61 million in fiscal year 2016. This represents an increase of approximately \$1.09 million from the prior year.

Public safety costs comprise the greatest portion of the Village's total expenses. Public safety costs increased by 28.7%, from approximately \$4.70 million in 2015 to approximately \$6.05 million in 2016. The increase is attributable to higher personnel-related and other operating costs associated with the Village's police department. The fiscal year 2016 figure reflects the impact of the police department collective bargaining agreement settlement as well as higher employer's pension expenses. Public works expenses experienced a slight increase of \$75,935 from \$1.5 million in 2015 to \$1.6 million in 2016 attributable to the hiring of one full-time laborer and wage increases as required by the collective bargaining agreement.

In the business-type activities, the expenses of the water and sewer function commodities and operating expenses totaled approximately \$2.25 million in 2016. This includes \$1,056,611 for water purchased in 2016 which increased by 3.1% compared to the previous year, and \$328,881 for sewer fees in 2016 which increased by 5.7% compared to the previous year. Personnel services in the amount of \$455,260 in 2016 were provided by public works and administration employees.

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

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, 2016, the governmental funds reported an ending fund balance of \$4.2 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 2016, the Village was not required to amend its appropriation ordinance.

General Fund Revenues

	FY2016 Appropriation	FY2016 Actual	Dollar Variance	Percent Variance
Revenues				
Taxes	\$ 3,304,867	\$ 3,340,968	\$ 36,101	1.09%
Intergovernmental	2,236,500	2,582,536	346,036	15.47%
Licenses and Permits	444,701	615,340	170,639	38.37%
Fines	884,500	921,267	36,767	4.16%
Charges for Services	26,101	30,337	4,236	16.23%
Investment Income	600	2,011	1,411	235.17%
Miscellaneous Revenues	431,000	455,962	24,962	5.79%
Total Revenues	\$ 7,328,269	\$ 7,948,421	\$ 620,152	8.46%

Total General Fund revenue came in over the projected appropriation by \$620,152, or 8.46%. Intergovernmental and licenses and permits revenue were the largest contributors in dollars to the increased revenue, mainly due to the Village's economic development initiatives.

General Fund Expenditures

	FY2016 Appropriation	FY2016 Actual	Dollar Variance	Percent Variance
Expenditures				
General Government	\$ 1,842,586	\$ 1,574,521	\$ (268,065)	-14.55%
Public Safety	4,173,383	4,466,678	293,295	7.03%
Public Works	1,455,241	1,162,270	(292,971)	-20.13%
Debt Service	134,221	154,791	20,570	15.33%
Capital Outlay	265,001	128,315	(136,686)	-51.58%
Total Expenditures	\$ 7,870,432	\$ 7,486,575	\$ (383,857)	-4.88%

Village of Harwood Heights, Illinois

Management's Discussion and Analysis

April 30, 2016

General Fund expenditures came in under budget by \$383,857, or (4.88)%. Although public safety expenditures increased by 7.03%, this was offset by the significant reduction in general government and public works expenditures.

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2016 and 2015, net of accumulated depreciation of \$11,812,291 and \$11,066,809, respectively.

Total Capital Assets at Fiscal Year End Net of Depreciation						
Asset Type	Governmental Activities		Business-Type Activity		Total Government	
	2016	2015	2016	2015	2016	2015
Construction In Process	\$ 16,898	\$ -	\$ 802,423	\$ 252,531	\$ 819,321	\$ 252,531
Land	629,428	629,428	-	-	629,428	629,428
Buildings	4,597,822	4,747,817	-	-	4,597,822	4,747,817
Machinery and Equipment	392,284	408,231	235,453	190,965	627,737	599,196
Land Improvements	13,909	16,049	-	-	13,909	16,049
Infrastructure	7,739,237	7,921,730	2,486,365	1,778,776	10,225,602	9,700,506
Total Capital Assets	\$13,389,578	\$13,723,255	\$ 3,524,241	\$ 2,222,272	\$16,913,819	\$15,945,527

At the end of the fiscal year 2016, the Village had a combined total government net capital assets of \$16.9 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines. During fiscal year 2016, the Village began infrastructure improvements for its water distribution system. Those improvements consist of various major water main replacements and the modernization of the Village's water delivery distribution systems.

Long-Term Debt

The table below summarizes the Village's bonded and other indebtedness.

Long-Term Debt As of April 30, 2016						
	Governmental Activities		Business-Type Activity		Total Government	
	2016	2015 *	2016	2015 *	2016	2015 *
General Obligation Bonds	\$ 3,638,538	\$ 4,166,942	\$ -	\$ -	\$ 3,638,538	\$ 4,166,942
Capital Leases	44,551	61,242	123,063	49,275	167,614	110,517
Notes Payable	1,189,970	1,322,189	714,193	-	1,904,163	1,322,189
Compensated Absences	1,085,759	840,709	-	-	1,085,759	840,709
Net Pension Liabilities	11,660,817	9,274,663	166,546	76,418	11,827,363	9,351,081
Net Other Post-Employment Benefit Obligations	228,149	157,752	-	-	228,149	157,752
Total	\$17,847,784	\$15,823,497	\$ 1,003,802	\$ 125,693	\$18,851,586	\$15,949,190

*Restated due to the implementation of GASB 68 and GASB 71.

Village of Harwood Heights, Illinois Management's Discussion and Analysis April 30, 2016

As of April 30, 2016, the Village had a total of approximately \$18.85 million of long-term debt outstanding. Of this amount, approximately \$3.64 million was in the form of general obligation bonds backed by the full faith and credit of the Village government. As an Illinois home-rule community, the Village is not subject to any debt limitation. In 2015, Standard and Poor's Ratings Services affirmed a AA Stable credit rating for the Village's general obligation bonds.

For more detailed information on the Village's bonded and similar indebtedness, see Note H in the notes to the financial statements.

Economic Factors

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. Sales taxes 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 POSITION
April 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents	\$ 3,270,497	\$ 331,917	\$ 3,602,414
Receivables (net of allowance for uncollectibles)	1,899,987	245,473	2,145,460
Prepaid items	58,408	63,797	122,205
Noncurrent assets			
Internal balances	422,556	(422,556)	-
Capital assets not being depreciated	646,326	802,423	1,448,749
Capital assets, net of accumulated depreciation	<u>12,743,252</u>	<u>2,721,818</u>	<u>15,465,070</u>
Total assets	<u>19,041,026</u>	<u>3,742,872</u>	<u>22,783,898</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>2,248,331</u>	<u>106,124</u>	<u>2,354,455</u>
Total deferred outflows	<u>2,248,331</u>	<u>106,124</u>	<u>2,354,455</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF NET POSITION
April 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current			
Accounts payable	\$ 142,755	\$ 677,202	\$ 819,957
Accrued payroll liabilities	29,708	-	29,708
Deposits payable	139,126	-	139,126
Pledged sales taxes payable	63,219	-	63,219
Accrued interest	33,442	2,214	35,656
Due to fiduciary funds	39,206	-	39,206
Unearned revenue	173,951	-	173,951
Long-term liabilities			
Due within one year	494,544	22,403	516,947
Due in more than one year	<u>17,353,240</u>	<u>981,399</u>	<u>18,334,639</u>
Total liabilities	<u>18,469,191</u>	<u>1,683,218</u>	<u>20,152,409</u>
DEFERRED INFLOWS			
Property taxes levied for a future period	871,243	-	871,243
Deferred inflows related to pensions	<u>459,770</u>	<u>-</u>	<u>459,770</u>
Total deferred inflows	<u>1,331,013</u>	<u>-</u>	<u>1,331,013</u>
NET POSITION			
Net investment in capital assets	9,770,027	2,686,985	12,457,012
Restricted by enabling legislation	1,046,746	-	1,046,746
Restricted by enabling legislation, for debt service	445,237	-	445,237
Unrestricted	<u>(9,772,857)</u>	<u>(521,207)</u>	<u>(10,294,064)</u>
Total net position	\$ <u><u>1,489,153</u></u>	\$ <u><u>2,165,778</u></u>	\$ <u><u>3,654,931</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities				
General government	\$ 1,667,920	\$ 486,299	\$ 37,229	\$ 70,850
Public safety	6,050,839	935,222	-	-
Public works	1,553,911	615,340	-	-
Interest	92,637	-	-	-
Total governmental activities	9,365,307	2,036,861	37,229	70,850
Business-type activities				
Water and sewer	2,249,311	2,199,605	-	-
Total	\$ 11,614,618	\$ 4,236,466	\$ 37,229	\$ 70,850
General revenues				
Taxes				
Intergovernmental				
Interest				
Other				
Total general revenues				
Change in net position				
Net position - beginning of year, as restated (Note M)				
Net position - end of year				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,073,542)	\$ -	\$ (1,073,542)
(5,115,617)	-	(5,115,617)
(938,571)	-	(938,571)
<u>(92,637)</u>	<u>-</u>	<u>(92,637)</u>
 <u>(7,220,367)</u>	 <u>-</u>	 <u>(7,220,367)</u>
 <u>-</u>	 <u>(49,706)</u>	 <u>(49,706)</u>
 <u>(7,220,367)</u>	 <u>(49,706)</u>	 <u>(7,270,073)</u>
 4,057,880	 -	 4,057,880
2,704,462	-	2,704,462
4,771	113	4,884
<u>-</u>	<u>24,502</u>	<u>24,502</u>
 <u>6,767,113</u>	 <u>24,615</u>	 <u>6,791,728</u>
 (453,254)	 (25,091)	 (478,345)
 <u>1,942,407</u>	 <u>2,190,869</u>	 <u>4,133,276</u>
 <u>\$ 1,489,153</u>	 <u>\$ 2,165,778</u>	 <u>\$ 3,654,931</u>

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2016

	General	Motor Fuel Tax	General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,582,175	\$ 521,447	\$ 367,484	\$ 799,391	\$ 3,270,497
Receivables, net of allowances					
Property taxes	693,842	-	174,400	-	868,242
Intergovernmental	857,371	19,599	-	-	876,970
Other	150,484	-	-	4,291	154,775
Prepays	58,408	-	-	-	58,408
Advances to other funds	322,232	-	245,343	64,877	632,452
	<u>322,232</u>	<u>-</u>	<u>245,343</u>	<u>64,877</u>	<u>632,452</u>
Total assets	\$ 3,664,512	\$ 541,046	\$ 787,227	\$ 868,559	\$ 5,861,344
	<u><u>3,664,512</u></u>	<u><u>541,046</u></u>	<u><u>787,227</u></u>	<u><u>868,559</u></u>	<u><u>5,861,344</u></u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 134,066	\$ 4,094	\$ -	\$ 4,595	\$ 142,755
Accrued payroll liabilities	28,065	-	-	1,643	29,708
Deposits payable	139,126	-	-	-	139,126
Pledged sales taxes payable	63,219	-	-	-	63,219
Advances from other funds	-	-	-	209,896	209,896
Due to fiduciary funds	39,206	-	-	-	39,206
Unearned revenue	173,951	-	-	-	173,951
	<u>173,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,951</u>
Total liabilities	577,633	4,094	-	216,134	797,861
	<u>577,633</u>	<u>4,094</u>	<u>-</u>	<u>216,134</u>	<u>797,861</u>
Deferred Inflows					
Property taxes levied for a future period	696,842	-	174,401	-	871,243
	<u>696,842</u>	<u>-</u>	<u>174,401</u>	<u>-</u>	<u>871,243</u>
Total deferred inflows	696,842	-	174,401	-	871,243
	<u>696,842</u>	<u>-</u>	<u>174,401</u>	<u>-</u>	<u>871,243</u>
Fund balances					
Nonspendable					
Prepays	58,408	-	-	-	58,408
Advances to other funds	322,232	-	245,343	64,877	632,452
	<u>322,232</u>	<u>-</u>	<u>245,343</u>	<u>64,877</u>	<u>632,452</u>
Restricted					
Special revenue funds	-	536,952	-	148,482	685,434
Debt service	-	-	367,483	77,754	445,237
Capital projects	-	-	-	361,312	361,312
Unassigned	2,009,397	-	-	-	2,009,397
	<u>2,009,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,009,397</u>
Total fund balance	2,390,037	536,952	612,826	652,425	4,192,240
	<u>2,390,037</u>	<u>536,952</u>	<u>612,826</u>	<u>652,425</u>	<u>4,192,240</u>
Total liabilities and fund balance	\$ 3,664,512	\$ 541,046	\$ 787,227	\$ 868,559	\$ 5,861,344
	<u><u>3,664,512</u></u>	<u><u>541,046</u></u>	<u><u>787,227</u></u>	<u><u>868,559</u></u>	<u><u>5,861,344</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Governmental Funds
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
April 30, 2016

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

Total fund balance - governmental funds	\$ 4,192,240
---	--------------

Net capital assets used in governmental activities and included in the statement of net position do not require the expenditure of financial resources and, therefore, are not reported in the governmental funds balance sheet.	13,389,578
--	------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Deferred outflows related to IMRF pension fund	\$ 287,699	
Deferred outflows of 2016 employer IMRF contributions related to pensions	48,360	
Deferred outflows related to police pension fund	1,912,272	
Deferred inflows related to police pension fund	<u>(459,770)</u>	1,788,561

Interest on long-term liabilities accrued in the statement of net position will not be paid with current financial resources and, therefore, is not recognized in the governmental funds balance sheet.	(33,442)
---	----------

Long-term liabilities included in the statement of net position are not due and payable in the current period and, accordingly, are not reported in the governmental funds balance sheet.	<u>(17,847,784)</u>
---	---------------------

Net position - governmental activities	\$ <u><u>1,489,153</u></u>
--	----------------------------

Village of Harwood Heights, Illinois

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)

Year Ended April 30, 2016

	<u>General</u>	<u>Motor Fuel Tax</u>	<u>General Obligation Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,340,968	\$ -	\$ 394,381	\$ 322,531	\$ 4,057,880
Intergovernmental	2,582,536	220,285	-	9,720	2,812,541
Licenses and permits	615,340	-	-	-	615,340
Fines	921,267	-	-	13,955	935,222
Charges for services	30,337	-	-	-	30,337
Investment income	2,011	495	68	2,197	4,771
Miscellaneous	455,962	-	-	-	455,962
	<u>7,948,421</u>	<u>220,780</u>	<u>394,449</u>	<u>348,403</u>	<u>8,912,053</u>
Total revenues					
Expenditures					
Current					
General government	1,574,521	-	-	-	1,574,521
Public safety	4,466,678	-	-	609,628	5,076,306
Public works	1,162,270	42,314	-	-	1,204,584
Miscellaneous	-	-	-	8,822	8,822
Capital outlay	128,315	-	-	-	128,315
Debt service					
Principal	148,910	-	260,000	265,000	673,910
Interest and other	5,881	-	39,634	26,201	71,716
	<u>7,486,575</u>	<u>42,314</u>	<u>299,634</u>	<u>909,651</u>	<u>8,738,174</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>461,846</u>	<u>178,466</u>	<u>94,815</u>	<u>(561,248)</u>	<u>173,879</u>
Other financing sources (uses)					
Transfers in	25,000	-	-	1,373,572	1,398,572
Transfers out	(1,008,572)	(390,000)	-	-	(1,398,572)
	<u>(983,572)</u>	<u>(390,000)</u>	<u>-</u>	<u>1,373,572</u>	<u>-</u>
Total other financing sources (uses)					
Net change in fund balances	(521,726)	(211,534)	94,815	812,324	173,879
Fund balance (deficit)					
Beginning of year	<u>2,911,763</u>	<u>748,486</u>	<u>518,011</u>	<u>(159,899)</u>	<u>4,018,361</u>
End of year	<u>\$ 2,390,037</u>	<u>\$ 536,952</u>	<u>\$ 612,826</u>	<u>\$ 652,425</u>	<u>\$ 4,192,240</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
April 30, 2016

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

Net change in fund balances - total governmental funds	\$ 173,879
--	------------

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.

(333,677)

Changes in deferred outflows and inflows of resources related to pensions are reported only in the statement of activities:

Deferred outflows and inflows of resources related to IMRF pension fund	302,654
Deferred outflows and inflows of resources related to police pension fund	1,452,502

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

(2,048,612)

Change in net position - governmental activities	\$ <u><u>(453,254)</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 NET POSITION

April 30, 2016

ASSETS

Current

Cash and cash equivalents	\$ 331,917
Customer receivables (net of allowance for uncollectibles)	245,473
Prepaid items	<u>63,797</u>

Total current assets	641,187
----------------------	---------

Capital assets not being depreciated	802,423
--------------------------------------	---------

Capital assets, net of accumulated depreciation	<u>2,721,818</u>
---	------------------

Total assets	<u>4,165,428</u>
--------------	------------------

DEFERRED OUTFLOWS

Deferred outflows related to pensions	<u>106,124</u>
---------------------------------------	----------------

Total deferred outflows	<u>106,124</u>
-------------------------	----------------

LIABILITIES

Current

Accounts payable	677,202
Accrued interest payable	2,214

Long-term

Advances from other funds	422,556
Due within one year	22,403
Due in more than one year	<u>981,399</u>

Total liabilities	<u>2,105,774</u>
-------------------	------------------

NET POSITION

Net investment in capital assets	2,686,985
----------------------------------	-----------

Unrestricted	<u>(521,207)</u>
--------------	------------------

Total net position	<u><u>\$ 2,165,778</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 REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year Ended April 30, 2016

OPERATING REVENUES	
Charges for services	\$ 2,160,411
Penalties	<u>39,194</u>
Total operating revenues	<u>2,199,605</u>
OPERATING EXPENSES	
Current	
Personal services	461,995
Commodities	1,101,275
Other services	527,730
Capital outlay	28,755
Depreciation	<u>123,584</u>
Total operating expenses	<u>2,243,339</u>
OPERATING LOSS	<u>(43,734)</u>
NONOPERATING REVENUES (EXPENSES)	
Other	24,502
Interest income	113
Interest expense	<u>(5,972)</u>
Total nonoperating revenues	<u>18,643</u>
CHANGE IN NET POSITION	<u>(25,091)</u>
TOTAL NET POSITION	
Beginning of year, as restated (Note M)	<u>2,190,869</u>
End of year	<u><u>\$ 2,165,778</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,224,258
Cash paid to suppliers for goods and services	(1,306,772)
Cash paid to employees for services	<u>(467,442)</u>
Net cash provided by operating activities	<u>450,044</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Change in due from/to other funds	<u>(130,167)</u>
Net cash used in noncapital financing activities	<u>(130,167)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition of capital assets	(1,425,553)
Loan proceeds	714,193
Proceeds from capital leases	95,495
Principal payments on capital leases	(21,707)
Interest paid	<u>(3,758)</u>
Net cash used in capital financing activities	<u>(641,330)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	113
Antenna leasing	<u>24,502</u>
Net cash provided by investing activities	<u>24,615</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (296,838)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>628,755</u>
End of year	<u>\$ 331,917</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (43,734)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	123,584
Changes in assets and liabilities	
Accounts receivable	24,653
Accounts payable	358,393
Prepaid items	(7,405)
Deferred outflows related to pensions	(95,575)
Net pension liability	<u>90,128</u>
Net cash provided by operating activities	<u>\$ 450,044</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds

STATEMENT OF NET POSITION

April 30, 2016

	Police Pension Fund	Agency Fund
	Police Pension	Special Service Area
ASSETS		
Cash and cash equivalents	\$ 380,200	\$ 98,856
Investments	15,819,430	-
Accrued interest receivable	90,480	-
Due from the Village	39,206	-
Prepays	1,030	-
Total assets	16,330,346	\$ 98,856
LIABILITIES		
Accounts payable	\$ 9,581	\$ -
Due to property owners	-	98,856
Total liabilities	\$ 9,581	\$ 98,856
NET POSITION		
Held in trust for pension benefits	\$ 16,320,765	

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Police Pension Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
Year Ended April 30, 2016

ADDITIONS	
Investment earnings	\$ 589,245
Contributions	
Employer	668,617
Members	<u>224,805</u>
Total contributions	<u>893,422</u>
Total additions	<u>1,482,667</u>
DEDUCTIONS	
Net decrease in fair value of investments	630,835
Investment expense	51,564
Pension benefits and refunds	1,138,758
Administrative expense	45,779
Transfer to other pensions	<u>21,061</u>
Total deductions	<u>1,887,997</u>
CHANGE IN NET POSITION	(405,330)
PLAN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>16,726,095</u>
End of year	<u>\$ 16,320,765</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
INDEX TO THE
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

	<u>Page(s)</u>
A. Summary of Significant Accounting Policies	
1. Reporting Entity	29
2. Government-wide and Fund Financial Statements	29 - 30
3. Basis of Presentation - Fund Accounting	
a. Governmental Fund Types	30 - 31
b. Proprietary Fund Types	31
c. Fiduciary Fund Types	31 - 32
4. Fund Balance	32 - 33
5. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	33 - 35
6. Cash Equivalents	35
7. Receivables	35
8. Investments	35
9. Prepaid Items	36
10. Interfund Transactions	36
11. Capital Assets	36 - 37
12. Compensated Absences	37
13. Long-Term Liabilities	37
14. Deferred Outflows / Deferred Inflows	37
15. Fund Balance and Restrictions of Net Position	38
16. Use of Estimates	38
17. New Accounting Pronouncement	38 - 39
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 Position	39
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	39 - 40
C. Deposits and Investments	
1. Village Deposits and Investments	41 - 42
2. Police Pension Deposits, Investments, and Concentrations	42 - 47
D. Property Taxes	47
E. Interfund Transactions	
1. Advances from/to Other Funds	48
2. Interfund Transfers	49

Village of Harwood Heights, Illinois
INDEX TO THE
NOTES TO FINANCIAL STATEMENTS (Continued)
April 30, 2016

	<u>Page(s)</u>
F. Capital Assets	
1. Governmental Activities	50
2. Business-Type Activities	51
3. Depreciation Expense	52
G. Risk Management	52
H. Long-Term Liabilities	
1. Changes in Long-Term Liabilities	53 - 54
2. Long-Term Debt - Terms and Maturities	54 - 55
3. Capital Lease Obligations	55 - 56
4. Note Payable	56
5. Illinois EPA Loan	56
6. Legal Debt Margin	56
I. Pension Liabilities	
1. Illinois Municipal Retirement Fund	57 - 64
2. Police Pension Plan	64 - 70
3. Summary of Pension Items	70
J. Other Postemployment Benefits	71 - 74
K. Contingencies and Commitments	
1. Grants	75
2. Litigation	75
3. Construction Commitments	75
L. Pledged Revenue	75 - 76
M. Prior Period Adjustment	76
N. Subsequent Events	76 - 77

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Harwood Heights, Illinois (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 GAAP, 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, and is not included as a component unit in any other governmental reporting entity.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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, 2016

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, 2) grants and contributions that are restricted to meeting the operational requirements, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements as they are not available to address activities or obligations of the Village. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements, and reported separately in the supplementary financial 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, 2016

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, DUI 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 projects funds are used to account for the use of resources for capital improvements. The Village's capital projects fund is the Capital Projects Fund. The primary revenue and financing sources include bond proceeds and transfers from other funds.

b. **Proprietary Fund Types**

Proprietary funds are used to account for the Village's ongoing 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.

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, and/or other governmental units.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation - Fund Accounting (Continued)

c. Fiduciary Fund Types (Continued)

- 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 Service Area Agency Fund is the Village's sole agency fund.

4. Fund Balance

The governmental funds 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. There were no committed amounts at April 30, 2016.
- 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, 2016. There were no assigned amounts at April 30, 2016.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. **Fund Balance** (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Bond Fund* is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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 and sewer 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 Service Area Agency Fund* accounts for the changes in assets and liabilities for the special service area debt payments.

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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports unearned and unavailable revenue on its financial statements. Unearned and unavailable revenue arises when a potential revenue does not meet both the "measurable" and "unavailable" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Village has a legal claim to the resources, the liability or deferred inflow of resources for unearned or unavailable revenue is removed from the balance sheet and revenue is recognized. Governmental Funds also defer revenue recognition in connection with resources received, but not yet earned.

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.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all utility receivable balances that have had a final reading and estimates the portion, if any, of the balance that will not be collected.

8. **Investments**

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Prepaid items

Prepaid items are recorded at cost and amortized over the term of the underlying agreements. Reported prepaid expenditures are equally offset by fund balance reserves, which indicate that they do not constitute "available spendable resources" even though they are a component of current assets. These are accounted for using the consumption method.

10. 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.

11. Capital Assets

Capital assets, which include land, buildings, machinery and equipment, land improvements, 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.

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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Capital Assets (Continued)

Construction in progress is stated at cost and includes engineering and design costs incurred for planned construction. No provision for depreciation is made on construction in progress until the asset is completed and put in use.

12. 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 position. Accumulated vacation and sick leave of the proprietary fund is recorded as expenses and liabilities of that fund as the benefits accrue to employees.

13. Long-Term Liabilities

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

14. Deferred Outflows / Deferred Inflows

In addition to assets, the statement of net position and the governmental funds balance sheet may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position / fund balance that applies to a future period(s). At April 30, 2016, the Village had deferred outflows of resources related to pension liabilities (see Note I). In addition to liabilities, the Village may report deferred inflows of resources. Deferred inflows of resources represent the acquisition of resources that is applicable to a future reporting period(s). At April 30, 2016, the Village's property taxes levied for a future period and pension liabilities (see Note I) are reported as deferred inflows of resources.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fund Balance and Restrictions of Net Position

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 position reports net position restricted by enabling legislation which consist of the following:

<u>Net position restricted for:</u>	<u>Amount</u>
Motor fuel tax	\$ 536,952
Crime investigation	10,337
Public safety - 911 service	110,425
DUI	27,720
Capital projects	361,312
Debt service	445,237
Total net position restricted by enabling legislation	<u><u>\$ 1,491,983</u></u>

16. 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.

17. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented by the Village during the fiscal year ended April 30, 2016. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses on the government-wide financial statements. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discounts projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service.

The GASB has issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68, which was implemented by the Village during the fiscal year ended April 30, 2016. This Statement established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. New Accounting Pronouncement (Continued)

Specific changes to the Village's financial statements relate to the recognition of net pension liability and deferred outflows of resources associated with the Illinois Municipal Retirement Fund (IMRF) and the Police Pension Fund. See Note M for the effects of this restatement.

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 Position

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

One element of that reconciliation explains that “Long-term liabilities included in the statement of net position are not due and payable in the current period and, accordingly, are not reported in the governmental funds balance sheet.” The details of this difference are as follows:

General obligation bonds payable	\$ (3,575,000)
Unamortized bond premium	(63,538)
Note payable	(1,189,970)
Compensated absences payable	(1,085,759)
Capital lease payable	(44,551)
Other post-employment benefit obligation	(228,149)
Net pension obligations	<u>(11,660,817)</u>
Net adjustment to reduce fund balance - governmental funds to arrive at net position - governmental activities	<u>\$ (17,847,784)</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 position - governmental activities as reported in the government-wide statement of activities.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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)

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	\$ 288,221
Depreciation expense	<u>(621,898)</u>
Net adjustment to reduce net change in fund balances - governmental funds to arrive at change in net position - governmental activities	\$ <u><u>(333,677)</u></u>

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this difference are as follows:

Increase in accrued interest	\$ (24,325)
Principal payments on note payable	132,219
Principal payments on general obligation bonds	525,000
Amortization of bond premiums	3,404
Net increase in net pension obligations	(2,386,154)
Net increase in other postemployment benefits obligation	(70,397)
Net increase in compensated absences	(245,050)
Principal payments on capital lease	<u>16,691</u>
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position - governmental activities	\$ <u><u>(2,048,612)</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS

1. Village Deposits and Investments

For disclosure purposes, the amounts are segregated as follows:

	<u>Total</u>
Deposits with financial institutions	\$ 2,208,425
Illinois Funds	<u>1,393,989</u>
Total cash and cash equivalents	<u><u>\$ 3,602,414</u></u>

The Village's investment policy is in line with state statutes. The investments that the Village may purchase are limited by Illinois law to the following: (1) securities that are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) interest bearing savings accounts, interest-bearing certificates of deposit or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (4) short-term discount obligations of corporations organized in the United States with assets exceeding \$500,000,000; (5) interest bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; and (8) money market mutual funds and certain other instruments.

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 are 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 measured at net asset value (NAV) per share using the amortized cost basis provided by the pool, which is 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. **Village Deposits and Investments** (Continued)

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, 2016, the Village had uninsured deposits in the amount of \$59,219. The carrying amount of the Village's deposits with financial institutions was \$2,208,425 at April 30, 2016. The Village's Agency Fund had a carrying value of \$98,856 at April 30, 2016.

Investment Policy

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, 2016, 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

Statutes and the Pension Fund's investment policy 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 Funds Market Fund, 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.

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; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension funds with net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension funds with net position 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. In addition, pension funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net plan position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

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

Deposits. At year-end, the carrying amount of the Pension Fund's deposits totaled \$380,200, and the related bank balances totaled \$380,200.

Investments. At April 30, 2016, the Pension Fund has the following investment maturities:

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
State and Local Obligations	\$ 879,832	\$ 205,005	\$ 674,827	\$ -	\$ -
U.S. Govt and Agency Obligations	3,737,575	358,784	2,254,130	1,094,564	30,097
Corporate Obligations	3,142,815	-	2,549,444	593,371	-
Common Stocks	3,912,143	3,912,143	-	-	-
Equity Mutual Funds	4,147,065	4,147,065	-	-	-
TOTAL	\$ 15,819,430	\$ 8,622,997	\$ 5,478,401	\$ 1,687,935	\$ 30,097

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the 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 A or better, and Corporate Obligations are rated A- or better by Standard & Poor's or by Moody's Investors Services. Other than investing in securities issued by agencies of the United States government, the Pension Fund has no other formal policy for reducing credit risk.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2016, the entire amount of the bank balance of the deposits was covered by federal depository or equivalent insurance. The Pension Fund's investment policy requires that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default.

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. Money market mutual funds, and equity mutual funds are not subject to custodial credit risk. At April 30, 2016, the U.S. government agencies and the state and local obligations are held by the counterparty in the trust department. The Pension Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. At April 30, 2016, the Pension Fund has over 5% of its net plan assets invested in various agency securities, as indicated in the table below. 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. Additionally, at year-end the Pension Fund had \$3,912,143 invested in common stocks.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

<u>Equity Mutual Funds</u>	<u>Fair Value</u>
Deutsche Global Infrast-Ins	\$ 373,356
JP Morgan Mid Cap Value	464,000
Invesco Global Real Estate Fund	369,212
Lazard Emerging Markets Equity Fund	128,589
MFS International Value	814,966
Oppenheimer Developing MKT	259,366
Oppenheimer Intrl Growth Fd-I	940,405
Sector SPDR Trust Utilities - ETF	119,016
T. Rowe Price Mid-Cap Growth	320,094
Undiscovered Mngrs Behavioral Values	358,061
	<u>4,147,065</u>
Total equity mutual funds	\$ <u>4,147,065</u>

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	4.4 - 20.9 %	4.3 - 4.5 %
Domestic equities	2.2 - 24.8	7.5 - 11.7
International equities	10.8	6.6 - 8.6
Real estate	2.3	6.8 - 11.9
Blended	5.4 - 19.4	5.0 - 10.2
Cash and cash equivalents	0.0	0.0

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 55%. Securities in any one company should not exceed 5% to the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in September 2015, in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2016 are listed in the table above.

b. Rate of Return

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE D - PROPERTY TAXES

Property taxes for 2015 tax year attach as an enforceable lien on January 1, 2015 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, 2016 and August 1, 2016. The County collects such taxes and remits them periodically. The portion of the 2015 property tax levy not received by April 30 is recorded as a receivable, net of the allowance for uncollectibles of \$3,000. The net receivable collected within the current year is recognized as revenue. Because the remaining uncollected amount is intended to finance the fiscal year ended April 30, 2017, net taxes receivable is reflected as property taxes levied for a future period. The 2016 levy, which attached as an enforceable lien on property as of January 1, 2016, has not been recorded as a receivable as of April 30, 2016, as the tax has not yet been levied by the Village and will not be levied until December 2016; therefore, the levy is not measurable at April 30, 2016.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE E - INTERFUND TRANSACTIONS

1. Advances to/from Other Funds

	Advances to	Advances from
General		
Water and Sewer	\$ 277,213	\$ -
Emergency 911	45,019	-
Total General	<u>322,232</u>	<u>-</u>
Other governmental funds		
General Obligation Bonds - Water and Sewer	145,343	-
Emergency 911 - General	-	45,019
Capital Projects - SSA Debt Service	64,877	-
General Obligation Bonds - SSA Debt Service	100,000	-
SSA Debt Service - Capital Projects	-	64,877
SSA Debt Service - General Obligation Bonds	<u>-</u>	<u>100,000</u>
Total other governmental funds	<u>310,220</u>	<u>209,896</u>
Water and Sewer Fund		
General	-	277,213
General Obligation Bonds	<u>-</u>	<u>145,343</u>
Total all Funds	632,452	632,452
Less amounts eliminated during GASB 34 conversion	<u>(209,896)</u>	<u>(209,896)</u>
Total Village internal balances	<u>\$ 422,556</u>	<u>\$ 422,556</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE E - INTERFUND TRANSACTIONS (Continued)

2. Interfund Transfers

Transfers were used in connection with the closing of the Grant Fund and to finance operations. Interfund transfers are recorded for permanent transfers between funds which are not expected to be repaid. Individual interfund transfers, during the fiscal year ended April 30, 2016, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 25,000	\$ 1,008,572
MFT	-	390,000
Nonmajor governmental		
Grant	832,919	-
Emergency 911	526,579	-
DUI	<u>14,074</u>	<u>-</u>
Total transfers	\$ <u><u>1,398,572</u></u>	\$ <u><u>1,398,572</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

1. Governmental Activities

	<u>Beginning Balance</u>	<u>Increases / Transfers</u>	<u>Decreases / Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 629,428	\$ -	\$ -	\$ 629,428
Construction in Process	<u>-</u>	<u>16,898</u>	<u>-</u>	<u>16,898</u>
Total capital assets, not being depreciated	<u>629,428</u>	<u>16,898</u>	<u>-</u>	<u>646,326</u>
Capital assets, being depreciated				
Buildings	6,414,142	-	-	6,414,142
Machinery and equipment	2,619,488	157,893	-	2,777,381
Land improvements	121,499	-	-	121,499
Infrastructure	<u>12,432,571</u>	<u>113,430</u>	<u>-</u>	<u>12,546,001</u>
Total capital assets, being depreciated	<u>21,587,700</u>	<u>271,323</u>	<u>-</u>	<u>21,859,023</u>
Less accumulated depreciation for				
Buildings	1,666,325	149,995	-	1,816,320
Machinery and equipment	2,211,257	173,840	-	2,385,097
Land improvements	105,450	2,140	-	107,590
Infrastructure	<u>4,510,841</u>	<u>295,923</u>	<u>-</u>	<u>4,806,764</u>
Total accumulated depreciation	<u>8,493,873</u>	<u>621,898</u>	<u>-</u>	<u>9,115,771</u>
Total capital assets, being depreciated, net	<u>13,093,827</u>	<u>(350,575)</u>	<u>-</u>	<u>12,743,252</u>
Governmental activities capital assets, net	<u>\$ 13,723,255</u>	<u>\$ (333,677)</u>	<u>\$ -</u>	<u>\$ 13,389,578</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE F - CAPITAL ASSETS (Continued)

2. Business-Type Activities

	Beginning Balance	Increases / Transfers	Decreases / Transfers	Ending Balance
Capital assets, not being depreciated				
Construction in process	\$ 252,531	\$ 1,330,058	\$ 780,166	\$ 802,423
Capital assets, being depreciated				
Machinery and equipment	314,809	95,495	-	410,304
Land improvements	34,700	-	-	34,700
Infrastructure	4,193,168	780,166	-	4,973,334
Total capital assets, being depreciated	4,542,677	875,661	-	5,418,338
Less accumulated depreciation for				
Machinery and equipment	123,844	51,007	-	174,851
Land improvements	34,700	-	-	34,700
Infrastructure	2,414,392	72,577	-	2,486,969
Total accumulated depreciation	2,572,936	123,584	-	2,696,520
Total capital assets, being depreciated, net	1,969,741	752,077	-	2,721,818
Business-type activities, capital assets, net	\$ 2,222,272	\$ 2,082,135	\$ 780,166	\$ 3,524,241

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE F - CAPITAL ASSETS (Continued)

3. Depreciation Expense

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

Governmental activities:

General government	\$ 159,023
Public safety	118,856
Public works, streets, and lighting	<u>344,019</u>
	<u>\$ 621,898</u>

Business – type activities:

Water and sewer	<u>\$ 123,584</u>
-----------------	-------------------

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 was a member of the Illinois Municipal League Risk Management Agency (IMLRMA) through December 31, 2015. 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 paid a monthly premium to the insurance agency for its coverage. Settled claims have not exceeded the coverages in the current or preceding two fiscal years. Effective January 1, 2016, the Village no longer participates in this risk management pool and manages its own insurance program.

Complete financial statements for the Agency can be obtained from the Agency's administrative offices at 500 East Capitol Avenue, P.O. Box 5180, Springfield, Illinois 62705.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

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 associated with governmental activities for the year ended April 30, 2016:

	Beginning Balance	Additions	Retirements / Refunded	Ending Balance	Due Within One Year
General obligation bonds					
Series 2015	\$ 4,100,000	\$ -	\$ 525,000	\$ 3,575,000	\$ 345,000
Bond premium	66,942	-	3,404	63,538	-
Total general obligation bonds	<u>4,166,942</u>	<u>-</u>	<u>528,404</u>	<u>3,638,538</u>	<u>345,000</u>
Capital lease obligations	61,242	-	16,691	44,551	17,325
Note payable	1,322,189	-	132,219	1,189,970	132,219
Police net pension liability*	9,032,671	2,994,173	893,422	11,133,422	-
IMRF net pension liability*	241,992	465,605	180,202	527,395	-
OPEB obligation payable	157,752	99,198	28,801	228,149	-
Compensated absences	<u>840,709</u>	<u>245,050</u>	<u>-</u>	<u>1,085,759</u>	<u>-</u>
Total governmental activities	<u>\$ 15,823,497</u>	<u>\$ 3,804,026</u>	<u>\$ 1,779,739</u>	<u>\$ 17,847,784</u>	<u>\$ 494,544</u>

* The beginning balance as of May 1, 2015 is restated due to the implementation of GASB68 and GASB71 (Note M). The IMRF net pension liability is allocated between the Governmental and Business-Type activities based upon payroll within the respective activities.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE H - LONG-TERM LIABILITIES (Continued)

1. Changes in Long-Term Liabilities (Continued)

The following is a summary of the Village's long-term liability balances and transactions associated with business-type activities for the year ended April 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ -	\$ 714,193	\$ -	\$ 714,193	\$ -
Capital lease obligations	49,275	95,495	21,707	123,063	22,403
IMRF net pension liability*	<u>76,418</u>	<u>147,034</u>	<u>56,906</u>	<u>166,546</u>	<u>-</u>
Total business-type activities	\$ <u>125,693</u>	\$ <u>956,722</u>	\$ <u>78,613</u>	\$ <u>1,003,802</u>	\$ <u>22,403</u>

* The beginning balance as of May 1, 2015 is restated due to the implementation of GASB68 and GASB71 (Note M). The IMRF net pension liability is allocated between the Governmental and Business-Type activities based upon payroll within the respective activities.

2. Long-Term Debt - Terms and Maturities

General obligation bonds are direct obligations and pledge the full faith and credit of the Village. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Series 2015 General Obligation Bonds	2.00 - 3.13%	\$ <u>3,575,000</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE H - LONG-TERM LIABILITIES (Continued)

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

Annual debt service requirements to maturity for general obligation bonds are as follows for governmental type activities:

Year Ending April 30,	General Obligation Bonds Payable		
	Principal	Interest	Total
2017	\$ 345,000	\$ 86,238	\$ 431,238
2018	350,000	79,338	429,338
2019	350,000	72,338	422,338
2020	360,000	65,338	425,338
2021	365,000	58,138	423,138
2022-2026	765,000	206,238	971,238
2027-2031	530,000	128,588	658,588
2032-2035	510,000	40,625	550,625
	<u>\$ 3,575,000</u>	<u>\$ 736,841</u>	<u>\$ 4,311,841</u>

3. Capital Lease Obligations

At April 30, 2016, the Village is obligated for future payments under a noncancelable lease for public works equipment as follows:

Year Ending April 30,	Capital Leases Governmental Activities		Capital Leases Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 17,325	\$ 1,514	\$ 22,403	\$ 3,063
2018	17,982	856	26,300	3,018
2019	9,244	174	23,663	2,178
2020	-	-	13,845	1,564
2021	-	-	14,328	1,081
2022-2023	-	-	22,524	680
	<u>\$ 44,551</u>	<u>\$ 2,544</u>	<u>\$ 123,063</u>	<u>\$ 11,584</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE H - LONG-TERM LIABILITIES (Continued)

3. **Capital Lease Obligations** (Continued)

The cost of the capital assets associated with governmental activities acquired through capital lease is \$131,869, with accumulated depreciation and depreciation expense of \$65,935 and \$13,187, respectively, at April 30, 2016. The cost of the capital assets associated with business-type activities acquired through capital lease is \$147,870, with accumulated depreciation and depreciation expense of \$40,049 and \$29,574, respectively, at April 30, 2016.

4. **Note Payable**

In fiscal year 2014, the Village entered into a note payable due to the Illinois Department of Transportation, related to a road construction grant for a project completed in 2008. The note is payable in ten equal annual installments, commencing in fiscal year 2016, and does not bear interest. The total amount outstanding as of April 30, 2016 was \$1,189,970.

5. **Illinois EPA Loan**

The details of the Illinois EPA loan payable as of April 30, 2016 are as follows:

Illinois Environmental Protection Agency Public Water Supply Loan, payable in semiannual installments following completion of the related project, beginning July 15, 2016 and ending January 15, 2036, including interest at 1.86%. \$ 714,193

6. **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, 2016

NOTE I - PENSION LIABILITIES

The Village participates in the Illinois Municipal Retirement Fund (IMRF), a statewide multiple-employer, public employee retirement system which acts as an investment and administrative agent. The IMRF plan covers substantially all of the Village's employees other than police officers. The Village also maintains a single-employer retirement plans established by state statute for the Village's police officers.

1. Illinois Municipal Retirement Fund

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's plan is managed with the Illinois Municipal Retirement Fund (IMRF), the administer of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the Benefits Provided section below. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Benefits Provided (Continued)

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of 3% of the original pension amount, or 1/2 of the increase in the Consumer Price Index of the original pension amount.

Plan Membership

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	20
Active plan members	<u>24</u>
Total	<u><u>70</u></u>

Contributions

As set by statute, the Village's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Village's annual contribution rate for calendar year 2015 was 10.57%. For the fiscal year ended April 30, 2016 the Village contributed \$145,510 to the plan. 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 IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Net Pension Liability

The Village's IMRF net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	2.75
Salary Increases	3.75% to 14.50%
Investment Rate of Return	7.49%
Projected Retirement Age	Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projections scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

Long-term Expected Rate of Return The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.39%
International equity	17%	7.59%
Fixed income	27%	3%
Real estate	8%	6%
Alternative investments	9%	2.75-8.15%
Cash equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.49% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Single Discount Rate (Continued)

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.49%.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Changes in Net Pension Liability

The following table shows the components of the change in the Village's net pension liability for the calendar year ended December 31, 2015:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability* (A) - (B)
Balances at December 31, 2014	\$ 6,954,034	\$ 6,635,624	\$ 318,410
Changes for the year:			
Service cost	140,878	-	140,878
Interest on the total pension liability	513,793	-	513,793
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	23,725	-	23,725
Changes of assumptions	8,942	-	8,942
Contributions - Employer	-	141,104	(141,104)
Contributions - Employees	-	63,185	(63,185)
Net Investment Income	-	32,819	(32,819)
Benefit payments, including refunds of employee contributions	(347,789)	(347,789)	-
Other (net transfer)	-	74,699	(74,699)
Net changes	<u>339,549</u>	<u>(35,982)</u>	<u>375,531</u>
Balances at December 31, 2015	<u>\$ 7,293,583</u>	<u>\$ 6,599,642</u>	<u>\$ 693,941</u>

* The net pension liability is allocated between the Governmental and Business Type activities based upon covered payroll within the respective activities.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the plan's net pension liability (asset), calculated using a Single Discount Rate of 7.49%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower (6.49%)	Current Discount Rate (7.49%)	1% Higher (8.49%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	\$ 1,664,738	\$ 693,941	\$ (97,357)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016, the Village recognized pension expense of \$122,812. At April 30, 2016, the Village reported deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources
	<u> </u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>	
Differences between expected and actual experience	\$ 17,434
Change of assumptions	6,571
Net difference between projected and actual earnings on pension plan investments	<u>369,818</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>393,823</u>
<i>Pension contributions made subsequent to the measurement date</i>	<u>48,360</u>
Total deferred amounts related to pensions	<u>\$ 442,183</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions** (Continued)

The Village reported \$48,360 as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended April, 30</u>		<u>Net Deferred Outflows of Resources</u>
2017	\$	101,117
2018		101,117
2019		99,136
2020		92,453
2021		-
Thereafter		<u>-</u>
Total	\$	<u><u>393,823</u></u>

2. **Police Pension Plan**

Plan Description

The Police Pension Fund is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Fund as a pension trust fund. The Fund is governed by a five member Board of Trustees. Two members of the Board are appointed by the Village's Mayor, one member is elected by pension beneficiaries, and two members are elected by active police employees.

The Plan is not included in the report of a public retirement system or another entity. Separate reports are issued for the Police Pension Plan and may be obtained by writing to the Village of Harwood Heights at 7300 W. Wilson Avenue, Harwood Heights, Illinois 60706.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Basis of Accounting

The accrual basis of accounting is utilized by the pension trust fund. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities/deferred inflows 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.

Benefits Provided

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

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of $\frac{1}{2}$ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., $\frac{1}{2}$ percent for each month under 55).

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Benefits Provided (Continued)

The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Plan Membership

As of April 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>25</u>
Total plan membership	<u><u>48</u></u>

Contributions

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 and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. The Village has chosen to use the following parameters to fund its pension plan above and beyond the state minimum. For the year-ended April 30, 2016, the Village's contribution was 31.61% of covered payroll.

Net Pension Liability

The Village's police fund net pension liability was measured as of April 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of April 30, 2016, using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2016
Actuarial cost method	Entry age normal
Asset valuation method	5-year smoothed market
Assumptions	
Interest rate	7.00%
Discount rate	7.00%
Salary increases	4.00% - 11.00%
Cost of living adjustments	1.25% - 3.00%
Inflation	2.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table, projected to the valuation date using Scale BB.

Single Discount Rate

A Single Discount Rate of 7.00% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.32%, and the resulting single discount rate is 7.00%.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Changes in Net Pension Liability

	Total Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2015	\$ 25,758,766	\$ 16,726,095	\$ 9,032,671
Changes for the year:			
Service cost	516,498	-	516,498
Interest on the total pension liability	1,798,675	-	1,798,675
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(551,725)	-	(551,725)
Changes of assumptions*	1,091,793	-	1,091,793
Contributions - employer	-	668,617	(668,617)
Contributions - employees	-	224,805	(224,805)
Net investment income (loss)	-	(93,153)	93,153
Benefit payment, including refunds of employee contributions	(1,159,820)	(1,159,820)	-
Administrative expense	-	(45,779)	45,779
Net changes	<u>1,695,421</u>	<u>(405,330)</u>	<u>2,100,751</u>
Balances at April 30, 2016	\$ <u>27,454,187</u>	\$ <u>16,320,765</u>	\$ <u>11,133,422</u>

* For the 2016 fiscal year, amounts reported as changes of assumptions resulted from updated the RP-2000 Combined Healthy Mortality table to the RP-2000 Combined Healthy Mortality table projected to the valuation date using Scale BB. Disabled mortality rates were updated from the RP-2000 Disabled Retiree Mortality table to the RP-2000 Disabled Retiree Mortality table projected to the valuation date using Scale BB.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ 14,824,453	\$ 11,133,422	\$ 8,088,746
	<u> </u>	<u> </u>	<u> </u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2016 the Village recognized pension expense of \$1,316,866. At April 30, 2016, the Village reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ -	\$ 459,770
Change in assumptions	909,828	-
Net difference between projected and actual earnings on pension plan investments	<u>1,002,444</u>	<u>-</u>
Total deferred amounts related to Police Pension	\$ <u>1,912,272</u>	\$ <u>459,770</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE I - PENSION LIABILITIES (Continued)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

Year Ended April 30,	Net Deferred Outflows of Resources
2017	\$ 340,622
2018	340,622
2019	340,623
2020	340,623
2021	90,012
Thereafter	-
Total	\$ <u>1,452,502</u>

3. **Summary of Pension Items**

Below is a summary of the various pension items:

	<u>IMRF</u>	<u>Police</u>	<u>Total</u>
Deferred outflows of resources:			
Employer contributions	\$ 48,360	\$ -	\$ 48,360
Experience	17,434	-	17,434
Assumptions	6,571	909,828	916,399
Investments	<u>369,818</u>	<u>1,002,444</u>	<u>1,372,262</u>
	\$ <u>442,183</u>	\$ <u>1,912,272</u>	\$ <u>2,354,455</u>
Net pension liability	\$ <u>693,941</u>	\$ <u>11,133,422</u>	\$ <u>11,827,363</u>
Deferred inflows of resources:			
Experience	\$ -	\$ 459,770	\$ 459,770
	\$ -	\$ 459,770	\$ 459,770

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE J - OTHER POSTEMPLOYMENT BENEFITS

1. Plan Description

The Village provides postemployment health care insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is an unfunded plan, and there is no separately issued report.

To be eligible for benefits under the plan, an employee must qualify for retirement under one of the Village's retirement plans. Elected officials are eligible for benefits if they qualify for retirement through the Illinois Municipal Retirement Fund.

All health care benefits are provided through the Village's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; vision care; dental care; and prescriptions. Upon a retiree reaching Medicare eligible age, Medicare becomes the primary insurer and the Village's plan becomes secondary.

As of April 30, 2016, membership in the Plan consisted of the following:

	<u>Membership</u>
Retired participants	2
Disabled participants	1
Active participants fully eligible to retire	<u>48</u>
	<u><u>51</u></u>

2. 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 2016, the Village contributed \$28,801 toward the cost of the postemployment benefits for retirees.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

3. **Annual OPEB Cost and Net OPEB Obligation** (Continued)

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

	<u>April 30,</u> <u>2016</u>
Annual required contribution	\$ 101,660
Interest on net OPEB obligation	6,310
Adjustment to annual required contribution	<u>(8,772)</u>
Annual OPEB cost	99,198
Contributions made	<u>(28,801)</u>
Increase in net OPEB obligation	70,397
Net OPEB obligation beginning of year	<u>157,752</u>
Net OPEB obligation end of year	\$ <u><u>228,149</u></u>

4. **Trend Information**

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

4. **Trend Information** (Continued)

Actuarial Valuation Date		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Obligation
4/30/16	\$	99,198	29.0%	\$	228,149
4/30/15		81,034	35.8%		157,752
4/30/14		78,555	36.9%		105,687

5. **Funding Policy and Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the plan members to that point. The actuarial 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

5. **Funding Policy and Actuarial Assumptions** (Continued)

The following simplifying assumptions were made:

Actuarial valuation date	04/30/2016
Actuarial cost method	Entry age normal
Amortization period	Level dollar
Remaining amortization period	30 years
Asset valuation method	Market
Actuarial assumptions:	
Discount rate	4.00%
Salary rate increase	3.50%
Healthcare inflation rate	8.5% initial; 4.5% ultimate
Mortality, Turnover, Disability, Retirement Ages	RP-2000 Blue Collar table (for police) and RP-2000 table (for all other), projected to 2016 using scale AA
Employer provided benefit	Explicit (eligible disabled pensioners only): 100% of premium for life
Percentage of active employees assumed to elect benefit	35%

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

NOTE K - 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 position or activities.

3. Construction Commitments

The Village has certain contracts for several construction projects that were in progress at April 30, 2016. Future commitments under these contracts were approximately \$3,456,000 at April 30, 2016.

NOTE L - PLEDGED REVENUE

In April 2012, the Village entered into an agreement with a business developer related to land to be developed in the Village. Under the agreement, the Village agreed to reimburse the developer up to \$3,850,000 of the costs to develop the land, to be paid over a period of 40 years. The Village will make the reimbursement payments from 50% of the sales tax revenue generated from the business developed on the land. The monthly payments commenced in May 2013. Each monthly payment will be applied first to interest at the prime rate plus 2.25%, with any remaining amount applied to the \$3,850,000 principal. The Village's pledge is limited to 50% of the related sales tax revenue, and the obligation will terminate at the end of the 40 year period, regardless of whether a principal balance remains. During fiscal year 2016, total reimbursement payments were \$293,515.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2016

NOTE L - PLEDGED REVENUE (Continued)

In April 2014, the Village entered into an agreement with a business developer related to property to be developed in the Village. Under the agreement, the Village agreed that certain sales tax revenues generated from the businesses developed on the property will be shared between the Village and the developer. The agreement contains provisions for minimum thresholds for the various periods covered under the agreement. Any revenues generated above the thresholds, defined as surplus tax revenue, will be shared between the Village and the developer. The Village will retain 60% of the surplus tax revenue and will disburse to the developer the remaining 40%. The agreement will terminate on the earlier of forty years from the effective date of the agreement, or upon the occurrence of certain other events, as defined in the agreement. There were no sales tax revenues generated from the related businesses during fiscal year 2016.

In April 2015, the Village entered into an agreement with a business developer related to a restaurant to be developed in fiscal year 2016. Under the agreement, the Village will share certain tax revenues generated from the restaurant with the developer. The tax sharing period will commence on the first day of the month following the opening of the restaurant, and will continue for the shorter of twelve years or until the Village has paid the developer an aggregate total of \$200,000 in shared tax revenue. The commencement occurred on November 1, 2015. During the tax sharing period, the Village will make monthly payments to the developer of 50% of the sales tax revenue generated by the restaurant. During fiscal year 2016, total reimbursements were \$12,847.

NOTE M - PRIOR PERIOD ADJUSTMENT

The implementation of GASB 68 and 71 (Note A-17) required the Village to report the net pension liability for IMRF and Police Pension Fund. As a result of this implementation, as of May 1, 2015, net position decreased by \$7,890,967, net pension liability (included in long-term liabilities) increased by \$7,934,921, and deferred outflows increased by \$43,954.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2016, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than the items described further below, have occurred subsequent to the statement of net position date that require disclosure in the financial statements.

1. Line of Credit

In August 2016, the Village entered into a line of credit agreement with a financial institution, with available borrowings of up to \$1,000,000. The agreement matures in August 2017.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2016

NOTE N - SUBSEQUENT EVENTS (Continued)

2. Bond Authorization

In August 2016, the Village authorized the issuance of General Obligation Covenant Bonds, Series 2016, not to exceed \$2,500,000.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Village of Harwood Heights, Illinois
Illinois Municipal Retirement Fund
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
April 30, 2016

Calendar year ended December 31,	<u>2015</u>
Total pension liability	
Service cost	\$ 140,878
Interest on the total pension liability	513,793
Difference between expected and actual experience of the total pension liability	23,725
Assumption changes	8,942
Benefit payments and refunds	<u>(347,789)</u>
Net change in total pension liability	339,549
Total pension liability, beginning	<u>6,954,034</u>
Total pension liability, ending	<u><u>\$ 7,293,583</u></u>
Plan fiduciary net position	
Contributions, employer	\$ 141,104
Contributions, employee	63,185
Net investment income	32,819
Benefit payments, including refunds of employee contributions	(347,789)
Other (net transfer)	<u>74,699</u>
Net change in plan fiduciary net position	(35,982)
Plan fiduciary net position, beginning	<u>6,635,624</u>
Plan fiduciary net position, ending	<u><u>\$ 6,599,642</u></u>
Net pension liability	<u><u>\$ 693,941</u></u>
Plan fiduciary net position as a percentage of the total pension liability	90.49 %
Covered Valuation Payroll	\$ 1,338,389
Net pension liability as a percentage of covered valuation payroll	51.85 %

Note: The Village implemented GASB 68 for the Illinois Municipal Retirement Fund beginning with its fiscal year ended April 30, 2016; therefore 10 years of information is not available.

Village of Harwood Heights, Illinois

Illinois Municipal Retirement Fund SCHEDULE OF CONTRIBUTIONS April 30, 2016

Fiscal Year December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$ 133,839	* \$ 141,104	\$ 7,265	\$ 1,338,389	10.54 %

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).

Asset Valuation Method	5-Year Smoothed Market Value; 20% corridor
Wage growth	4.00%
Inflation	3.00%
Salary Increases	4.40% to 16.00%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.
Mortality	RP-2000 Combined Healthy Mortality Table; adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information: There were no benefit changes during the year.

Notes to the Required Supplementary Information:

* Estimated based on contribution rate of 10.00% and covered valuation payroll of \$1,338,389.

Note: The Village implemented GASB 68 for the Illinois Municipal Retirement Fund beginning with its fiscal year ended April 30, 2016; therefore, 10 years of information is not available.

Village of Harwood Heights, Illinois

Police Pension Fund

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

April 30, 2016

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 516,498	\$ 495,347
Interest on the total pension liability	1,798,675	1,651,615
Difference between expected and actual experience of the total pension liability	(551,725)	1,096,887
Assumption changes	1,091,793	-
Benefit payments and refunds	(1,159,820)	(1,168,464)
Net change in total pension liability	1,695,421	2,075,385
Total pension liability, beginning	25,758,766	23,683,381
Total pension liability, ending	<u>\$ 27,454,187</u>	<u>\$ 25,758,766</u>
Plan fiduciary net position		
Contributions, employer	\$ 668,617	\$ 545,245
Contributions, employee	224,805	189,713
Net investment income (loss)	(93,153)	922,870
Benefit payments, including refunds of employee contributions	(1,159,820)	(1,115,751)
Transfers to other pensions	-	(52,895)
Administrative expense	(45,779)	(40,152)
Net change in plan fiduciary net position	(405,330)	449,030
Plan fiduciary net position, beginning	16,726,095	16,277,065
Plan fiduciary net position, ending	<u>\$ 16,320,765</u>	<u>\$ 16,726,095</u>
Net pension liability	<u>\$ 11,133,422</u>	<u>\$ 9,032,671</u>
Plan fiduciary net position as a percentage of the total pension liability	59.45 %	64.93 %
Covered Valuation Payroll	\$ 2,115,352	\$ 2,133,608
Net pension liability as a percentage of covered valuation payroll	526.32 %	423.35 %

Note: The Police Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

Village of Harwood Heights, Illinois
Police Pension Fund
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
April 30, 2016

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2016	\$ 998,578	\$ 668,617	\$ (329,961)	\$ 2,115,352	31.61 %
2015	661,085	545,245	(115,840)	2,133,608	25.56

Notes to the Required Supplementary Information:

Actuarial cost method	Entry age normal actuarial cost method
Amortization method	Funding to a 90% funded ratio using the level dollar method over a period ending in 2033
Remaining amortization period	18.16769 years (as of valuation 05/01/2015)
Asset valuation method	Investment gains and losses are smoothed over a 5-year period
Mortality rate	RP-2000 Combined Healthy Mortality with no projection
Disabled mortality rate	RP-2000 Disabled Retiree Mortality with no projection
Interest rate	7% per year compounded annually, net of investment related expenses
Retirement age	See notes to the financial statements
Salary increases	4.00% - 11.00%

Note: The Police Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

Village of Harwood Heights, Illinois
Police Pension Fund
MULTIYEAR SCHEDULE OF INVESTMENT RETURNS
April 30, 2016

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2016	-0.54%
2015	5.78%

Note: The Police Pension Fund implemented GASB 67 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

Village of Harwood Heights, Illinois
Other Postemployment Benefits
SCHEDULE OF FUNDING PROGRESS
April 30, 2016

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)
04/30/16	\$ -	\$ 824,560	\$ 824,560	0.0 %	\$ 3,152,358	26.2 %
04/30/15	N/A	N/A	N/A	N/A	N/A	N/A
04/30/14	N/A	N/A	N/A	N/A	N/A	N/A
04/30/13	\$ -	\$ 649,573	\$ 649,573	0.0 %	\$ 2,712,495	23.9 %
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

Village of Harwood Heights, Illinois

General Fund

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

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues			
Taxes	\$ 3,304,867	\$ 3,340,968	\$ 36,101
Intergovernmental	2,236,500	2,582,536	346,036
Licenses and permits	444,701	615,340	170,639
Fines	884,500	921,267	36,767
Charges for services	26,101	30,337	4,236
Investment income	600	2,011	1,411
Miscellaneous	431,000	455,962	24,962
Total revenues	<u>7,328,269</u>	<u>7,948,421</u>	<u>620,152</u>
Expenditures			
Current			
General government	1,842,586	1,574,521	(268,065)
Public safety	4,173,383	4,466,678	293,295
Public works	1,455,241	1,162,270	(292,971)
Debt service			
Principal	132,219	148,910	16,691
Interest and other	2,002	5,881	3,879
Capital outlay	265,001	128,315	(136,686)
Total expenditures	<u>7,870,432</u>	<u>7,486,575</u>	<u>(383,857)</u>
Excess (deficiency) of revenues over expenditures	<u>(542,163)</u>	<u>461,846</u>	<u>1,004,009</u>
Other financing sources (uses)			
Transfer in	779,813	25,000	(754,813)
Transfer out	(502,650)	(1,008,572)	(505,922)
Loan proceeds	265,000	-	(265,000)
Total other financing sources (uses)	<u>542,163</u>	<u>(983,572)</u>	<u>(1,525,735)</u>
Net change in fund balance	<u>\$ -</u>	<u>(521,726)</u>	<u>\$ (521,726)</u>
Fund balance			
Beginning of year		<u>2,911,763</u>	
End of year		<u>\$ 2,390,037</u>	

Village of Harwood Heights, Illinois

Motor Fuel Tax Fund

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

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Revenues			
Intergovernmental			
State of Illinois motor fuel tax	\$ 248,000	\$ 220,285	\$ (27,715)
Investment income	<u>30</u>	<u>495</u>	<u>465</u>
Total revenues	<u>248,030</u>	<u>220,780</u>	<u>(27,250)</u>
Expenditures			
Public works			
Streets and lighting			
Contract services - engineering	20,000	-	(20,000)
Street light repair	7,500	378	(7,122)
Traffic light maintenance - IDOT	3,492	2,268	(1,224)
Traffic signal maintenance - Meade	7,620	3,780	(3,840)
Street repair projects	15,000	16,090	1,090
Salt	<u>25,000</u>	<u>19,798</u>	<u>(5,202)</u>
Total public works	<u>78,612</u>	<u>42,314</u>	<u>(36,298)</u>
Total expenditures	<u>78,612</u>	<u>42,314</u>	<u>(36,298)</u>
Excess of revenues over expenditures	<u>169,418</u>	<u>178,466</u>	<u>9,048</u>
Other financing (uses)			
Transfers out	<u>-</u>	<u>(390,000)</u>	<u>(390,000)</u>
Total other financing (uses)	<u>-</u>	<u>(390,000)</u>	<u>(390,000)</u>
Net change in fund balance	\$ <u>169,418</u>	(211,534)	\$ <u>(380,952)</u>
Fund balance			
Beginning of year		<u>748,486</u>	
End of year		<u>\$ 536,952</u>	

Village of Harwood Heights, Illinois

General Obligation Bonds Fund

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

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Revenues			
Taxes	\$ 384,359	\$ 394,381	\$ 10,022
Interest income	<u>15</u>	<u>68</u>	<u>53</u>
Total revenues	<u>384,374</u>	<u>394,449</u>	<u>10,075</u>
Expenditures			
Debt service			
Principal	312,619	260,000	(52,619)
Interest and other	<u>25,119</u>	<u>39,634</u>	<u>14,515</u>
Total debt service	<u>337,738</u>	<u>299,634</u>	<u>(38,104)</u>
Total expenditures	<u>337,738</u>	<u>299,634</u>	<u>(38,104)</u>
Excess of revenues over expenditures	<u>46,636</u>	<u>94,815</u>	<u>48,179</u>
Net change in fund balance	\$ <u>46,636</u>	94,815	\$ <u>48,179</u>
Fund balance			
Beginning of year		<u>518,011</u>	
End of year		\$ <u>612,826</u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2016

NOTE A - APPROPRIATIONS

The Village prepares its appropriation ordinance in accordance with generally accepted accounting principles. Annual appropriations are adopted for the General Fund, Motor Fuel Tax Fund, Emergency Telephone System Fund, General Obligation Bonds Funds, Special Service Area Debt Service Fund, Grant Fund, and the Water and Sewer Fund. The Village does not prepare an appropriation for the Criminal Investigation Fund, Capital Projects Fund, or the DUI Fund. The annual appropriations lapse at fiscal year-end. There were no amendments to the fiscal year 2016 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, 2016 is taken by the Village Board before July 31, 2015. The appropriation amounts shown in the financial statements are as originally adopted by the Village Board on July 2, 2015.
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 appropriation control is at the fund level.

NOTE B - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had an excess of expenditures over appropriations for the year ended April 30, 2016:

<u>Fund</u>	<u>Variance</u>
Emergency Telephone System	\$ 11,490
Special Service Area Debt Service	7,587

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues			
Taxes			
Property			
General	\$ 363,410	\$ 319,132	\$ (44,278)
Police protection	290,254	346,847	56,593
Police pension	611,203	668,617	57,414
Total property taxes	1,264,867	1,334,596	69,729
Other taxes			
Home rule sales tax	1,070,000	1,057,642	(12,358)
Video rental tax	4,000	3,261	(739)
Utility	450,000	396,783	(53,217)
Telecommunications	185,000	168,197	(16,803)
Pull tab	1,000	-	(1,000)
Real estate transfer tax	250,000	291,947	41,947
Long term storage tax	20,000	38,062	18,062
Motor fuel tax	60,000	50,480	(9,520)
Total other taxes	2,040,000	2,006,372	(33,628)
Total taxes	3,304,867	3,340,968	36,101
Intergovernmental revenues			
Taxes			
Sales tax	1,263,500	1,207,315	(56,185)
State income tax	800,000	1,035,269	235,269
State local use tax	140,000	198,800	58,800
Roads and bridges	27,000	24,681	(2,319)
Personal property replacement tax	6,000	8,392	2,392
Total intergovernmental taxes	2,236,500	2,474,457	237,957

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues (continued)			
Grants			
Capital Bill Roadway Grant	\$ -	\$ 70,850	\$ 70,850
DOJ BPV Grant	-	5,229	5,229
JAG Grant	-	32,000	32,000
Total intergovernmental grants	-	108,079	108,079
Total intergovernmental revenues	2,236,500	2,582,536	346,036
Licenses and permits			
Business licenses	70,000	76,149	6,149
Liquor licenses	54,500	52,285	(2,215)
Overweight truck permits	2,000	210	(1,790)
Building permits	70,000	226,903	156,903
Sewer permits	2,000	225	(1,775)
Plumbing permits	2,000	1,665	(335)
Electrical permits	6,000	7,033	1,033
Sign inspections	1	-	(1)
Elevator inspections	2,000	1,600	(400)
Building inspections	10,000	8,945	(1,055)
Fence permits	1,000	400	(600)
Franchise fees	95,000	107,068	12,068
Dog tags	200	254	54
Vehicle licenses	125,000	128,861	3,861
Parking Permit	5,000	3,742	(1,258)
Total licenses and permits	444,701	615,340	170,639

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues (continued)			
Fines			
Code enforcement fines	\$ 12,000	\$ 7,635	\$ (4,365)
Traffic	160,000	119,713	(40,287)
Overweight trucks	10,000	50,741	40,741
Driving under the influence (DUI)	10,000	-	(10,000)
Safe Speed	330,000	361,087	31,087
Red Speed	110,000	157,860	47,860
Parking tickets	200,000	171,731	(28,269)
Compliance tickets	2,500	4,500	2,000
Vehicle impound fees	50,000	48,000	(2,000)
Total fines	884,500	921,267	36,767
Charges for services			
Youth program fees	17,000	15,765	(1,235)
Hearing fees	2,000	1,310	(690)
Hearing officer fees	600	455	(145)
Escrow bond forfeiture	1,000	6,973	5,973
Police reports	1,000	1,305	305
Rental	1,000	293	(707)
False alarm fees	1	-	(1)
Credit Card Processing	3,500	4,236	736
Total charges for services	26,101	30,337	4,236
Investment income			
Interest	600	2,011	1,411
Total investment income	-	-	-

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Revenues (continued)			
Miscellaneous revenues			
Reimbursements			
Workers comp reimbursement	\$ 5,000	\$ 15,923	\$ 10,923
Insurance	30,000	20,629	(9,371)
Personnel (Guards)	11,000	-	(11,000)
Personnel (Police)	5,000	-	(5,000)
Police	15,000	21,487	6,487
Plan review	10,000	-	(10,000)
Vacant properties	8,000	10,600	2,600
Special events revenue	2,000	-	(2,000)
Garbage fees	215,000	231,944	16,944
Gas use tax	90,000	81,047	(8,953)
Other miscellaneous	<u>40,000</u>	<u>74,332</u>	<u>34,332</u>
Total miscellaneous revenues	<u>431,000</u>	<u>455,962</u>	<u>24,962</u>
Total revenues	<u>\$ 7,328,269</u>	<u>\$ 7,948,421</u>	<u>\$ 620,152</u>

(Concluded)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Expenditures			
General government			
General management and support			
General administration	\$ 413,475	\$ 412,517	\$ (958)
Law department	234,500	191,439	(43,061)
Finance	527,234	390,817	(136,417)
Building	<u>123,575</u>	<u>122,629</u>	<u>(946)</u>
Total general management and support	<u>1,298,784</u>	<u>1,117,402</u>	<u>(181,382)</u>
Recreation and cultural opportunities	<u>206,173</u>	<u>199,166</u>	<u>(7,007)</u>
Health	<u>40,271</u>	<u>37,358</u>	<u>(2,913)</u>
Miscellaneous	<u>297,358</u>	<u>220,595</u>	<u>(76,763)</u>
Total general government	<u>1,842,586</u>	<u>1,574,521</u>	<u>(268,065)</u>
Public safety			
Police	<u>4,173,383</u>	<u>4,466,678</u>	<u>293,295</u>
Public works			
Forestry	55,000	54,417	(583)
Streets and lights	890,241	592,924	(297,317)
Refuse disposal	<u>510,000</u>	<u>514,929</u>	<u>4,929</u>
Total public works	<u>1,455,241</u>	<u>1,162,270</u>	<u>(292,971)</u>
Debt service			
Principal	132,219	148,910	16,691
Interest and other	<u>2,002</u>	<u>5,881</u>	<u>3,879</u>
Total debt service	<u>134,221</u>	<u>154,791</u>	<u>20,570</u>
Capital outlay			
Village properties	265,001	58,581	(206,420)
Grant expenditures	<u>-</u>	<u>69,734</u>	<u>69,734</u>
Total expenditures	<u>\$ 7,870,432</u>	<u>\$ 7,486,575</u>	<u>\$ (383,857)</u>

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.

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.

The DUI Fund is used for enforcement and prevention of driving while under the influence of alcohol, other drug or drugs, intoxicating compounds or any combination thereof; including but not limited to the purchase of law enforcement equipment and commodities that will assist in the prevention of alcohol related criminal violence; police officer training and education in areas related to alcohol related crime, including but not limited to DUI training; and police officer salaries, including but not limited to salaries for hire back funding for safety checkpoints, saturation patrols, and liquor store sting operations.

The Capital Projects Fund is used to account for the use of resources for capital improvements. The primary revenue and financing sources include bond proceeds and transfers from other funds.

Village of Harwood Heights, Illinois

Nonmajor Governmental Funds COMBINING BALANCE SHEET Year Ended April 30, 2016

	Special Revenue Funds			
	Emergency Telephone System	Criminal Investigation	Grant Fund	DUI Fund
ASSETS				
Cash and cash equivalents	\$ 161,682	\$ 10,337	\$ -	\$ 23,429
Receivables, net of allowance				
Other	-	-	-	4,291
Advances to other funds	-	-	-	-
Total assets	<u>\$ 161,682</u>	<u>\$ 10,337</u>	<u>\$ -</u>	<u>\$ 27,720</u>
LIABILITIES				
Accounts payable	\$ 4,595	\$ -	\$ -	\$ -
Accrued payroll liabilities	1,643	-	-	-
Advances from other funds	45,019	-	-	-
Total liabilities	<u>51,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Nonspendable				
Advances to other funds	-	-	-	-
Restricted for				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Public safety	110,425	10,337	-	27,720
Total fund balance	<u>110,425</u>	<u>10,337</u>	<u>-</u>	<u>27,720</u>
Total liabilities and fund balances	<u>\$ 161,682</u>	<u>\$ 10,337</u>	<u>\$ -</u>	<u>\$ 27,720</u>

Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Capital Projects Fund	SSA Debt Service	
\$ 361,312	\$ 242,631	\$ 799,391
-	-	4,291
64,877	-	64,877
<u>\$ 426,189</u>	<u>\$ 242,631</u>	<u>\$ 868,559</u>
\$ -	\$ -	\$ 4,595
-	-	1,643
-	164,877	209,896
<u>-</u>	<u>164,877</u>	<u>216,134</u>
64,877	-	64,877
-	77,754	77,754
361,312	-	361,312
-	-	148,482
<u>426,189</u>	<u>77,754</u>	<u>652,425</u>
<u>\$ 426,189</u>	<u>\$ 242,631</u>	<u>\$ 868,559</u>

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended April 30, 2016

	Special Revenue Funds			
	Emergency Telephone System	Criminal Investigation	Grant Fund	DUI Fund
Revenues				
Taxes	\$ 67,660	\$ -	\$ -	\$ -
Fines	-	-	-	13,955
Intergovernmental	9,720	-	-	-
Investment income	233	2	-	-
Total revenues	77,613	2	-	13,955
Expenditures				
Current				
Public safety	608,892	736	-	-
Miscellaneous	-	97	-	309
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	608,892	833	-	309
Excess (deficiency) of revenues over expenditures	(531,279)	(831)	-	13,646
Other financing sources				
Transfers in	526,579	-	832,919	14,074
Total other financing sources	526,579	-	832,919	14,074
Net change in fund balance	(4,700)	(831)	832,919	27,720
Fund balance				
Beginning of year	115,125	11,168	(832,919)	-
End of year	\$ 110,425	\$ 10,337	\$ -	\$ 27,720

Capital Projects Fund	Debt Service Funds	Total Nonmajor Governmental Funds
Capital Projects Fund	SSA Debt Service	
\$ -	\$ 254,871	\$ 322,531
-	-	13,955
-	-	9,720
-	1,962	2,197
-	256,833	348,403
-	-	609,628
-	8,416	8,822
-	265,000	265,000
-	26,201	26,201
-	299,617	909,651
-	(42,784)	(561,248)
-	-	1,373,572
-	-	1,373,572
-	(42,784)	812,324
426,189	120,538	(159,899)
\$ 426,189	\$ 77,754	\$ 652,425

Village of Harwood Heights, Illinois

Emergency Telephone System Fund

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

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Revenues			
Taxes			
911 tax	\$ 90,000	\$ 67,660	\$ (22,340)
Intergovernmental	-	9,720	9,720
Interest income	100	233	133
	<u>90,100</u>	<u>77,613</u>	<u>(12,487)</u>
Total revenues			
Expenditures			
Public safety			
Telephone	34,000	31,335	(2,665)
Dues/Lectures/Conferences	3,000	11,613	8,613
Maintenance - equipment	15,000	7,489	(7,511)
Bank fees	200	255	55
LEADS system	2,500	-	(2,500)
Capital outlay - equipment	4,000	-	(4,000)
Contract services - equip maintenance	10,000	7,400	(2,600)
Contract services - ID Networks	7,000	-	(7,000)
Contractual services - IT/NABTECH	19,052	19,051	(1)
Salary - Radio Operators	304,500	324,014	19,514
Salary - Communications Supervisor	59,200	60,833	1,633
Overtime	10,000	10,388	388
Unused sick time	3,500	9,507	6,007
Health/Dental/Life/AD&D/EAP	59,500	52,817	(6,683)
Taxes - FICA	28,450	30,487	2,037
Taxes - SUTA	800	1,377	577
IMRF expense	32,300	39,526	7,226
Uniform allowance	4,400	2,800	(1,600)
	<u>597,402</u>	<u>608,892</u>	<u>11,490</u>
Total public safety			
	<u>597,402</u>	<u>608,892</u>	<u>11,490</u>
Total expenditures			

(Continued)

Village of Harwood Heights, Illinois

Emergency Telephone System Fund

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

Year Ended April 30, 2016

	<u>Original and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Deficiency of revenues over expenditures	\$ <u>(507,302)</u>	<u>(531,279)</u>	\$ <u>(23,977)</u>
Other financing sources			
Transfer in	<u>507,302</u>	<u>526,579</u>	<u>19,277</u>
Total other financing sources	<u>507,302</u>	<u>526,579</u>	<u>19,277</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u>(4,700)</u>	\$ <u><u>(4,700)</u></u>
Fund balance			
Beginning of year		<u>115,125</u>	
End of year		\$ <u><u>110,425</u></u>	

(Concluded)

Village of Harwood Heights, Illinois

SSA Debt Service Fund

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

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues			
Taxes	\$ 300,000	\$ 254,871	\$ (45,129)
Interest income	1,000	1,962	962
Total revenues	301,000	256,833	(44,167)
Expenditures			
Current			
Service contracts - municipal	8,000	8,416	416
Bank fees	30	-	(30)
Total current	8,030	8,416	386
Debt service			
Principal	260,750	265,000	4,250
Interest and other	23,250	26,201	2,951
Total debt service	284,000	291,201	7,201
Total expenditures	292,030	299,617	7,587
Excess (deficiency) of revenues over expenditures	8,970	(42,784)	(51,754)
Net change in fund balance	\$ 8,970	(42,784)	\$ (51,754)
Fund balance			
Beginning of year		120,538	
End of year		\$ 77,754	

Village of Harwood Heights, Illinois

Grant Fund

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

Year Ended April 30, 2016

	Original and Final Appropriation	Actual	Variance Over / (Under)
Revenues			
Oak Park Repaving	\$ 400,000	\$ -	\$ (400,000)
Oak Park Water Main	600,000	-	(600,000)
Tobacco Grant	1,100	-	(1,100)
Safe Routes to School	134,000	-	(134,000)
DOJ BPV Grant	5,000	-	(5,000)
Total revenues	1,140,100	-	(1,140,100)
Expenditures			
Capital outlay	1,406,987	-	(1,406,987)
Total expenditures	1,406,987	-	(1,406,987)
Deficiency of revenues over expenditures	(266,887)	-	266,887
Other financing sources			
Transfer in	-	832,919	832,919
Total other financing sources	-	832,919	832,919
Net change in fund balance	\$ (266,887)	832,919	\$ 1,099,806
Fund balance			
Beginning of year		(832,919)	
End of year		\$ -	

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 - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Operating revenues			
Charges for sales and services			
Water sales	\$ 2,170,000	\$ 1,949,771	\$ (220,229)
Sewer sales	185,000	209,237	24,237
Water taps	3,000	700	(2,300)
Meter sales	5,000	150	(4,850)
Miscellaneous	<u>5,000</u>	<u>553</u>	<u>(4,447)</u>
Total charges for sales and services	2,368,000	2,160,411	(207,589)
Penalties	<u>15,000</u>	<u>39,194</u>	<u>24,194</u>
Total operating revenues	<u>2,383,000</u>	<u>2,199,605</u>	<u>(183,395)</u>
Nonoperating revenues			
Antenna leasing	34,000	24,502	(9,498)
Intergovernmental - SRF	2,000,000	-	(2,000,000)
Interest income	<u>200</u>	<u>113</u>	<u>(87)</u>
Total nonoperating revenues	<u>2,034,200</u>	<u>24,615</u>	<u>(2,009,585)</u>
Total revenues	<u>\$ 4,417,200</u>	<u>\$ 2,224,220</u>	<u>\$ (2,192,980)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Operating expenses			
Personal services			
Salary - Water commissioner	\$ 10,000	\$ 9,433	\$ (567)
Salary - Collector	1,800	1,800	-
Office supplies	2,000	-	(2,000)
Taxes - FICA	650	859	209
Taxes - SUTA	50	90	40
IMRF net pension liability adjustment	-	(5,447)	(5,447)
Maintenance staff	326,510	326,510	-
Office staff	<u>128,750</u>	<u>128,750</u>	<u>-</u>
Total personal services	<u>469,760</u>	<u>461,995</u>	<u>(7,765)</u>
Commodities			
Building maintenance supplies	1,000	-	(1,000)
Vehicle gas and oil	13,000	4,469	(8,531)
Purchase of water	1,160,000	1,056,611	(103,389)
Electric power and gas	25,000	21,610	(3,390)
Chlorine	2,000	540	(1,460)
Pump room supplies	5,000	196	(4,804)
Outside maintenance supplies	15,000	9,848	(5,152)
Hydrant parts	4,000	1,834	(2,166)
Meter purchases	5,000	6,167	1,167
Uniforms	<u>4,200</u>	<u>-</u>	<u>(4,200)</u>
Total commodities	<u>1,234,200</u>	<u>1,101,275</u>	<u>(132,925)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Operating expenses (continued)			
Other services			
City of Chicago sewer fees	\$ 340,000	\$ 328,881	\$ (11,119)
Engineering	5,000	429	(4,571)
Telephone	4,500	6,771	2,271
Postage	5,000	4,000	(1,000)
Printing	1,500	565	(935)
Legal fees	2,000	1,882	(118)
Water testing	3,500	3,804	304
Dues, lectures, and conference fees	2,000	1,723	(277)
Auditing	6,000	6,000	-
Uniform allowance	-	4,751	4,751
Street, sidewalk, and parkway repair	15,000	6,425	(8,575)
Maintenance - equipment	8,000	6,820	(1,180)
Main testing and maintenance	3,000	900	(2,100)
Buildings and grounds maintenance	3,000	2,979	(21)
Reservoir and tower maintenance	10,000	2,985	(7,015)
Maintenance - vehicles	14,000	8,735	(5,265)
Outside service - breaks	1	770	769
Outside service - taps	1	875	874
Water service - miscellaneous	1,200	1,580	380
Supplies - building	-	968	968
Sewer repair	10,000	2,843	(7,157)
Dump fees	14,000	19,143	5,143
Permits	1,000	1,000	-
Single family flood relief grant	10,000	9,000	(1,000)
Insurance-property, liability, and auto	58,000	52,170	(5,830)
Contractual services - census	2,000	1,838	(162)
Contractual services - generator	1,800	1,720	(80)
Contractual services - water tower maintenance	45,000	40,877	(4,123)
Contractual services - backflow	7,296	7,296	-
Total other services	<u>572,798</u>	<u>527,730</u>	<u>(45,068)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2016

	Original and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Operating expenses (continued)			
Capital outlay			
Equipment and vehicles	\$ 1	\$ 524	\$ 523
Backhoe	19,000	-	(19,000)
Box truck	13,909	-	(13,909)
Fire hydrants	6,000	2,200	(3,800)
Pump room equipment	3,500	-	(3,500)
Water tower renovation	44,000	-	(44,000)
Hydrant painting	1	-	(1)
Water distribution system	2,000,000	-	(2,000,000)
Grant expenses	<u>-</u>	<u>26,031</u>	<u>26,031</u>
Total capital outlay	<u>2,086,411</u>	<u>28,755</u>	<u>(2,057,656)</u>
Depreciation	<u>-</u>	<u>123,584</u>	<u>123,584</u>
Total operating expenses	<u>4,363,169</u>	<u>2,243,339</u>	<u>(2,119,830)</u>
Nonoperating expenses			
Interest expense	<u>-</u>	<u>5,972</u>	<u>5,972</u>
Total nonoperating expenses	<u>-</u>	<u>5,972</u>	<u>5,972</u>
Total expenses	<u>\$ 4,363,169</u>	<u>\$ 2,249,311</u>	<u>\$ (2,113,858)</u>

(Concluded)

FIDUCIARY FUND

Agency Fund

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

Village of Harwood Heights, Illinois
Fiduciary Fund
Special Service Area Agency Fund
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended April 30, 2016

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ 80,909	\$ 17,947	\$ -	\$ 98,856
Due from other funds	<u>17,888</u>	<u>-</u>	<u>17,888</u>	<u>-</u>
Total assets	<u>\$ 98,797</u>	<u>\$ 17,947</u>	<u>\$ 17,888</u>	<u>\$ 98,856</u>
LIABILITIES				
Due to property owners	\$ <u>98,797</u>	\$ <u>59</u>	\$ <u>-</u>	\$ <u>98,856</u>
Total liabilities	<u>\$ 98,797</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 98,856</u>

OTHER SUPPLEMENTAL INFORMATION (Unaudited)

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

	2016	2015	2014	2013**	2012**
Revenues					
Taxes	\$4,057,880	\$ 4,147,841	\$4,269,245	\$3,910,883	\$4,060,950
Intergovernmental	2,812,541	2,498,110	3,911,228	3,704,343	2,476,994
Licenses and Permits	615,340	477,486	395,766	577,783	405,655
Fines	935,222	899,185	1,145,097	759,912	715,279
Charges for Services	30,337	32,467	51,446	38,030	40,008
Investment Income	4,771	2,007	2,213	3,130	3,731
Miscellaneous	455,962	436,048	882,231	897,971	1,117,397
Total Revenues	8,912,053	8,493,144	10,657,226	9,892,052	8,820,014
Expenditures					
General Government	1,574,521	1,671,146	2,091,536	1,562,552	1,381,726
Public Safety	5,076,306	4,498,279	4,521,439	4,178,433	4,072,129
Public Works	1,204,584	1,129,796	1,375,412	1,562,224	1,687,894
Grant	-	-	1,828,750	1,364,014	357,633
Miscellaneous	8,822	11,459	6,368	9,893	8,873
Capital Outlay	128,315	638,687	276,159	264,282	238,052
Debt Service					
Principal	673,910	1,544,526	445,494	425,055	572,762
Interest and Other	71,716	265,419	220,551	238,570	239,951
Total Expenditures	8,738,174	9,759,312	10,765,709	9,605,023	8,559,020
Other Financing Sources (Uses)					
Transfer (out)	(1,398,572)	(300,000)	-	-	(989)
Transfer in	1,398,572	300,000	-	-	989
Payment on Refunded Debt	-	(3,564,263)	-	-	-
Issuance of Debt	-	4,100,000	1,370,118	22,466	210,255
Premium on Bonds Sold	-	67,226	-	-	-
Total Other Financing Sources (Uses)	-	602,963	1,370,118	22,466	210,255
Net Change in Fund Balance	173,879	(663,205)	1,261,635	309,495	471,249
Fund Balance					
Beginning of Year	4,018,361	4,681,566	3,419,931	3,110,436	3,961,376
End of Year	<u>\$4,192,240</u>	<u>\$ 4,018,361</u>	<u>\$4,681,566</u>	<u>\$3,419,931</u>	<u>\$4,432,625</u>

**Note: A prior period adjustment was recorded to restate the beginning fund balance for the year ended April 30, 2013 for a liability related to prior years.

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

	2016	2015*	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 9,770,027	\$ 9,818,034	\$ 9,592,398	\$ 7,764,490	\$ 6,315,694
Restricted	1,491,983	1,137,161	1,348,296	998,335	1,853,341
Unrestricted	(9,772,857)	(1,187,690)	(1,285,594)	(787,587)	(454,428)
Total governmental activities	1,489,153	9,767,505	9,655,100	7,975,238	7,714,607
Business-type activities					
Net investment in capital assets	2,686,985	2,172,997	1,475,380	1,426,843	1,440,254
Unrestricted	(521,207)	83,741	584,446	704,329	715,828
Total business-type activities	2,165,778	2,256,738	2,059,826	2,131,172	2,156,082
Total	\$ 3,654,931	\$ 12,024,243	\$ 11,714,926	\$ 10,106,410	\$ 9,870,689

* Note: The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which was adopted by the Village for the fiscal year ended June 30, 2016. The Village must now record net pension liability as it relates to the Illinois Municipal Retirement Fund (IMRF) and the Police Pension Fund. As a result of the implementation, net position as of May 1, 2015 decreased by \$7,890,967.