

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2017

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2017

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INTRODUCTORY SECTION (UNAUDITED)

Village of Harwood Heights, Illinois

PRINCIPAL OFFICIALS

Year Ended April 30, 2017

Arlene Jeziorny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Lawrence Steiner

Anna Brzozowski-Wegrecki

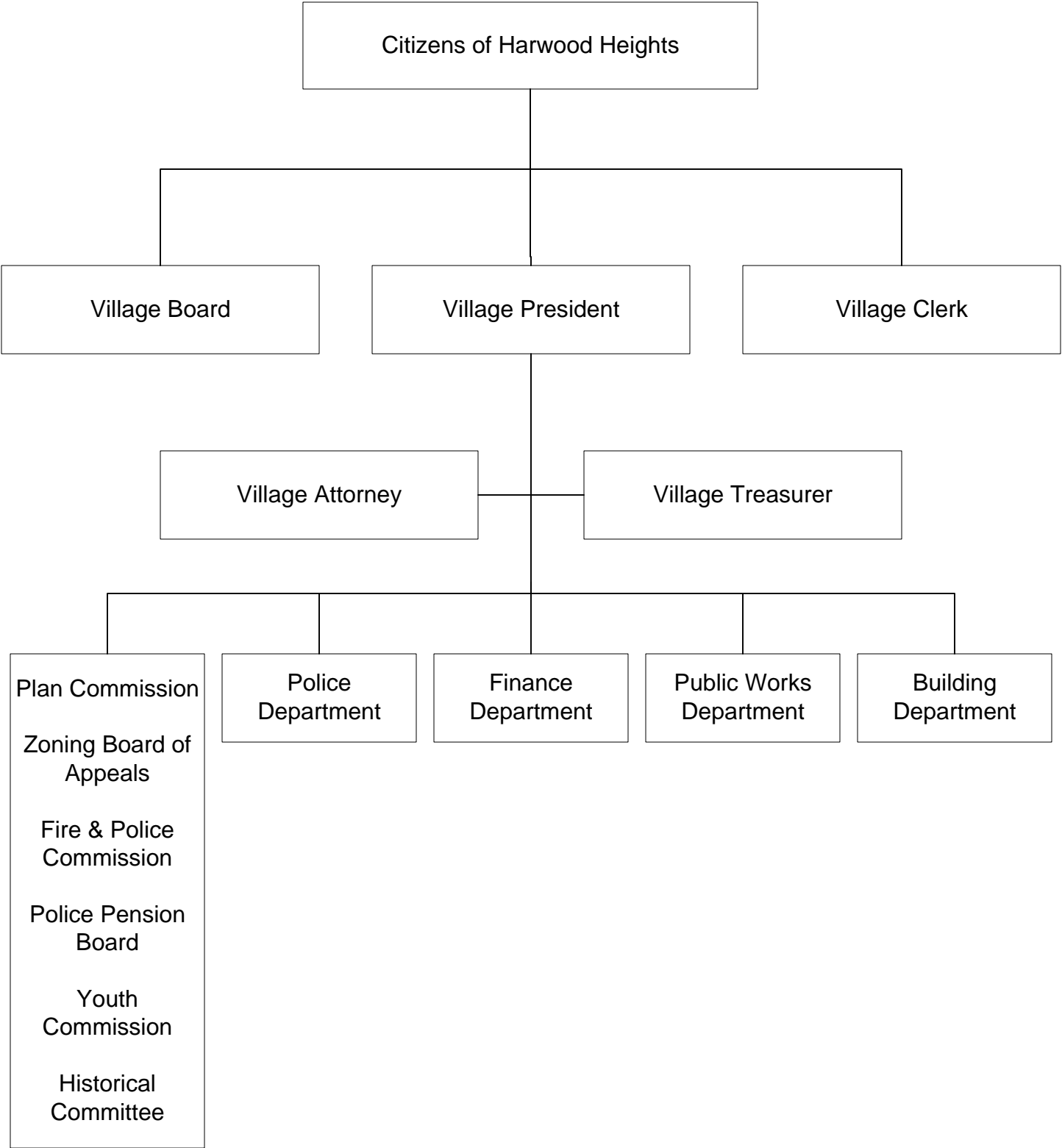
Giuseppe Zerillo

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, 2017, 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 report has 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Police Pension Fund were not audited by other auditors in accordance with *Government Auditing Standards*.

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, 2017, 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.

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 82 - 86, the other postemployment benefits data on page 87, and budgetary comparison schedules and notes to required supplementary information on pages 88 - 91 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 and the other auditors 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.

Other Information

Our audit for the year ended April 30, 2017 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 financial information and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

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, 2017 has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended April 30, 2017 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 for the year ended April 30, 2017 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended April 30, 2017.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
November 6, 2017

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

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 (Unaudited)
April 30, 2017

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 83-92 of this report.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

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 98-101 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 and deferred outflows exceed liabilities and deferred inflows of resources. 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.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

Statement of Net Position
As of April 30,

	Governmental Activities		Business-Type Activity		Total Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current/other assets	\$ 6,175,837	\$ 5,651,448	\$ 177,533	\$ 218,631	\$ 6,353,370	\$ 5,870,079
Capital assets	13,767,845	13,389,578	6,410,314	3,524,241	20,178,159	16,913,819
Total Assets	19,943,682	19,041,026	6,587,847	3,742,872	26,531,529	22,783,898
Deferred Outflows of Resources						
Deferred outflows related to pensions	2,249,334	2,248,331	82,293	106,124	2,331,627	2,354,455
Total Deferred Outflows	2,249,334	2,248,331	82,293	106,124	2,331,627	2,354,455
Liabilities						
Current/other liabilities	2,096,151	1,115,951	705,485	701,819	2,801,636	1,817,770
Long-term liabilities	18,002,503	17,353,240	3,186,852	981,399	21,189,355	18,334,639
Total Liabilities	20,098,654	18,469,191	3,892,337	1,683,218	23,990,991	20,152,409
Deferred Inflows of Resources						
Property taxes levied for a future period	914,568	871,243	-	-	914,568	871,243
Deferred inflows related to pensions	369,802	459,770	627	-	370,429	459,770
Total Deferred Inflows	1,284,370	1,331,013	627	-	1,284,997	1,331,013
Net Position						
Net investment in capital assets	10,317,666	9,770,027	3,247,905	2,686,985	13,565,571	12,457,012
Restricted by enabling legislation	578,943	1,046,746	-	-	578,943	1,046,746
Restricted for debt services	627,241	445,237	-	-	627,241	445,237
Unrestricted	(10,713,858)	(9,772,857)	(470,729)	(521,207)	(11,184,587)	(10,294,064)
Total Net Position	\$ 809,992	\$ 1,489,153	\$ 2,777,176	\$ 2,165,778	\$ 3,587,168	\$ 3,654,931

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

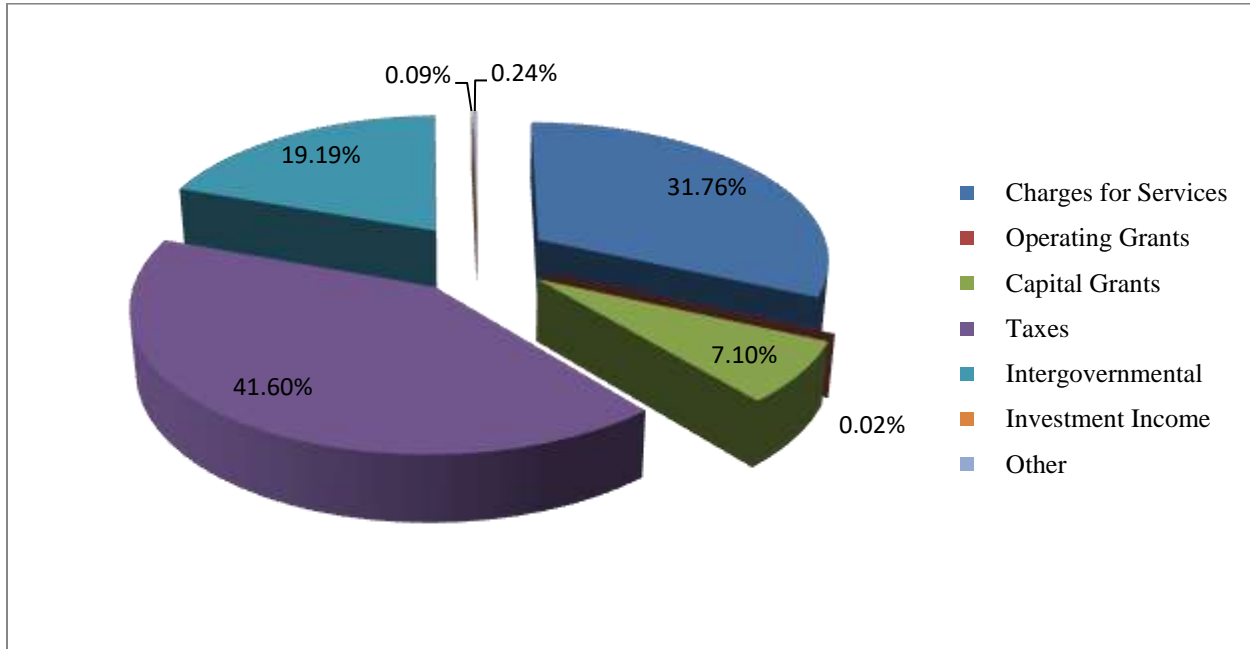
Changes in Net Position

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,							
	Governmental Activities		Business-Type Activity		Total Government		
	2017	2016	2017	2016	2017	2016	
Revenues							
Program Revenues							
Charges for Services	\$ 1,941,751	\$ 2,036,861	\$ 2,253,291	\$ 2,199,605	\$ 4,195,042	\$ 4,236,466	
Operating Grants	2,391	37,229	-	-	2,391	37,229	
Capital Grants	339,761	70,850	597,817	-	937,578	70,850	
General Revenues							
Taxes	5,495,683	4,057,880	-	-	5,495,683	4,057,880	
Intergovernmental	2,534,313	2,704,462	-	-	2,534,313	2,704,462	
Investment Income	11,310	4,771	147	113	11,457	4,884	
Other	-	-	32,994	24,502	32,994	24,502	
Total Revenues	10,325,209	8,912,053	2,884,249	2,224,220	13,209,458	11,136,273	
Expenses							
General Government	2,217,339	1,667,920	-	-	2,217,339	1,667,920	
Public Safety	5,950,586	6,050,839	-	-	5,950,586	6,050,839	
Public Works	2,719,143	1,553,911	-	-	2,719,143	1,553,911	
Interest	117,302	92,637	-	-	117,302	92,637	
Water	-	-	2,272,851	2,249,311	2,272,851	2,249,311	
Total Expenses	11,004,370	9,365,307	2,272,851	2,249,311	13,277,221	11,614,618	
Change in Net Position	(679,161)	(453,254)	611,398	(25,091)	(67,763)	(478,345)	
Beginning Net Position	1,489,153	1,942,407	2,165,778	2,190,869	3,654,931	4,133,276	
Ending Net Position	\$ 809,992	\$ 1,489,153	\$ 2,777,176	\$ 2,165,778	\$ 3,587,168	\$ 3,654,931	

**Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017**

Total Fiscal Year 2017 Revenues



For the fiscal year ended April 30, 2017, revenues totaled approximately \$13.21 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 \$1.77 million. Property taxes support governmental activities, which include the Village’s contribution to the Harwood Heights Police Pension Fund. Between fiscal years 2016 and 2017, total property tax revenues increased by 1.1%. The increase can be attributed directly to an increased property tax levy in 2016 (payable in 2017) 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 2017, ROT revenue was approximately \$1.56 million compared to approximately \$1.51 million in 2016. Home-rule sales tax revenue was approximately \$1.12 million compared to approximately \$1.06 million in 2016.

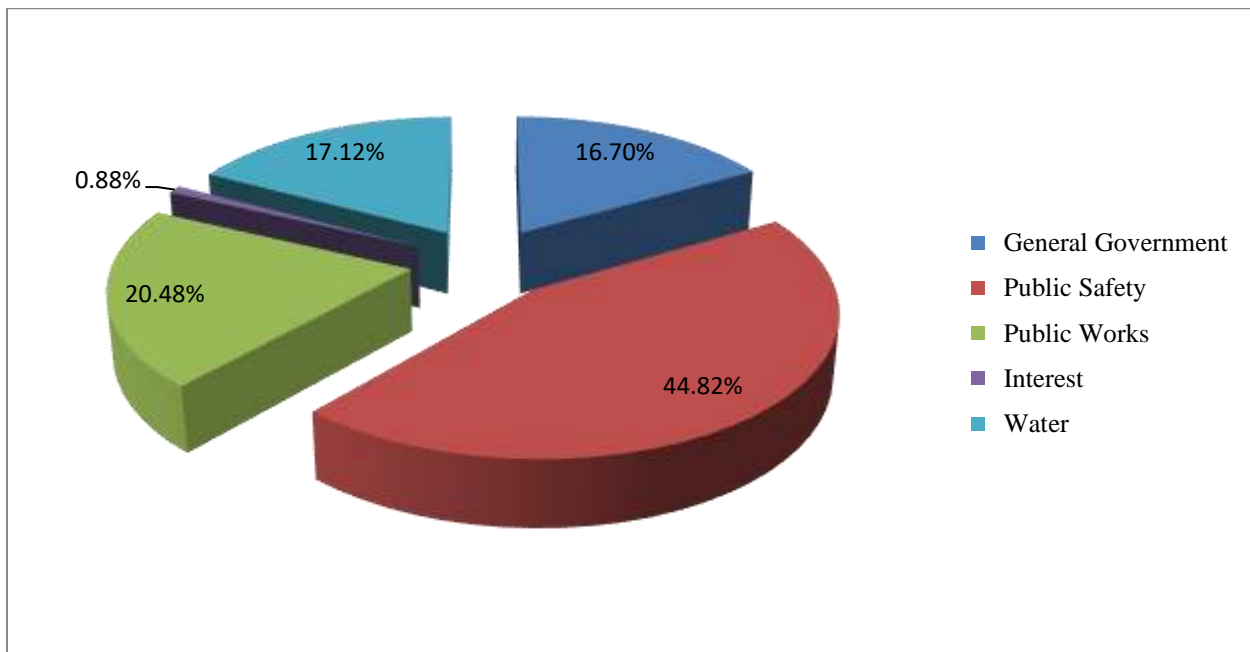
Income taxes are also shared by the state, but on a per-capita basis. In fiscal year 2017, state income tax revenue was approximately \$812 thousand, a decrease of \$223,262 from the previous year.

Taxes increased in total by \$1,437,803. Real Estate Transfer Tax increased \$1,173,036 from the prior fiscal year revenue. The main source of this increase was incremental transfer tax due to the Village’s hot real estate market.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
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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 2017 totaled approximately \$2.25 million, an increase of 2.44% from the prior year. Also, non-operating income of \$630,958 was produced by investment income, antenna leasing and IEPA loan principal forgiveness (see Note I-5).

Total Fiscal Year 2016 Expenses



The Village of Harwood Heights expenses totaled approximately \$13.28 million in fiscal year 2017. This represents an increase of approximately \$1.66 million or 14.31% from the prior year.

Public safety costs comprise the greatest portion of the Village's total expenses. Public safety costs decreased by 1.66%, from approximately \$6.05 million in 2016 to approximately \$5.95 million in 2017. The decrease is attributable to higher personnel-related and other operating costs associated with the Village's police department in fiscal year 2016. The fiscal year 2016 personnel costs reflect the impact of the police department collective bargaining agreement settlement. However, the increase in the Police Pension's Annual Required Contribution offset the higher personnel cost from the prior year. Public works expenses experienced an increase of \$1,165,232 from \$1.55 million in 2016 to \$2.72 million in 2017 attributable to a one-time payment of \$1,325,000 to a developer to perform land improvements (see Note M).

In the business-type activities, the expenses of the water and sewer function commodities and operating expenses totaled approximately \$2.27 million in 2017. This includes \$1,088,362 for water purchased in 2017 which increased by 3.0% compared to the previous year, and \$338,199 for sewer fees in 2017 which increased by 2.8% compared to the previous year. Personnel services in the amount of \$536,983 in 2017 were provided by public works and administration employees.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

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, 2017, the governmental funds reported an ending fund balance of \$3.7 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 2017, the Village amended its appropriation ordinance.

General Fund Revenues

	FY2017 Amended Appropriation	FY2017 Actual	Dollar Variance	Percent Variance
Revenues				
Taxes	\$ 4,331,500	\$ 4,725,427	\$ 393,927	9.09%
Intergovernmental	2,188,000	2,291,391	103,391	4.73%
Licenses and Permits	591,650	598,773	7,123	1.20%
Fines	990,500	966,563	(23,937)	-2.42%
Charges for Services	261,385	276,472	15,087	5.77%
Investment Income	3,540	3,559	19	0.54%
Miscellaneous Revenues	71,615	93,564	21,949	30.65%
Total Revenues	\$ 8,438,190	\$ 8,955,749	\$ 517,559	6.13%

Total General Fund revenue came in over the projected appropriation by \$517,559, or 6.13%. On the final day of the fiscal year a real estate transfer payment in excess of \$300 thousand was collected. The Village was expecting the payment to be made at a later date, thus tax revenue was underestimated.

General Fund Expenditures

	FY2017 Amended Appropriation	FY2017 Actual	Dollar Variance	Percent Variance
Expenditures				
General Government	\$ 1,707,445	\$ 1,968,872	\$ 261,427	15.31%
Public Safety	4,490,580	4,536,527	45,947	1.02%
Public Works	1,105,944	953,735	(152,209)	-13.76%
Debt Service	197,552	197,219	(333)	-0.17%
Capital Outlay	30,490	235,475	204,985	672.30%
Total Expenditures	\$ 7,532,011	\$ 7,891,828	\$ 359,817	4.78%

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

General Fund expenditures came in over budget by \$359,817, or 4.78%. Although public works expenditures was under budget by 13.76%, this was offset by increased spending in general government and capital outlay expenditures.

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2017 and 2016, net of accumulated depreciation of \$12,575,216 and \$11,812,291, respectively.

Asset Type	Governmental Activities		Business-Type Activity		Total Government	
	2017	2016	2017	2016	2017	2016
Construction In Process	\$ -	\$ 16,898	\$ 3,160,475	\$ 802,423	\$ 3,160,475	\$ 819,321
Land	629,428	629,428	-	-	629,428	629,428
Buildings	4,456,828	4,597,822	-	-	4,456,828	4,597,822
Machinery and Equipment	559,161	392,284	186,280	235,453	745,441	627,737
Land Improvements	11,769	13,909	-	-	11,769	13,909
Infrastructure	8,110,659	7,739,237	3,063,559	2,486,365	11,174,218	10,225,602
Total Capital Assets	\$ 13,767,845	\$ 13,389,578	\$ 6,410,314	\$ 3,524,241	\$ 20,178,159	\$ 16,913,819

At the end of the fiscal year 2017, the Village had a combined total government net capital assets of \$20.2 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines. During fiscal year 2016, and continuing into fiscal year 2017, 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				Total	
	Governmental Activities		Business-Type Activity		Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 3,290,134	\$ 3,638,538	\$ -	\$ -	\$ 3,290,134	\$ 3,638,538
Capital Leases	220,179	44,551	97,468	123,063	317,647	167,614
Notes Payable	1,057,751	1,189,970	3,064,940	714,193	4,122,691	1,904,163
Compensated Absences	1,107,742	1,085,759	-	-	1,107,742	1,085,759
Net Pension Liabilities	12,559,363	11,660,817	167,563	166,546	12,726,926	11,827,363
Net Other Post-Employment Benefit Obligations	294,999	228,149	-	-	294,999	228,149
Total	\$ 18,530,168	\$ 17,847,784	\$ 3,329,971	\$ 1,003,802	\$ 21,860,139	\$ 18,851,586

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2017

As of April 30, 2017, the Village had a total of approximately \$21.86 million of long-term debt outstanding. Of this amount, approximately \$3.29 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 2017, 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 I 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current			
Cash, cash equivalents, and investments	\$ 3,455,113	\$ 606,447	\$ 4,061,560
Receivables (net of allowance for uncollectibles)	1,862,777	371,508	2,234,285
Prepaid items	1,160	56,365	57,525
Noncurrent assets			
Internal balances	856,787	(856,787)	-
Capital assets not being depreciated	629,428	3,160,475	3,789,903
Capital assets, net of accumulated depreciation	<u>13,138,417</u>	<u>3,249,839</u>	<u>16,388,256</u>
Total assets	<u>19,943,682</u>	<u>6,587,847</u>	<u>26,531,529</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>2,249,334</u>	<u>82,293</u>	<u>2,331,627</u>
Total deferred outflows	<u>2,249,334</u>	<u>82,293</u>	<u>2,331,627</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF NET POSITION

April 30, 2017

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current			
Line of credit	\$ 1,000,000	\$ -	\$ 1,000,000
Current portion of long-term liabilities	527,665	143,119	670,784
Accounts payable	120,082	550,023	670,105
Accrued payroll liabilities	25,185	-	25,185
Deposits payable	162,000	-	162,000
Pledged sales taxes payable	50,307	-	50,307
Accrued interest	33,678	12,343	46,021
Due to fiduciary funds	17,819	-	17,819
Unearned revenue	159,415	-	159,415
Long-term liabilities			
Due in more than one year	18,002,503	3,186,852	21,189,355
Total liabilities	20,098,654	3,892,337	23,990,991
DEFERRED INFLOWS			
Property taxes levied for a future period	914,568	-	914,568
Deferred inflows related to pensions	369,802	627	370,429
Total deferred inflows	1,284,370	627	1,284,997
NET POSITION			
Net investment in capital assets	10,317,666	3,247,905	13,565,571
Restricted by enabling legislation	578,544	-	578,544
Restricted by enabling legislation, for debt service	627,241	-	627,241
Unrestricted	(10,713,459)	(470,729)	(11,184,188)
Total net position	\$ 809,992	\$ 2,777,176	\$ 3,587,168

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
Governmental activities				
General government	\$ 2,217,339	\$ 370,036	\$ 2,391	\$ 339,761
Public safety	5,950,586	972,942	-	-
Public works	2,719,143	598,773	-	-
Interest	117,302	-	-	-
Total governmental activities	<u>11,004,370</u>	<u>1,941,751</u>	<u>2,391</u>	<u>339,761</u>
Business-type activities				
Water and sewer	<u>2,272,851</u>	<u>2,253,291</u>	<u>-</u>	<u>597,817</u>
Total	<u>\$ 13,277,221</u>	<u>\$ 4,195,042</u>	<u>\$ 2,391</u>	<u>\$ 937,578</u>
General revenues				
Taxes				
Intergovernmental				
Interest				
Other				
Total general revenues				
Change in net position				
Net position - beginning of year				
Net position - end of year				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (1,505,151)	\$ -	\$ (1,505,151)
(4,977,644)	-	(4,977,644)
(2,120,370)	-	(2,120,370)
(117,302)	-	(117,302)
(8,720,467)	-	(8,720,467)
-	578,257	578,257
(8,720,467)	578,257	(8,142,210)
5,495,683	-	5,495,683
2,534,313	-	2,534,313
11,310	147	11,457
-	32,994	32,994
8,041,306	33,141	8,074,447
(679,161)	611,398	(67,763)
1,489,153	2,165,778	3,654,931
\$ 809,992	\$ 2,777,176	\$ 3,587,168

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2017

	General	Motor Fuel Tax	General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 1,460,745	\$ 702,947	\$ 390,097	\$ 901,324	\$ 3,455,113
Receivables, net of allowances					
Property taxes	720,462	-	191,106	-	911,568
Intergovernmental	791,688	18,856	-	-	810,544
Other	139,017	-	-	1,648	140,665
Prepays	1,160	-	-	-	1,160
Due from other funds	1,666,550		181,329	-	1,847,879
Advances to other funds	963,317	-	275,264	-	1,238,581
	<u>5,742,939</u>	<u>721,803</u>	<u>1,037,796</u>	<u>902,972</u>	<u>8,405,510</u>
Total assets	\$ 5,742,939	\$ 721,803	\$ 1,037,796	\$ 902,972	\$ 8,405,510
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Line of credit	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Accounts payable	118,254	1,546	-	282	120,082
Accrued payroll liabilities	20,260	-	-	4,925	25,185
Deposits payable	162,000	-	-	-	162,000
Pledged sales taxes payable	50,307	-	-	-	50,307
Due to other funds	181,329	181,888	-	1,484,662	1,847,879
Advances from other funds	-	-	-	381,794	381,794
Due to fiduciary funds	17,819	-	-	-	17,819
Unearned revenue	159,415	-	-	-	159,415
	<u>1,709,384</u>	<u>183,434</u>	<u>-</u>	<u>1,871,663</u>	<u>3,764,481</u>
Total liabilities	1,709,384	183,434	-	1,871,663	3,764,481
Deferred Inflows					
Property taxes levied for a future period	723,462	-	191,106	-	914,568
	<u>723,462</u>	<u>-</u>	<u>191,106</u>	<u>-</u>	<u>914,568</u>
Total deferred inflows	723,462	-	191,106	-	914,568
Fund balances					
Nonspendable					
Prepays	1,160	-	-	-	1,160
Advances to other funds	963,317	-	275,264	-	1,238,581
Restricted					
Special revenue funds	-	538,369	-	40,175	578,544
Debt service	-	-	571,426	55,815	627,241
Unassigned	2,345,616	-	-	(1,064,681)	1,280,935
	<u>3,310,093</u>	<u>538,369</u>	<u>846,690</u>	<u>(968,691)</u>	<u>3,726,461</u>
Total fund balance	3,310,093	538,369	846,690	(968,691)	3,726,461
	<u>5,742,939</u>	<u>721,803</u>	<u>1,037,796</u>	<u>902,972</u>	<u>8,405,510</u>
Total liabilities and fund balance	\$ 5,742,939	\$ 721,803	\$ 1,037,796	\$ 902,972	\$ 8,405,510

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, 2017

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

Total fund balance - governmental funds	\$ 3,726,461
---	--------------

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.	13,767,845
--	------------

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	\$ 228,065	
Deferred outflows of 2016 employer IMRF contributions related to pensions	32,530	
Deferred inflows related to IMRF pension fund	(1,986)	
Deferred outflows related to police pension fund	1,988,739	
Deferred inflows related to police pension fund	<u>(367,816)</u>	1,879,532

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.	(33,678)
---	----------

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>(18,530,168)</u>
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Net position - governmental activities	\$ <u><u>809,992</u></u>
--	--------------------------

Village of Harwood Heights, Illinois

Governmental Funds

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

Year Ended April 30, 2017

	<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	\$ 4,725,427	\$ -	\$ 371,901	\$ 398,355	\$ 5,495,683
Intergovernmental	2,291,391	585,074	-	-	2,876,465
Licenses and permits	598,773	-	-	-	598,773
Fines	966,563	-	-	6,379	972,942
Charges for services	276,472	-	-	-	276,472
Investment income	3,559	2,732	-	5,019	11,310
Miscellaneous	93,564	-	-	-	93,564
	<u>8,955,749</u>	<u>587,806</u>	<u>371,901</u>	<u>409,753</u>	<u>10,325,209</u>
Expenditures					
Current					
General government	1,968,872	-	-	-	1,968,872
Public safety	4,536,527	-	-	620,847	5,157,374
Public works	953,735	116,084	-	-	1,069,819
Miscellaneous	-	-	-	1,332,507	1,332,507
Capital outlay	235,475	570,606	-	34,274	840,355
Debt service					
Principal	162,986	-	85,000	260,000	507,986
Interest and other	34,233	-	53,037	33,200	120,470
	<u>7,891,828</u>	<u>686,690</u>	<u>138,037</u>	<u>2,280,828</u>	<u>10,997,383</u>
Excess (deficiency) of revenues over expenditures	<u>1,063,921</u>	<u>(98,884)</u>	<u>233,864</u>	<u>(1,871,075)</u>	<u>(672,174)</u>
Other financing sources (uses)					
Capital lease proceeds	206,395	-	-	-	206,395
Transfers in	-	100,301	-	249,959	350,260
Transfers out	(350,260)	-	-	-	(350,260)
	<u>(143,865)</u>	<u>100,301</u>	<u>-</u>	<u>249,959</u>	<u>206,395</u>
Net change in fund balances	920,056	1,417	233,864	(1,621,116)	(465,779)
Fund balance (deficit)					
Beginning of year	<u>2,390,037</u>	<u>536,952</u>	<u>612,826</u>	<u>652,425</u>	<u>4,192,240</u>
End of year	<u>\$ 3,310,093</u>	<u>\$ 538,369</u>	<u>\$ 846,690</u>	<u>\$ (968,691)</u>	<u>\$ 3,726,461</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, 2017

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

Net change in fund balances - total governmental funds	\$ (465,779)
--	--------------

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.	378,267
---	---------

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	(77,450)
Deferred outflows and inflows of resources related to police pension fund	168,421

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.	<u>(682,620)</u>
---	------------------

Change in net position - governmental activities	<u>\$ (679,161)</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, 2017

ASSETS

Current

Cash and cash equivalents	\$ 606,447
Intergovernmental receivables	123,115
Customer receivables (net of allowance for uncollectibles)	248,393
Prepaid items	<u>56,365</u>

Total current assets	1,034,320
----------------------	-----------

Capital assets not being depreciated	3,160,475
--------------------------------------	-----------

Capital assets, net of accumulated depreciation	<u>3,249,839</u>
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Total assets	<u>7,444,634</u>
--------------	------------------

DEFERRED OUTFLOWS

Deferred outflows related to pensions	<u>82,293</u>
---------------------------------------	---------------

Total deferred outflows	<u>82,293</u>
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LIABILITIES

Current

Current portion of long-term liabilities	143,119
Accounts payable	550,023
Accrued interest payable	12,343

Long-term

Advances from other funds	856,787
Due in more than one year	<u>3,186,852</u>

Total liabilities	<u>4,749,124</u>
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DEFERRED INFLOWS

Deferred inflows related to pensions	<u>627</u>
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Total deferred inflows	<u>627</u>
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NET POSITION

Net investment in capital assets	3,247,905
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Unrestricted	<u>(470,729)</u>
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Total net position	<u>\$ 2,777,176</u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Water and Sewer Fund - Proprietary Fund
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
Year Ended April 30, 2017

OPERATING REVENUES	
Charges for services	\$ 2,219,846
Penalties	<u>33,445</u>
Total operating revenues	<u>2,253,291</u>
OPERATING EXPENSES	
Current	
Personal services	536,983
Commodities	1,128,985
Other services	433,840
Capital outlay	450
Depreciation	<u>135,011</u>
Total operating expenses	<u>2,235,269</u>
OPERATING INCOME	<u>18,022</u>
NONOPERATING REVENUES (EXPENSES)	
IEPA principal forgiveness	597,817
Other	32,994
Interest income	147
Interest expense	<u>(37,582)</u>
Total nonoperating revenues	<u>593,376</u>
CHANGE IN NET POSITION	611,398
TOTAL NET POSITION	
Beginning of year	<u>2,165,778</u>
End of year	<u>\$ 2,777,176</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,250,371
Cash paid to suppliers for goods and services	(1,683,022)
Cash paid to employees for services	<u>(511,509)</u>
Net cash provided by operating activities	<u>55,840</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Change in due from/to other funds	<u>434,231</u>
Net cash provided by noncapital financing activities	<u>434,231</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Acquisition of capital assets	(3,021,084)
Loan proceeds	2,846,303
Loan repayments	(20,854)
Principal payments on capital leases	(25,594)
Interest paid	<u>(27,453)</u>
Net cash used in capital financing activities	<u>(248,682)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	147
Antenna leasing	<u>32,994</u>
Net cash provided by investing activities	<u>33,141</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	274,530
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CASH AND CASH EQUIVALENTS

Beginning of year	<u>331,917</u>
End of year	<u><u>\$ 606,447</u></u>

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 18,022
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	135,011
Changes in assets and liabilities	
Customer receivables	(2,920)
Accounts payable	(127,179)
Prepaid items	7,432
Deferred outflows related to pensions	23,831
Deferred inflows related to pensions	627
Net pension liability	<u>1,016</u>
Net cash provided by operating activities	<u><u>\$ 55,840</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds

STATEMENT OF NET POSITION

April 30, 2017

	Police Pension Fund	Agency Fund
	Police Pension	Special Service Area
ASSETS		
Cash and cash equivalents	\$ 373,999	\$ 98,981
Investments	16,747,587	-
Accrued interest receivable	96,366	-
Due from the Village	17,819	-
Prepays	4,733	-
Total assets	17,240,504	\$ 98,981
LIABILITIES		
Accounts payable	8,972	-
Due to property owners	-	98,981
Total liabilities	8,972	\$ 98,981
NET POSITION		
Restricted for pensions	\$ 17,231,532	

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, 2017

ADDITIONS

Investment income	
Investment earnings	\$ 511,174
Net increase in fair value of investments	<u>618,599</u>

Total investment income	1,129,773
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Contributions

Employer	820,142
Members	<u>283,346</u>

Total contributions	<u>1,103,488</u>
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Total additions	<u>2,233,261</u>
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DEDUCTIONS

Investment expense	49,968
Pension benefits and refunds	1,225,559
Administrative expense	<u>46,967</u>

Total deductions	<u>1,322,494</u>
------------------	------------------

CHANGE IN NET POSITION	910,767
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NET POSITION RESTRICTED
FOR PENSIONS

Beginning of Year	<u>16,320,765</u>
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End of Year	<u><u>\$ 17,231,532</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

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April 30, 2017

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Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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, 2017

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, 2017

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, 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, 2017

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, 2017.
- 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, 2017. There were no assigned amounts at April 30, 2017.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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, 2017

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, 2017

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 generally stated at fair value.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Village has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- * Quoted prices for similar assets or liabilities in active markets;
- * Quoted prices for identical or similar assets or liabilities in inactive markets;
- * Inputs other than quoted prices that are observable for the asset or liability;
- * Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Village's investments measured at fair value. There have been no changes in the methodologies used at April 30, 2017 and 2016.

U.S. Agency Securities: Valued at closing price of similar instruments with comparable durations reported on the active market on which the individual securities are traded.

U.S. Treasuries: Valued at closing price of identical instruments reported on the active market on which the individual securities are traded.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value Measurements (Continued)

Corporate and Municipal/Government Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission.

10. 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.

11. 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 funds" (the noncurrent portion of interfund transactions) on the fund balance sheets.

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. 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

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.

13. 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

15. 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.

16. 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, 2017, the Village had deferred outflows of resources related to pension liabilities (see Note J). 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, 2017, the Village's property taxes levied for a future period and pension liabilities (see Note J) are reported as deferred inflows of resources.

17. 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. Fund Balance and Restrictions of Net Position (Continued)

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	\$ 538,369
Crime investigation	12,995
DUI	27,180
Debt service	<u>627,241</u>
Total net position restricted by enabling legislation	<u><u>\$ 1,205,785</u></u>

18. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows; 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.

19. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 72, *Fair Value Measurement and Application*, issued in February 2015, which was implemented by the Village during the fiscal year ended April 30, 2017. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value investments.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. New Accounting Pronouncement (Continued)

The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, which was implemented by the Village during the fiscal year ended April 30, 2017. This Statement addresses providing financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current year revenues were sufficient to pay for current year services, (b) compliance with finance related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time.

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	\$ (3,230,000)
Unamortized bond premium	(60,134)
Note payable	(1,057,751)
Compensated absences payable	(1,107,742)
Capital lease payable	(220,179)
Other post-employment benefit obligation	(294,999)
Net pension obligations	<u>(12,559,363)</u>
Net adjustment to reduce fund balance - governmental funds to arrive at net position - governmental activities	<u><u>\$ (18,530,168)</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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

(Continued)

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

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

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

Capital outlay	\$ 1,006,181
Depreciation expense	<u>(627,914)</u>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u>\$ 378,267</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	\$ (236)
Principal payments on note payable	132,219
Principal payments on general obligation bonds	345,000
Amortization of bond premiums	3,404
Net increase in net pension obligations	(898,546)
Net increase in other postemployment benefits obligation	(66,850)
Net increase in compensated absences	(21,983)
Issuance of capital lease	(206,395)
Principal payments on capital lease	<u>30,767</u>
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u>\$ (682,620)</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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*	\$ 2,902,837
Illinois Funds	<u>1,158,723</u>
Total cash and cash equivalents	<u>\$ 4,061,560</u>

*Includes certificates of deposit and money market savings accounts but primarily consists of accounts held in demand and savings accounts, which are recorded at cost.

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. The Fund has an affirmed AAAM Standard & Poor's credit quality rating. Investments in Illinois Funds are valued at Illinois Funds' share price (net asset value or "NAV"), which is the price for which the investment could be sold. There are no unfunded commitments and the redemption notice period is one day.

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, 2017

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments (Continued)

Deposits with Financial Institutions

With respect to deposits, custodial credit risk is the risk that, in the event of a 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, 2017, the Village had uninsured and uncollateralized deposits in the amount of \$506,546. The carrying amount of the Village's deposits with financial institutions was \$2,902,837 at April 30, 2017. The Village's Agency Fund had a carrying value of \$98,981 at April 30, 2017.

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, 2017, 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, 2017

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

The deposits and investments of the Pension Fund are held separately from those of other Village funds. 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 plan 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 plan 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 \$373,999, and the related bank balances totaled \$362,341.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

Investments. The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Pension Fund has the following recurring fair value measurements as of April 30, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities				
U.S. Treasuries	\$ 279,844	\$ -	\$ -	\$ 279,844
U.S. Agencies	-	3,921,638	-	3,921,638
Corporate Bonds	-	3,230,971	-	3,230,971
State and Local Governments	-	660,295	-	660,295
Equity Securities				
Mutual Funds	4,551,770	-	-	4,551,770
Common Stock	4,103,069	-	-	4,103,069
Total investments by fair value level	<u>\$ 8,934,683</u>	<u>\$ 7,812,904</u>	<u>\$ -</u>	<u>\$ 16,747,587</u>

At April 30, 2017, the Pension Fund has the following investment maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
State and Local Obligations	\$ 660,295	\$ 608,255	\$ 52,040	\$ -	\$ -
U.S. Govt and Agency Obligations	4,201,482	203,430	2,313,421	1,684,631	-
Corporate Obligations	3,230,971	376,997	1,973,023	880,951	-
Total	<u>\$ 8,092,748</u>	<u>\$ 1,188,682</u>	<u>\$ 4,338,484</u>	<u>\$ 2,565,582</u>	<u>\$ -</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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 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.

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, 2017, 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, 2017, 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. At April 30, 2017, 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 \$4,103,069 invested in common stocks.

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	\$ 350,443
JP Morgan Mid Cap Value	481,640
Invesco Global Real Estate Fund	345,327
Lazard Emerging Markets Equity Fund	317,935
MFS International Value	741,925
Oppenheimer Developing MKT	327,292
Oppenheimer Intrl Growth Fd-I	757,313
Sector SPDR Trust Utilities - ETF	118,290
Sector SPDR Trust Materials - ETF	87,300
T. Rowe Price Mid-Cap Growth	489,433
Undiscovered Mngrs Behavioral Values	534,872
Total equity mutual funds	<u>\$ 4,551,770</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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 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	3.67 - 22.94 %	4.3 - 4.5 %
Domestic equities	3.13 - 25.20	7.5 - 11.7
International equities	8.77	6.6 - 8.6
Real estate	2.02	6.8 - 11.9
Blended	3.86 - 18.90	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 65%. 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.

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 May 2017, 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, 2017 are listed in the table above.

b. Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE D - PROPERTY TAXES

Property taxes for 2016 tax year attach as an enforceable lien on January 1, 2016 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, 2017 and August 1, 2017. The County collects such taxes and remits them periodically. The portion of the 2016 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, 2018, net taxes receivable is reflected as property taxes levied for a future period. The 2017 levy, which attached as an enforceable lien on property as of January 1, 2017, has not been recorded as a receivable as of April 30, 2017, as the tax has not yet been levied by the Village and will not be levied until December 2017; therefore, the levy is not measurable at April 30, 2017.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE E - INTERFUND TRANSACTIONS

1. <u>Due from/to Other Funds and Advances to/from Other Funds</u>	Due from/ Advances to	Due to/ Advances from
General		
Water and Sewer	\$ 681,523	\$ -
Emergency 911	281,794	-
Capital Projects	1,352,399	-
SSA Debt Service	132,263	-
MFT Fund	181,888	-
General Obligation Bonds	-	181,329
	<u>2,629,867</u>	<u>181,329</u>
Total General		
Other governmental funds		
General Obligation Bonds - Water and Sewer	175,264	-
General Obligation Bonds - SSA Debt Service	100,000	-
General Obligation Bonds - General	181,329	-
Capital Projects Fund - General Fund	-	1,352,399
Emergency 911 - General	-	281,794
MFT Fund - General	-	181,888
SSA Debt Service - General	-	132,263
SSA Debt Service - General Obligation Bonds	-	100,000
	<u>456,593</u>	<u>2,048,344</u>
Total Other Governmental Funds		
Water and Sewer Fund		
General	-	681,523
General Obligation Bonds	-	175,264
	<u>-</u>	<u>856,787</u>
Total all Funds	3,086,460	3,086,460
Less amounts eliminated during GASB 34 conversion	<u>(2,229,673)</u>	<u>(2,229,673)</u>
Total Village internal balances	<u>\$ 856,787</u>	<u>\$ 856,787</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE E - INTERFUND TRANSACTIONS (Continued)

2. Interfund Transfers

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, 2017, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 350,260
MFT	100,301	-
Nonmajor governmental:		
Emergency 911	<u>249,959</u>	<u>-</u>
Total transfers	<u>\$ 350,260</u>	<u>\$ 350,260</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2017 was as follows:

1. Governmental Activities

	Beginning Balance	Increases / Transfers	Decreases / Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 629,428	\$ -	\$ -	\$ 629,428
Construction in process	16,898	-	16,898	-
	<u>646,326</u>	<u>-</u>	<u>16,898</u>	<u>629,428</u>
Total capital assets, not being depreciated				
	<u>646,326</u>	<u>-</u>	<u>16,898</u>	<u>629,428</u>
Capital assets, being depreciated				
Buildings	6,414,142	-	-	6,414,142
Machinery and equipment	2,777,381	327,926	-	3,105,307
Land improvements	121,499	-	-	121,499
Infrastructure	12,546,001	695,153	-	13,241,154
	<u>21,859,023</u>	<u>1,023,079</u>	<u>-</u>	<u>22,882,102</u>
Total capital assets, being depreciated				
	<u>21,859,023</u>	<u>1,023,079</u>	<u>-</u>	<u>22,882,102</u>
Less accumulated depreciation for				
Buildings	1,816,320	140,994	-	1,957,314
Machinery and equipment	2,385,097	161,049	-	2,546,146
Land improvements	107,590	2,140	-	109,730
Infrastructure	4,806,764	323,731	-	5,130,495
	<u>9,115,771</u>	<u>627,914</u>	<u>-</u>	<u>9,743,685</u>
Total accumulated depreciation				
	<u>9,115,771</u>	<u>627,914</u>	<u>-</u>	<u>9,743,685</u>
Total capital assets, being depreciated, net				
	<u>12,743,252</u>	<u>395,165</u>	<u>-</u>	<u>13,138,417</u>
Governmental activities capital assets, net	<u>\$ 13,389,578</u>	<u>\$ 395,165</u>	<u>\$ 16,898</u>	<u>\$ 13,767,845</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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	\$ 802,423	\$ 3,021,084	\$ 663,032	\$ 3,160,475
Capital assets, being depreciated				
Machinery and equipment	410,304	-	-	410,304
Land improvements	34,700	-	-	34,700
Infrastructure	4,973,334	663,032	-	5,636,366
Total capital assets, being depreciated	5,418,338	663,032	-	6,081,370
Less accumulated depreciation for				
Machinery and equipment	174,851	49,173	-	224,024
Land improvements	34,700	-	-	34,700
Infrastructure	2,486,969	85,838	-	2,572,807
Total accumulated depreciation	2,696,520	135,011	-	2,831,531
Total capital assets, being depreciated, net	2,721,818	528,021	-	3,249,839
Business-type activities, capital assets, net	\$ 3,524,241	\$ 3,549,105	\$ 663,032	\$ 6,410,314

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

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	\$ 154,207
Public safety	92,340
Public works, streets, and lighting	<u>381,367</u>
	<u>\$ 627,914</u>

Business – type activities:

Water and sewer	\$ <u>135,011</u>
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NOTE G - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; natural disasters; employee health; and injuries to the Village's employees. In order to protect against these risks, the Village purchases coverage including property, general liability, automobile liability, crime, boiler and machinery, and workers' compensation from various insurance programs. In addition, the Village provides health insurance to its employees through a third-party indemnity policy. The Village pays a monthly premium to the insurance programs for its coverage. Settled claims have not exceeded coverage for the past three fiscal years.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE H - LINE OF CREDIT

The Village has a line of credit agreement with a financial institution, with available borrowings of up to \$1,000,000, and interest charged at 4.0%. The agreement matured in July 2017 and was renewed at that time with a new maturity date of July 22, 2018. Outstanding borrowings at April 30, 2017 were \$1,000,000.

NOTE I - 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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements / Refunded</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds					
Series 2015	\$ 3,575,000	\$ -	\$ 345,000	\$ 3,230,000	\$ 350,000
Bond premium	<u>63,538</u>	<u>-</u>	<u>3,404</u>	<u>60,134</u>	<u>-</u>
Total general obligation bonds	<u>3,638,538</u>	<u>-</u>	<u>348,404</u>	<u>3,290,134</u>	<u>350,000</u>
Capital lease obligations	44,551	206,395	30,767	220,179	45,446
Note payable	1,189,970	-	132,219	1,057,751	132,219
Police net pension liability	11,133,422	3,045,288	2,149,960	12,028,750	-
IMRF net pension liability	527,395	524,038	520,820	530,613	-
OPEB obligation payable	228,149	98,099	31,249	294,999	-
Compensated absences	<u>1,085,759</u>	<u>771,238</u>	<u>749,255</u>	<u>1,107,742</u>	<u>-</u>
Total governmental activities	<u>\$ 17,847,784</u>	<u>\$ 4,645,058</u>	<u>\$ 3,962,674</u>	<u>\$ 18,530,168</u>	<u>\$ 527,665</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE I - 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, 2017:

	Beginning Balance	Additions	Retirements/ Forgiveness	Ending Balance	Due Within One Year
Illinois EPA loans	\$ 714,193	\$ 2,969,418	\$ 618,671	\$ 3,064,940	\$ 120,010
Capital lease obligations	123,063	-	25,595	97,468	23,109
IMRF net pension liability	166,546	165,486	164,469	167,563	-
Total business-type activities	\$ <u>1,003,802</u>	\$ <u>3,134,904</u>	\$ <u>808,735</u>	\$ <u>3,329,971</u>	\$ <u>143,119</u>

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:

Purpose	Interest Rates	Amount
Series 2015 General Obligation Bonds	2.00 - 3.13%	\$ <u>3,230,000</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE I - 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
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	395,000	50,838	445,838
2023-2027	470,000	187,238	657,238
2028-2032	550,000	112,688	662,688
2033-2035	390,000	24,688	414,688
	<u>\$ 3,230,000</u>	<u>\$ 650,604</u>	<u>\$ 3,880,604</u>

3. Capital Lease Obligations

At April 30, 2017, 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
2018	\$ 45,446	\$ 5,954	\$ 23,109	\$ 2,356
2019	37,482	4,498	23,752	2,178
2020	29,034	3,527	13,845	1,564
2021	29,852	2,708	14,328	1,081
2022	30,695	1,868	14,827	582
2023 - 2024	47,670	1,170	7,607	98
	<u>\$ 220,179</u>	<u>\$ 19,725</u>	<u>\$ 97,468</u>	<u>\$ 7,859</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE I - LONG-TERM LIABILITIES (Continued)

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

The cost of the capital assets associated with governmental activities acquired through capital lease is \$338,264, with accumulated depreciation and depreciation expense of \$92,881 and \$26,947, respectively, at April 30, 2017. 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 \$69,623 and \$29,574, respectively, at April 30, 2017.

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, which commenced in fiscal year 2016, and does not bear interest. The total amount outstanding as of April 30, 2017 was \$1,057,751.

Annual debt service requirements to maturity for the note payable are as follows for governmental type activities:

<u>Year ending April 30,</u>	<u>Principal</u>
2018	\$ 132,219
2019	132,219
2020	132,219
2021	132,219
2022	132,219
2023-2025	<u>396,656</u>
	<u>\$ 1,057,751</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE I - LONG-TERM LIABILITIES (Continued)

5. Illinois EPA Loans

The details of the Illinois EPA loans payable as of April 30, 2017 are as follows:

Illinois Environmental Protection Agency (IEPA) Public Water Supply Loan, payable in semiannual installments of \$37,602, including interest at 1.86%, through December 2035. During the year ended April 30, 2017, the IEPA forgave \$218,363 of the principal balance of the loan. \$ 1,199,034

IEPA Public Water Supply Loans, payable in semiannual installments following completion of the related project, beginning in July 2017 and ending in January 2037, including interest at 1.86%. During the year ended April 30, 2017, the IEPA forgave \$379,454 of the principal balance of the loan. 1,865,906

\$ 3,064,940

Annual debt service requirements to maturity for the loans payable are as follows for business type activities:

Year Ending April 30,	IEPA Loans Payable		
	Principal	Interest	Total
2018	120,010	61,519	181,529
2019	132,026	66,728	198,754
2020	150,285	57,062	207,347
2021	153,094	54,254	207,348
2022	155,955	51,393	207,348
2023-2027	824,590	212,146	1,036,736
2028-2032	904,568	132,169	1,036,737
2033-2037	624,412	44,783	669,195
	<u>3,064,940</u>	<u>680,054</u>	<u>3,744,994</u>

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE I - LONG-TERM LIABILITIES (Continued)

6. **Legal Debt Margin** (Continued)

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

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

NOTE J - 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 administrator of an agent 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).

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

Benefits Provided (Continued)

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.

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, 2016, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	21
Active plan members	<u>24</u>
Total	<u><u>70</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

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 2016 was 10.57%. For the fiscal year ended April 30, 2017 the Village contributed \$146,546 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.

Net Pension Liability

The Village's IMRF net pension liability was measured as of December 31, 2016. 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, 2016:

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	7.50%

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

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 2012). 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 2012). 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 2012). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
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:

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	38%	6.85%
International equity	17%	6.75%
Fixed income	27%	3.00%
Real estate	8%	5.75%
Alternative investments	9%	7.35%
Cash equivalents	1%	5.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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:

- 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 3.78%, and the resulting single discount rate is 7.50%.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - 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, 2016:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability* (A) - (B)
Balances at December 31, 2015	\$ 7,293,583	\$ 6,599,642	\$ 693,941
Changes for the year:			
Service cost	150,233	-	150,233
Interest on the total pension liability	537,444	-	537,444
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(12,743)	-	(12,743)
Changes of assumptions	(9,337)	-	(9,337)
Contributions - Employer	-	152,104	(152,104)
Contributions - Employees	-	71,319	(71,319)
Net Investment Income	-	461,866	(461,866)
Benefit payments, including refunds of employee contributions	(386,422)	(386,422)	-
Other (net transfer)	-	(23,927)	23,927
Net changes	<u>279,175</u>	<u>274,940</u>	<u>4,235</u>
Balances at December 31, 2016	<u>\$ 7,572,758</u>	<u>\$ 6,874,582</u>	<u>\$ 698,176</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, 2017

NOTE J - 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 7.50%, 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 (6.50%)	Current Discount Rate (7.50%)	1% Higher (8.50%)
Net pension liability (asset)	\$ 1,708,713	\$ 698,176	\$ (127,842)

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

For the year ended April 30, 2017, the Village recognized pension expense of \$252,689. At April 30, 2017, the Village reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ 1,845	\$ -
Change of assumptions, cost of living and inflation	-	2,613
Net difference between projected and actual earnings on pension plan investments	298,241	-
Total deferred amounts to be recognized in pension expense in the future periods	300,086	2,613
<i>Pension contributions made subsequent to the measurement date</i>	42,802	-
Total deferred amounts related to pensions	\$ 342,888	\$ 2,613

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - 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 \$42,802 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended April, 30	Net Deferred Outflows of Resources
2018	\$ 100,367
2019	98,386
2020	93,499
2021	5,221
2022	-
Thereafter	-
Total	\$ <u>297,473</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.

A separate report is 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, 2017

NOTE J - 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, 2017

NOTE J - 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, 2017, 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	2
Active plan members	<u>27</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, 2017, the Village's contribution was 33.84% of covered payroll.

Net Pension Liability

The Village's police fund net pension liability was measured as of April 30, 2017. 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, 2017

NOTE J - 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, 2017, using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2017
Actuarial cost method	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	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.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of April 30, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
US Treasuries	1.80%
US Agencies	2.00%
Taxable IL Municipal Bonds	2.00%
US Corporate Bonds	2.50%
US Large Cap	5.00%
US Mid Cap	5.30%
US Small Cap	5.00%
International Stocks	5.30%
Emerging Market Stocks	6.20%
Real Estate	4.30%
Global Infrastructure	4.80%

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.00% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net pension liability	\$ <u>15,908,061</u>	\$ <u>12,028,750</u>	\$ <u>8,764,445</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - 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, 2016	\$ 27,454,187	\$ 16,320,765	\$ 11,133,422
Changes for the year:			
Service cost	559,532	-	559,532
Interest on the total pension liability	1,915,734	-	1,915,734
Difference between expected and actual experience of the total pension liability	556,388	-	556,388
Contributions - employer	-	820,142	(820,142)
Contributions - employees	-	283,346	(283,346)
Net investment income (loss)	-	1,079,805	(1,079,805)
Benefit payment, including refunds of employee contributions	(1,225,559)	(1,225,559)	-
Administrative expense	-	(46,967)	46,967
Net changes	<u>1,806,095</u>	<u>910,767</u>	<u>895,328</u>
Balances at April 30, 2017	<u>\$ 29,260,282</u>	<u>\$ 17,231,532</u>	<u>\$ 12,028,750</u>

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

For the year ended April 30, 2017 the Village recognized pension expense of \$1,547,049. At April 30, 2017, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 463,655	\$ 367,816
Change in assumptions, cost of living and inflation	727,863	-
Net difference between projected and actual earnings on pension plan investments	<u>797,221</u>	<u>-</u>
Total deferred amounts related to Police Pension	<u>\$ 1,988,739</u>	<u>\$ 367,816</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE J - PENSION LIABILITIES (Continued)

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

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

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

Year Ended April 30,	Net Deferred Outflows of Resources
2018	\$ 444,700
2019	444,701
2020	444,701
2021	194,090
2022	92,731
Thereafter	-
Total	\$ <u>1,620,923</u>

3. **Summary of Pension Items**

Below is a summary of the various pension items:

	IMRF	Police	Total
Deferred outflows of resources:			
Employer contributions	\$ 42,802	\$ -	\$ 42,802
Experience	1,845	463,655	465,500
Assumptions	-	727,863	727,863
Investments	298,241	797,221	1,095,462
	\$ <u>342,888</u>	\$ <u>1,988,739</u>	\$ <u>2,331,627</u>
Net pension liability	\$ <u>698,176</u>	\$ <u>12,028,750</u>	\$ <u>12,726,926</u>
Deferred inflows of resources:			
Experience	\$ -	\$ 367,816	\$ 367,816
Assumptions	2,613	-	2,613
	\$ <u>2,613</u>	\$ <u>367,816</u>	\$ <u>370,429</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE K - 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 (most recent date available), 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 2017, the Village contributed \$31,249 toward the cost of the postemployment benefits for retirees.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE K - 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>2017</u>
Annual required contribution	\$ 101,660
Interest on net OPEB obligation	9,126
Adjustment to annual required contribution	<u>(12,687)</u>
Annual OPEB cost	98,099
Contributions made	<u>(31,249)</u>
Increase in net OPEB obligation	66,850
Net OPEB obligation beginning of year	<u>228,149</u>
Net OPEB obligation end of year	\$ <u><u>294,999</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 2017 and the two preceding fiscal years were as follows:

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

4. **Trend Information** (Continued)

Actuarial Valuation Date		Annual OPEB Cost	Percentage Annual OPEB Cost Contributed		Net OPEB Obligation
4/30/17	\$	98,099	31.9%	\$	294,999
4/30/16		99,198	29.0%		228,149
4/30/15		81,034	35.8%		157,752

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, 2017

NOTE K - 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, 2017

NOTE L - CONTINGENCIES AND COMMITMENTS

1. Grants

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

2. Litigation

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

3. Construction Commitments

The Village has certain contracts for several construction projects that were in progress at April 30, 2017. Future commitments under these contracts were approximately \$800,100 at April 30, 2017.

4. Intergovernmental Agreement and Debt Guarantee

Effective January 1, 2017, the Village entered into an intergovernmental agreement together with the Village of Schiller Park, Illinois and the Village of Norridge, Illinois (each referred to as a "Participating Municipality" or "Party"), to establish a joint emergency telephone system board, referred to as the Municipal Consolidated Dispatch ("MCD"). The MCD is governed by a board consisting of the Village President, Mayor, or his or her designee of each Party, two public safety representatives from each Party, and one public representative from each Party. The MCD's fiscal year shall be from May 1 to April 30 of the next year. The initial costs of the MCD were financed by a \$2,000,000 line of credit with a local financial institution. Each Party has pledged its full faith and credit to the repayment of its proportional share of the loan. The proportional share for each Party is calculated as follows: 75% is allocated evenly among the three Parties (25% each), and the remaining 25% is allocated based on each Party's relative population. The Village's total allocation is 31.2%. For the fiscal year beginning May 1, 2019 through April 30, 2020, and all subsequent fiscal years, the percentage of the MCD's total operating costs chargeable to each Party will be based on the ratio of the total number of computer-aided dispatch ("CAD") recorded incidents received for each Party during the previous calendar year immediately preceding the start of the fiscal year to the total number of CAD recorded incidents received by MCD during said calendar year. The charges will be payable to MCD on a quarterly basis.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE M - TAX ABATEMENTS

The Village rebates certain taxes to stimulate economic development. The terms of these rebate arrangements are specified within written agreements with the applicable companies. In general, companies agree to operate business enterprises within Village boundaries in exchange for a rebate of sales tax. The abatements are authorized through resolutions of the Village Board of Trustees and provide for partial reimbursement of land acquisition and/or eligible other improvement costs.

The Village has entered into the following abatement agreements:

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 is 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. In 2017, total rebates were approximately \$285,000, approximately \$44,000 of which was due and outstanding at April 30, 2017. Cumulative payments paid or accrued under this arrangement amount to approximately \$2,684,000 through April 30, 2017.

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 business since inception of the agreement and accordingly no rebates have been paid through April 30, 2017.

In April 2015, the Village entered into an agreement with a business developer related to a restaurant to be developed. Under the agreement, the Village shares certain tax revenues generated from the restaurant with the developer. The tax sharing period commenced on the first day of the month following the opening of the restaurant in November 2015 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. 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. In 2017, total rebates were approximately \$22,000, approximately \$6,000 of which was due and outstanding at April 30, 2017. Cumulative payments paid or accrued under this arrangement amount to approximately \$35,000 through April 30, 2017.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2017

NOTE M - TAX ABATEMENTS (Continued)

In July 2016, the Village entered into an economic development agreement with a developer related to the property at 7300 W. Lawrence Avenue, Harwood Heights, Illinois. The Village paid a one-time payment of \$1,325,000 as an incentive for the development of two restaurants and a furniture store on that property.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2017, 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 July 2017, the Village renewed its line of credit agreement with a financial institution, as noted in Note H, with available borrowings of up to \$1,000,000. The agreement matures in July 2018. The outstanding balance was paid in October 2017.

2. Bond Issuance

In February 2017, the Village approved a resolution for the issuance of \$2,500,000 of General Obligation Bonds. The proceeds from the bond issue will be used to fund the economic development project located at 7300 W. Lawrence Avenue, as noted in Note M. The Series 2017 General Obligation Bonds were issued in October 2017. Interest on the bonds will be payable semi-annually commencing on June 1, 2018 at rates ranging from 3% - 4%, and principal payments will be made in annual installments from December 2022 through December 2032.

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, 2017

Calendar year ended December 31,	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 150,233	\$ 140,878
Interest on the total pension liability	537,444	513,793
Difference between expected and actual experience of the total pension liability	(12,743)	23,725
Assumption changes	(9,337)	8,942
Benefit payments and refunds	(386,422)	(347,789)
Net change in total pension liability	279,175	339,549
Total pension liability, beginning	7,293,583	6,954,034
Total pension liability, ending	\$ <u>7,572,758</u>	\$ <u>7,293,583</u>
Plan fiduciary net position		
Contributions, employer	\$ 152,104	\$ 141,104
Contributions, employee	71,319	63,185
Net investment income	461,866	32,819
Benefit payments, including refunds of employee contributions	(386,422)	(347,789)
Other (net transfer)	(23,927)	74,699
Net change in plan fiduciary net position	274,940	(35,982)
Plan fiduciary net position, beginning	6,599,642	6,635,624
Plan fiduciary net position, ending	\$ <u>6,874,582</u>	\$ <u>6,599,642</u>
Net pension liability	\$ <u>698,176</u>	\$ <u>693,941</u>
Plan fiduciary net position as a percentage of the total pension liability	90.78 %	90.49 %
Covered Valuation Payroll	\$ 1,439,017	\$ 1,338,389
Net pension liability as a percentage of covered valuation payroll	48.52 %	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, 2017

Fiscal Year December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2016	\$ 152,104 *	\$ 152,104	\$ -	\$ 1,439,017	10.57 %
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 2016 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): 27-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 22 years for most employers (two employers were financed over 31 years).

Asset Valuation Method	5-Year Smoothed Market Value; 20% corridor
Wage growth	3.50%
Inflation	2.75%
Salary Increases	3.75% to 14.50%, 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 2014 valuation pursuant to an experience study of the period 2011 - 2013.
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 10.57% and covered valuation payroll of \$1,439,017.

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 559,532	\$ 516,498	\$ 495,347
Interest on the total pension liability	1,915,734	1,798,675	1,651,615
Difference between expected and actual experience of the total pension liability	556,388	(551,725)	1,096,887
Assumption changes	-	1,091,793	-
Benefit payments and refunds	(1,225,559)	(1,159,820)	(1,168,464)
Net change in total pension liability	1,806,095	1,695,421	2,075,385
Total pension liability, beginning	27,454,187	25,758,766	23,683,381
Total pension liability, ending	\$ <u>29,260,282</u>	\$ <u>27,454,187</u>	\$ <u>25,758,766</u>
Plan fiduciary net position			
Contributions, employer	\$ 820,142	\$ 668,617	\$ 545,245
Contributions, employee	283,346	224,805	189,713
Net investment income (loss)	1,079,805	(93,153)	922,870
Benefit payments, including refunds of employee contributions	(1,225,559)	(1,159,820)	(1,115,751)
Transfers to other pensions	-	-	(52,895)
Administrative expense	(46,967)	(45,779)	(40,152)
Net change in plan fiduciary net position	910,767	(405,330)	449,030
Plan fiduciary net position, beginning	16,320,765	16,726,095	16,277,065
Plan fiduciary net position, ending	\$ <u>17,231,532</u>	\$ <u>16,320,765</u>	\$ <u>16,726,095</u>
Net pension liability	\$ <u>12,028,750</u>	\$ <u>11,133,422</u>	\$ <u>9,032,671</u>
Plan fiduciary net position as a percentage of the total pension liability	58.89 %	59.45 %	64.93 %
Covered Valuation Payroll	\$ 2,423,667	\$ 2,115,352	\$ 2,133,608
Net pension liability as a percentage of covered valuation payroll	496.30 %	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, 2017

<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>
2017	\$ 1,137,658	\$ 820,142	\$ (317,516)	\$ 2,423,667	33.84 %
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
Amortization method	Level dollar
Remaining amortization period	17 years (as of valuation 05/01/2016)
Asset valuation method	5-year smoothed market
Mortality rate	RP-2000 Combined Healthy Mortality projected to the valuation date using scale BB
Investment rate of return	7.0%
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, 2017

<u>Fiscal Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
2017	6.67%
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, 2017

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)
04/30/17	\$ -	\$ 884,334	\$ 884,334	0.0 %	\$ 3,262,691	27.1 %
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, 2017

	Original Appropriation	Amended and Final Appropriation	Actual	Variance Over / (Under)
Revenues				
Taxes	\$ 3,705,000	\$ 4,331,500	\$ 4,725,427	\$ 393,927
Intergovernmental	2,431,000	2,188,000	2,291,391	103,391
Licenses and permits	804,400	591,650	598,773	7,123
Fines	915,500	990,500	966,563	(23,937)
Charges for services	258,400	261,385	276,472	15,087
Investment income	1,000	3,540	3,559	19
Miscellaneous	171,366	71,615	93,564	21,949
Total revenues	<u>8,286,666</u>	<u>8,438,190</u>	<u>8,955,749</u>	<u>517,559</u>
Expenditures				
Current				
General government	2,264,341	1,707,445	1,968,872	261,427
Public safety	4,255,617	4,490,580	4,536,527	45,947
Public works	1,448,363	1,105,944	953,735	(152,209)
Debt service				
Principal	132,219	162,986	162,986	-
Interest and other	3,800	34,566	34,233	(333)
Capital outlay	434,466	30,490	235,475	204,985
Total expenditures	<u>8,538,806</u>	<u>7,532,011</u>	<u>7,891,828</u>	<u>359,817</u>
Excess (deficiency) of revenues over expenditures	<u>(252,140)</u>	<u>906,179</u>	<u>1,063,921</u>	<u>157,742</u>
Other financing sources (uses)				
Transfer in	393,886	-	-	-
Transfer out	(537,000)	(500,000)	(350,260)	149,740
Capital lease proceeds	-	-	206,395	206,395
Total other financing uses	<u>(143,114)</u>	<u>(500,000)</u>	<u>(143,865)</u>	<u>356,135</u>
Net change in fund balance	<u>\$ (395,254)</u>	<u>\$ 406,179</u>	920,056	<u>\$ 513,877</u>
Fund balance				
Beginning of year			<u>2,390,037</u>	
End of year			<u>\$ 3,310,093</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, 2017

	Original Appropriation	Amended and Final Appropriation	Actual	Variance Over / (Under)
Revenues				
Intergovernmental				
State of Illinois motor fuel tax	\$ 248,000	\$ 321,301	\$ 245,313	\$ (75,988)
Grant revenue	-	-	339,761	339,761
Investment income	400	2,600	2,732	132
	<u>248,400</u>	<u>323,901</u>	<u>587,806</u>	<u>263,905</u>
Total revenues				
Expenditures				
Public works				
Maintenance - street lights	7,500	300	1,994	1,694
Traffic light maintenance - IDOT	3,500	2,300	2,394	94
Traffic signal maintenance - Meade	3,780	3,780	4,170	390
Maintenance - streets	15,000	15,670	16,071	401
Supplies - road salt	25,000	15,000	11,251	(3,749)
Engineering	61,775	85,000	80,204	(4,796)
	<u>116,555</u>	<u>122,050</u>	<u>116,084</u>	<u>(5,966)</u>
Total Public works				
Capital outlay	214,218	230,845	570,606	339,761
	<u>330,773</u>	<u>352,895</u>	<u>686,690</u>	<u>333,795</u>
Total expenditures				
Deficiency of revenues over expenditures	<u>(82,373)</u>	<u>(28,994)</u>	<u>(98,884)</u>	<u>(69,890)</u>
Other financing sources				
Transfers in	-	-	100,301	100,301
	<u>-</u>	<u>-</u>	<u>100,301</u>	<u>100,301</u>
Total other financing sources				
Net change in fund balance	\$ <u>(82,373)</u>	\$ <u>(28,994)</u>	1,417	\$ <u>30,411</u>
Fund balance				
Beginning of Year			<u>536,952</u>	
End of Year			\$ <u>538,369</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, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ <u>431,238</u>	\$ <u>401,000</u>	\$ <u>371,901</u>	\$ <u>(29,099)</u>
Total revenues	<u>431,238</u>	<u>401,000</u>	<u>371,901</u>	<u>(29,099)</u>
Expenditures				
Debt service				
Principal	111,519	85,000	85,000	-
Interest and other	<u>53,038</u>	<u>53,038</u>	<u>53,037</u>	<u>(1)</u>
Total debt service	<u>164,557</u>	<u>138,038</u>	<u>138,037</u>	<u>(1)</u>
Total expenditures	<u>164,557</u>	<u>138,038</u>	<u>138,037</u>	<u>(1)</u>
Excess of revenues over expenditures	<u>266,681</u>	<u>262,962</u>	<u>233,864</u>	<u>(29,098)</u>
Net change in fund balance	\$ <u><u>266,681</u></u>	\$ <u><u>262,962</u></u>	233,864	\$ <u><u>(29,098)</u></u>
Fund balance				
Beginning of year			<u>612,826</u>	
End of year			<u><u>\$ 846,690</u></u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2017

NOTE A - APPROPRIATIONS

The Village prepares its appropriation ordinance in accordance with generally accepted accounting principles. Annual appropriations are adopted at the fund level for all funds. The annual appropriations lapse at fiscal year-end.

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, 2017 is taken by the Village Board before July 31, 2016. The appropriation amounts shown in the financial statements are as originally adopted by the Village Board on July 28, 2016 and as amended on April 27, 2017.
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, 2017:

<u>Fund</u>	<u>Variance</u>
General	\$ 359,817
Motor Fuel Tax	333,795
Emergency Telephone System	2,659
Capital Projects	2,399
DUI	44

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes				
Property				
General	\$ 300,513	\$ 306,000	\$ 295,613	\$ (10,387)
Police protection	290,254	295,000	286,077	(8,923)
Police pension	<u>734,233</u>	<u>790,000</u>	<u>812,793</u>	<u>22,793</u>
Total property taxes	<u>1,325,000</u>	<u>1,391,000</u>	<u>1,394,483</u>	<u>3,483</u>
Other taxes				
Home rule sales tax	1,138,000	1,105,000	1,122,030	17,030
Video rental tax	4,000	3,000	2,746	(254)
Utility	400,000	490,000	496,156	6,156
Telecommunications	170,000	150,000	149,677	(323)
Pull tab	-	-	862	862
Real estate transfer tax	570,000	1,100,000	1,464,983	364,983
Long term storage tax	38,000	39,000	40,189	1,189
Motor fuel tax	<u>60,000</u>	<u>53,500</u>	<u>54,301</u>	<u>801</u>
Total other taxes	<u>2,380,000</u>	<u>2,940,500</u>	<u>3,330,944</u>	<u>390,444</u>
Total taxes	<u>3,705,000</u>	<u>4,331,500</u>	<u>4,725,427</u>	<u>393,927</u>
Intergovernmental revenues				
Taxes				
Sales tax	1,282,000	1,233,500	1,247,961	14,461
State income tax	918,000	720,000	812,007	92,007
State local use tax	198,000	202,000	193,052	(8,948)
Roads and bridges	25,000	25,000	27,097	2,097
Personal property replacement tax	<u>8,000</u>	<u>7,500</u>	<u>8,883</u>	<u>1,383</u>
Total intergovernmental taxes	<u>2,431,000</u>	<u>2,188,000</u>	<u>2,289,000</u>	<u>101,000</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Intergovernmental grants	\$ -	\$ -	\$ 2,391	\$ 2,391
Total intergovernmental revenues	<u>2,431,000</u>	<u>2,188,000</u>	<u>2,291,391</u>	<u>103,391</u>
Licenses and permits				
Business licenses	76,500	80,000	80,712	712
Liquor licenses	62,000	47,000	45,325	(1,675)
Overweight truck permits	200	500	400	(100)
Building permits	412,000	200,000	225,688	25,688
Sewer permits	1,000	750	950	200
Plumbing permits	2,000	1,300	1,435	135
Electrical permits	6,000	8,000	7,360	(640)
Elevator inspections	2,000	2,600	2,700	100
Building inspections	10,000	11,000	10,750	(250)
Fence permits	1,000	650	750	100
Franchise fees	98,000	105,100	97,385	(7,715)
Dog tags	200	250	222	(28)
Vehicle licenses	130,000	131,000	121,566	(9,434)
Parking permit	<u>3,500</u>	<u>3,500</u>	<u>3,530</u>	<u>30</u>
Total licenses and permits	<u>804,400</u>	<u>591,650</u>	<u>598,773</u>	<u>7,123</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Fines				
Code enforcement fines	\$ 8,000	\$ 13,500	\$ 6,282	\$ (7,218)
Traffic	120,000	130,000	119,767	(10,233)
Overweight trucks	50,000	-	-	-
Safe speed	360,000	365,000	360,528	(4,472)
Red speed	155,000	175,000	189,241	14,241
Parking tickets	170,000	250,000	230,195	(19,805)
Compliance tickets	2,500	-	-	-
Vehicle impound fees	50,000	57,000	60,550	3,550
Total fines	915,500	990,500	966,563	(23,937)
Charges for services				
Youth program fees	17,000	18,000	16,535	(1,465)
Garbage fees	232,000	235,000	243,008	8,008
Hearing fees	1,500	250	385	135
Hearing officer fees	600	35	35	-
Escrow bond forfeiture	2,000	50	12,026	11,976
Police reports	1,000	350	365	15
Rental	300	3,500	(540)	(4,040)
Credit card processing	4,000	4,200	4,658	458
Total charges for services	258,400	261,385	276,472	15,087
Investment income				
Interest	1,000	3,540	3,559	19
Total investment income	1,000	3,540	3,559	19

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Miscellaneous revenues				
Reimbursements				
Workers comp reimbursement	\$ 5,000	\$ 2,200	\$ (2,199)	\$ (4,399)
Insurance	976	10,000	1,915	(8,085)
Personnel (guards)	10,390	10,390	10,390	-
Police	15,000	15,000	26,399	11,399
Vacant properties	10,000	7,000	7,450	450
Special events revenue	-	-	11,325	11,325
Gas use tax	80,000	-	-	-
Other miscellaneous	<u>50,000</u>	<u>27,025</u>	<u>38,284</u>	<u>11,259</u>
Total miscellaneous revenues	<u>171,366</u>	<u>71,615</u>	<u>93,564</u>	<u>21,949</u>
Total revenues	<u>\$ 8,286,666</u>	<u>\$ 8,438,190</u>	<u>\$ 8,955,749</u>	<u>\$ 517,559</u>

(Concluded)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Expenditures				
General Government				
General Management and Support				
General administration	\$ 413,819	\$ 403,599	\$ 357,300	\$ (46,299)
Legal	184,800	191,752	210,682	18,930
Finance	570,813	487,588	376,942	(110,646)
Building	128,872	124,595	107,102	(17,493)
Total General Management and Support	<u>1,298,304</u>	<u>1,207,534</u>	<u>1,052,026</u>	<u>(155,508)</u>
Recreation and cultural opportunities	<u>191,175</u>	<u>217,854</u>	<u>185,167</u>	<u>(32,687)</u>
Health	<u>39,512</u>	<u>35,690</u>	<u>34,902</u>	<u>(788)</u>
Miscellaneous	<u>735,350</u>	<u>246,367</u>	<u>696,777</u>	<u>450,410</u>
Total General Government	<u>2,264,341</u>	<u>1,707,445</u>	<u>1,968,872</u>	<u>261,427</u>
Public Safety				
Police	<u>4,255,617</u>	<u>4,490,580</u>	<u>4,536,527</u>	<u>45,947</u>
Public Works				
Forestry	45,000	30,495	30,495	-
Streets and lights	893,363	544,175	386,323	(157,852)
Refuse disposal	<u>510,000</u>	<u>531,274</u>	<u>536,917</u>	<u>5,643</u>
Total Public Works	<u>1,448,363</u>	<u>1,105,944</u>	<u>953,735</u>	<u>(152,209)</u>
Debt Service				
Principal	132,219	162,986	162,986	-
Interest and other	<u>3,800</u>	<u>34,566</u>	<u>34,233</u>	<u>(333)</u>
Total Debt Service	<u>136,019</u>	<u>197,552</u>	<u>197,219</u>	<u>(333)</u>
Capital Outlay				
Village properties	434,466	29,080	235,475	206,395
Grant expenditures	<u>-</u>	<u>1,410</u>	<u>-</u>	<u>(1,410)</u>
Total expenditures	<u>\$ 8,538,806</u>	<u>\$ 7,532,011</u>	<u>\$ 7,891,828</u>	<u>\$ 359,817</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, 2017

	<u>Special Revenue Funds</u>		
	<u>Emergency Telephone System</u>	<u>Criminal Investigation</u>	<u>DUI</u>
ASSETS			
Cash and cash equivalents	\$ 148,432	\$ 12,995	\$ 25,532
Receivables, net of allowance			
Other	<u>-</u>	<u>-</u>	<u>1,648</u>
Total assets	<u>\$ 148,432</u>	<u>\$ 12,995</u>	<u>\$ 27,180</u>
LIABILITIES			
Accounts payable	\$ 184	\$ -	\$ -
Accrued payroll liabilities	4,925	-	-
Due to other funds	-	-	-
Advances from other funds	<u>281,794</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>286,903</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted for			
Debt service	-	-	-
Public safety	-	12,995	27,180
Unassigned	<u>(138,471)</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>(138,471)</u>	<u>12,995</u>	<u>27,180</u>
Total liabilities and fund balances	<u>\$ 148,432</u>	<u>\$ 12,995</u>	<u>\$ 27,180</u>

Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Capital Projects	SSA Debt Service	
\$ 426,189	\$ 288,176	\$ 901,324
-	-	1,648
\$ 426,189	\$ 288,176	\$ 902,972
\$ -	\$ 98	\$ 282
-	-	4,925
1,352,399	132,263	1,484,662
-	100,000	381,794
1,352,399	232,361	1,871,663
-	55,815	55,815
-	-	40,175
(926,210)	-	(1,064,681)
(926,210)	55,815	(968,691)
\$ 426,189	\$ 288,176	\$ 902,972

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended April 30, 2017

	Special Revenue Funds		
	Emergency Telephone System	Criminal Investigation	DUI
Revenues			
Taxes	\$ 121,604	\$ -	\$ -
Fines	-	-	6,379
Investment income	365	2,761	-
Total revenues	<u>121,969</u>	<u>2,761</u>	<u>6,379</u>
Expenditures			
Current			
Public safety	620,824	23	-
Miscellaneous	-	80	44
Capital outlay	-	-	6,875
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>620,824</u>	<u>103</u>	<u>6,919</u>
Excess (deficiency) of revenues over expenditures	<u>(498,855)</u>	<u>2,658</u>	<u>(540)</u>
Other financing sources			
Transfers in	<u>249,959</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>249,959</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(248,896)	2,658	(540)
Fund balance			
Beginning of year	<u>110,425</u>	<u>10,337</u>	<u>27,720</u>
End of year	<u>\$ (138,471)</u>	<u>\$ 12,995</u>	<u>\$ 27,180</u>

Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Capital Projects	SSA Debt Service	
\$ -	\$ 276,751	\$ 398,355
-	-	6,379
-	1,893	5,019
-	278,644	409,753
-	-	620,847
1,325,000	7,383	1,332,507
27,399	-	34,274
-	260,000	260,000
-	33,200	33,200
1,352,399	300,583	2,280,828
(1,352,399)	(21,939)	(1,871,075)
-	-	249,959
-	-	249,959
(1,352,399)	(21,939)	(1,621,116)
426,189	77,754	652,425
\$ (926,210)	\$ 55,815	\$ (968,691)

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, 2017

	Original <u>Appropriation</u>	Amended and Final <u>Appropriation</u>	<u>Actual</u>	Variance Over / (Under)
Revenues				
Taxes				
911 tax	\$ -	\$ 120,000	\$ 121,604	\$ 1,604
Intergovernmental	75,000	-	-	-
Interest income	<u>50</u>	<u>380</u>	<u>365</u>	<u>(15)</u>
Total revenues	<u>75,050</u>	<u>120,380</u>	<u>121,969</u>	<u>1,589</u>
Expenditures				
Public Safety				
Telephone	6,000	22,000	21,838	(162)
Dues/lectures/conferences	11,000	2,554	2,554	-
Maintenance - equipment	8,500	15,000	15,624	624
Bank fees	250	165	153	(12)
Capital outlay - equipment	4,000	-	-	-
Contract services - equip. maintenance	10,000	7,000	6,627	(373)
Contract services - generator	4,800	1,034	1,034	-
Contractual services - IT/NABTECH	18,403	18,403	18,403	-
Contractual services - MCD dispatch	-	25,000	25,000	-
Salary - radio operators	341,784	312,500	310,928	(1,572)
Salary - communications supervisor	61,659	60,959	60,959	-
Overtime	10,500	14,500	11,770	(2,730)
Unused sick time	9,500	9,500	14,361	4,861
Health/dental/life/AD&D/EAP	58,661	56,500	60,468	3,968
Taxes - FICA	32,393	30,500	29,809	(691)
Taxes - SUTA	1,231	1,300	626	(674)
IMRF expense	45,000	37,050	36,470	(580)
Uniform allowance	<u>7,000</u>	<u>4,200</u>	<u>4,200</u>	<u>-</u>
Total Public Safety	<u>630,681</u>	<u>618,165</u>	<u>620,824</u>	<u>2,659</u>
Total expenditures	<u>630,681</u>	<u>618,165</u>	<u>620,824</u>	<u>2,659</u>

(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, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Deficiency of revenues over expenditures	\$ <u>(555,631)</u>	\$ <u>(497,785)</u>	\$ <u>(498,855)</u>	\$ <u>(1,070)</u>
Other financing sources				
Transfer in	<u>567,728</u>	<u>500,000</u>	<u>249,959</u>	<u>(250,041)</u>
Total other financing sources	<u>567,728</u>	<u>500,000</u>	<u>249,959</u>	<u>(250,041)</u>
Net change in fund balance	\$ <u>12,097</u>	\$ <u>2,215</u>	(248,896)	\$ <u>(251,111)</u>
Fund balance (deficit)				
Beginning of year			<u>110,425</u>	
End of year			\$ <u>(138,471)</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, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ 300,000	\$ 277,000	\$ 276,751	\$ (249)
Interest income	<u>1,000</u>	<u>1,900</u>	<u>1,893</u>	<u>(7)</u>
Total revenues	<u>301,000</u>	<u>278,900</u>	<u>278,644</u>	<u>(256)</u>
Expenditures				
Current				
Service contracts - municipal	<u>8,500</u>	<u>7,500</u>	<u>7,383</u>	<u>(117)</u>
Total current	<u>8,500</u>	<u>7,500</u>	<u>7,383</u>	<u>(117)</u>
Debt service				
Principal	276,600	260,000	260,000	-
Interest and other	<u>33,200</u>	<u>33,200</u>	<u>33,200</u>	<u>-</u>
Total debt service	<u>309,800</u>	<u>293,200</u>	<u>293,200</u>	<u>-</u>
Total expenditures	<u>318,300</u>	<u>300,700</u>	<u>300,583</u>	<u>(117)</u>
Deficiency of revenues over expenditures	<u>(17,300)</u>	<u>(21,800)</u>	<u>(21,939)</u>	<u>(139)</u>
Net change in fund balance	<u>\$ (17,300)</u>	<u>\$ (21,800)</u>	<u>(21,939)</u>	<u>\$ (139)</u>
Fund balance				
Beginning of year			<u>77,754</u>	
End of year			<u>\$ 55,815</u>	

PROPRIETARY FUND

Enterprise Fund

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

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Operating Revenues				
Charges for Sales and Services				
Water sales	\$ 2,000,000	\$ 2,075,000	\$ 1,978,827	\$ (96,173)
Sewer fees	210,000	240,000	228,869	(11,131)
Water taps	11,250	4,650	4,650	-
Sewer taps	10,000	-	-	-
Meter sales	7,900	4,125	4,450	325
Miscellaneous	300	3,300	3,050	(250)
Total charges for sales and services	2,239,450	2,327,075	2,219,846	(107,229)
Penalties	20,000	35,000	33,445	(1,555)
Total operating revenues	2,259,450	2,362,075	2,253,291	(108,784)
Non-Operating Revenues				
Taxes: reimbursements - projects	-	11,420	-	(11,420)
Antenna leasing	28,000	32,944	32,994	50
IEPA principal forgiveness	-	-	597,817	597,817
Interest income	1	35	147	112
Total non-operating revenues	28,001	44,399	630,958	586,559
Total revenues	\$ 2,287,451	\$ 2,406,474	\$ 2,884,249	\$ 477,775

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Operating expenses				
Personal services				
Salary - water commissioner	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Salary - collector	1,800	1,800	1,050	(750)
Office supplies	2,000	-	-	-
Taxes - FICA	902	860	867	7
Taxes - SUTA	112	100	69	(31)
IMRF net pension liability adjustment	-	-	25,474	25,474
Maintenance staff	338,965	385,000	249,777	(135,223)
Office staff	<u>54,921</u>	<u>120,000</u>	<u>249,746</u>	<u>129,746</u>
Total personal services	<u>408,700</u>	<u>517,760</u>	<u>536,983</u>	<u>19,223</u>
Commodities				
Vehicle gas and oil	20,000	4,322	4,322	-
Purchase of water	1,100,000	1,115,000	1,088,362	(26,638)
Electric power and gas	21,000	19,500	14,440	(5,060)
Supplies - chlorine	1,000	1,033	1,029	(4)
Supplies - pump room	2,500	2,800	2,472	(328)
Supplies maintenance	15,000	10,500	9,314	(1,186)
Hydrant parts	2,000	3,707	3,707	-
Meter purchases	<u>5,000</u>	<u>5,750</u>	<u>5,339</u>	<u>(411)</u>
Total commodities	<u>1,166,500</u>	<u>1,162,612</u>	<u>1,128,985</u>	<u>(33,627)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original</u> <u>Appropriation</u>	<u>Amended</u> <u>and Final</u> <u>Appropriation</u>	<u>Actual</u>	<u>Variance</u> <u>Over /</u> <u>(Under)</u>
Operating expenses (continued)				
Other services				
City of Chicago sewer fees	\$ 340,000	\$ 338,199	\$ 338,199	\$ -
Telephone	7,000	6,500	7,148	648
Postage	7,000	7,000	-	(7,000)
Printing	1,000	1,000	605	(395)
Water testing	4,000	2,800	2,807	7
Dues, lectures, and conference fees	2,000	1,052	1,052	-
Uniform allowance	4,200	355	355	-
Street, sidewalk, and parkway repair	15,000	20,000	12,627	(7,373)
Maintenance - equipment	8,000	4,000	3,665	(335)
Main testing and maintenance	1,500	2,116	2,116	-
Buildings and grounds maintenance	3,200	1,500	1,483	(17)
Reservoir and tower maintenance	3,000	-	-	-
Maintenance - vehicles	10,000	7,500	10,207	2,707
Legal	2,000	-	-	-
Outside service - breaks	1	-	-	-
Outside service - taps	1	-	-	-
Water service - miscellaneous	1,500	299	419	120
Supplies - building	1,000	1,177	1,177	-
Sewer repair	5,000	627	1,624	997
Dump fees	20,000	12,500	12,045	(455)
Permits - sewer fee	1,000	1,000	1,000	-
Single family flood relief grant	10,000	-	-	-
Insurance-property, liability, and auto	50,000	49,134	7,432	(41,702)
Contingency - GIS	-	-	6,717	6,717
Contractual services - BSA software	-	-	1,140	1,140
Contractual services - census	2,000	1,893	1,893	-
Contractual services - generator	1,800	2,899	2,899	-
Contractual services - water tower maintenance	26,779	26,779	-	(26,779)
Professional services - auditing	6,000	6,000	6,000	-

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2017

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Operating expenses (continued)				
Other services (continued)				
Professional services - engineering	\$ 5,000	\$ 7,413	\$ -	\$ (7,413)
Professional services - general	-	5,758	5,758	-
Contractual services - backflow	<u>7,296</u>	<u>7,296</u>	<u>5,472</u>	<u>(1,824)</u>
Total other services	<u>545,277</u>	<u>514,797</u>	<u>433,840</u>	<u>(80,957)</u>
Capital outlay				
Equipment and vehicles	3,500	450	450	-
Backhoe	15,409	-	-	-
Box truck	13,909	-	-	-
Fire hydrants	6,000	-	-	-
Dump truck	<u>18,838</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>57,656</u>	<u>450</u>	<u>450</u>	<u>-</u>
Depreciation	<u>-</u>	<u>135,000</u>	<u>135,011</u>	<u>11</u>
Total operating expenses	<u>2,178,133</u>	<u>2,330,619</u>	<u>2,235,269</u>	<u>(95,350)</u>
Non-operating expenses				
Interest expense	<u>-</u>	<u>3,063</u>	<u>37,582</u>	<u>34,519</u>
Total non-operating expenses	<u>-</u>	<u>3,063</u>	<u>37,582</u>	<u>34,519</u>
Total expenses	<u>\$ 2,178,133</u>	<u>\$ 2,333,682</u>	<u>\$ 2,272,851</u>	<u>\$ (60,831)</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, 2017

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ <u>98,856</u>	\$ <u>125</u>	\$ <u>-</u>	\$ <u>98,981</u>
Total assets	\$ <u><u>98,856</u></u>	\$ <u><u>125</u></u>	\$ <u><u>-</u></u>	\$ <u><u>98,981</u></u>
LIABILITIES				
Due to property owners	\$ <u>98,856</u>	\$ <u>125</u>	\$ <u>-</u>	\$ <u>98,981</u>
Total liabilities	\$ <u><u>98,856</u></u>	\$ <u><u>125</u></u>	\$ <u><u>-</u></u>	\$ <u><u>98,981</u></u>

OTHER SUPPLEMENTAL INFORMATION (Unaudited)

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

	2017	2016	2015	2014	2013**
Revenues					
Taxes	\$5,495,683	\$ 4,057,880	\$4,147,841	\$4,269,245	\$3,910,883
Intergovernmental	2,876,465	2,812,541	2,498,110	3,911,228	3,704,343
Licenses and Permits	598,773	615,340	477,486	395,766	577,783
Fines	972,942	935,222	899,185	1,145,097	759,912
Charges for Services	276,472	30,337	32,467	51,446	38,030
Investment Income	11,310	4,771	2,007	2,213	3,130
Miscellaneous	93,564	455,962	436,048	882,231	897,971
Total Revenues	10,325,209	8,912,053	8,493,144	10,657,226	9,892,052
Expenditures					
General Government	1,968,872	1,574,521	1,671,146	2,091,536	1,562,552
Public Safety	5,157,374	5,076,306	4,498,279	4,521,439	4,178,433
Public Works	1,069,819	1,204,584	1,129,796	1,375,412	1,562,224
Grant	-	-	-	1,828,750	1,364,014
Miscellaneous	1,332,507	8,822	11,459	6,368	9,893
Capital Outlay	840,355	128,315	638,687	276,159	264,282
Debt Service					
Principal	507,986	673,910	1,544,526	445,494	425,055
Interest and Other	120,470	71,716	265,419	220,551	238,570
Total Expenditures	10,997,383	8,738,174	9,759,312	10,765,709	9,605,023
Other Financing Sources (Uses)					
Transfer (out)	(350,260)	(1,398,572)	(300,000)	-	-
Transfer in	350,260	1,398,572	300,000	-	-
Payment on Refunded Debt	-	-	(3,564,263)	-	-
Issuance of Debt	206,395	-	4,100,000	1,370,118	22,466
Premium on Bonds Sold	-	-	67,226	-	-
Total Other Financing Sources (Uses)	206,395	-	602,963	1,370,118	22,466
Net Change in Fund Balance	(465,779)	173,879	(663,205)	1,261,635	309,495
Fund Balance					
Beginning of Year	4,192,240	4,018,361	4,681,566	3,419,931	3,110,436
End of Year	<u>\$3,726,461</u>	<u>\$ 4,192,240</u>	<u>\$4,018,361</u>	<u>\$4,681,566</u>	<u>\$3,419,931</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

	2017	2016	2015*	2014	2013
Governmental activities					
Net investment in capital assets	\$ 10,317,666	\$ 9,770,027	\$ 9,818,034	\$ 9,592,398	\$ 7,764,490
Restricted	1,205,785	1,491,983	1,137,161	1,348,296	998,335
Unrestricted	<u>(10,713,459)</u>	<u>(9,772,857)</u>	<u>(1,187,690)</u>	<u>(1,285,594)</u>	<u>(787,587)</u>
Total governmental activities	<u>809,992</u>	<u>1,489,153</u>	<u>9,767,505</u>	<u>9,655,100</u>	<u>7,975,238</u>
Business-type activities					
Net investment in capital assets	3,247,905	2,686,985	2,172,997	1,475,380	1,426,843
Unrestricted	<u>(470,729)</u>	<u>(521,207)</u>	<u>83,741</u>	<u>584,446</u>	<u>704,329</u>
Total business-type activities	<u>2,777,176</u>	<u>2,165,778</u>	<u>2,256,738</u>	<u>2,059,826</u>	<u>2,131,172</u>
Total	<u>\$ 3,587,168</u>	<u>\$ 3,654,931</u>	<u>\$ 12,024,243</u>	<u>\$ 11,714,926</u>	<u>\$ 10,106,410</u>

* 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 April 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.