

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2018

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2018

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INTRODUCTORY SECTION (UNAUDITED)

Village of Harwood Heights, Illinois

PRINCIPAL OFFICIALS

Year Ended April 30, 2018

Arlene Jezierny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Lawrence Steiner

Anna Brzozowski-Wegrecki

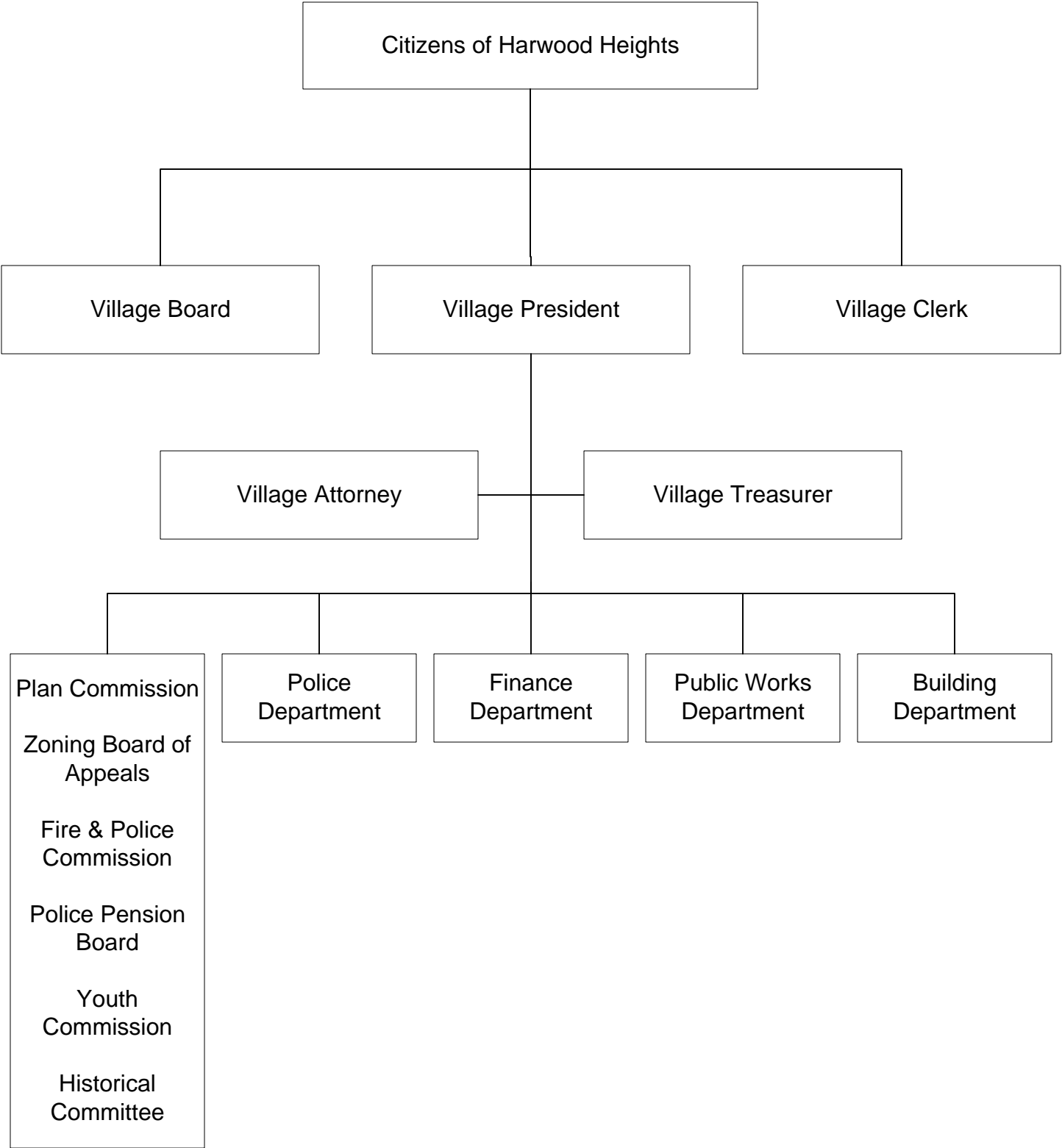
Giuseppe Zerillo

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, 2018, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinions

In our opinion, 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, 2018, 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 84 - 91, the other postemployment benefits data on page 92, the budgetary comparison schedules and notes to required supplementary information on pages 93 - 96 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended April 30, 2018 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, 2018 has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended April 30, 2018 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, 2018 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended April 30, 2018.

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

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
December 21, 2018

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

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, 2018

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 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 84-96 of this report.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

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 97-110 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 (Deficit)

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, 2018

Statement of Net Position						
As of April 30,						
	Governmental Activities		Business-Type Activity		Total Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current/Other Assets	\$7,142,109	\$6,175,837	\$405,184	\$177,533	\$7,547,293	\$6,353,370
Internal Balances	947,676	-	(947,676)	-	-	-
Capital Assets	13,968,087	13,767,845	7,102,522	6,410,314	21,070,609	20,178,159
Total Assets	22,057,872	19,943,682	6,560,030	6,587,847	28,617,902	26,531,529
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	2,248,484	2,249,334	62,517	82,293	2,311,001	2,331,627
Total Deferred Outflows	2,248,484	2,249,334	62,517	82,293	2,311,001	2,331,627
Liabilities						
Current/Other Liabilities	1,678,408	2,096,151	533,691	705,485	2,212,099	2,801,636
Long-Term Liabilities	20,788,042	18,002,503	3,130,314	3,186,852	23,918,356	21,189,355
Total Liabilities	22,466,450	20,098,654	3,664,005	3,892,337	26,130,455	23,990,991
Deferred Inflows of Resources						
Property Taxes Levied for a Future Period	892,155	914,568	-	-	892,155	914,568
Deferred Inflows Related to Pensions	1,353,369	369,802	231,736	627	1,585,105	370,429
Total Deferred Inflows	2,245,524	1,284,370	231,736	627	2,477,260	1,284,997
Net Position (Deficit)						
Net Investment in Capital Assets	8,222,453	10,317,666	3,805,506	3,247,905	12,027,959	13,565,571
Restricted by Enabling Legislation	865,991	578,943	-	-	865,991	578,943
Restricted for Debt Services	1,112,344	627,241	-	-	1,112,344	627,241
Unrestricted	(10,606,406)	(10,713,858)	(1,078,700)	(470,729)	(11,685,106)	(11,184,587)
Total Net Position (Deficit)	(\$405,618)	\$809,992	\$2,726,806	\$2,777,176	\$2,321,188	\$3,587,168

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

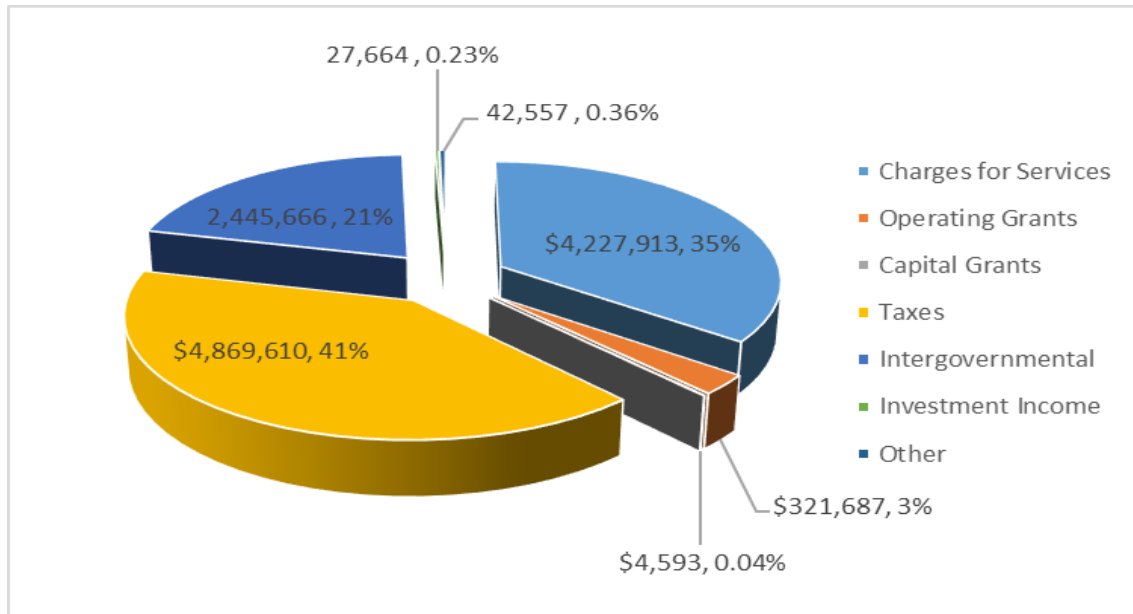
Changes in Net Position

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

Changes in Net Position (Deficit) For the Fiscal Year Ended April 30,						
	Governmental Activities		Business-Type Activity		Total Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for Services	\$1,898,600	\$1,941,751	\$2,329,313	\$2,253,291	\$4,227,913	\$4,195,042
Operating Grants	321,687	2,391	-	-	321,687	2,391
Capital Grants	-	339,761	4,593	597,817	4,593	937,578
General Revenues						
Taxes	4,869,610	5,495,683	-	-	4,869,610	5,495,683
Intergovernmental	2,445,666	2,534,313	-	-	2,445,666	2,534,313
Investment Income	27,562	11,310	102	147	27,664	11,457
Other	-	-	42,557	32,994	42,557	32,994
Total Revenues	9,563,125	10,325,209	2,376,565	2,884,249	11,939,690	13,209,458
Expenses						
General Government	2,242,485	2,217,339	-	-	2,242,485	2,217,339
Public Safety	6,976,207	5,950,586	-	-	6,976,207	5,950,586
Public Works	1,336,923	2,719,143	-	-	1,336,923	2,719,143
Interest	223,120	117,302	-	-	223,120	117,302
Water	-	-	2,426,935	2,272,851	2,426,935	2,272,851
Total Expenses	10,778,735	11,004,370	2,426,935	2,272,851	13,205,670	13,277,221
Change in Net Position (Deficit)	(1,215,610)	(679,161)	(50,370)	611,398	(1,265,980)	(67,763)
Beginning Net Position	809,992	1,489,153	2,777,176	2,165,778	3,587,168	3,654,931
Ending Net Position (Deficit)	(\$405,618)	\$809,992	\$2,726,806	\$2,777,176	\$2,321,188	\$3,587,168

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

Total Fiscal Year 2018 Revenues



For the fiscal year ended April 30, 2018, revenues totaled approximately \$11.94 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 \$2.10 million excluding R&B (Railroad and Bridge) property tax dollars. Property taxes support governmental activities, debt service payments, (G.O. & SSA Debt) and the Village’s contribution to the Harwood Heights Police Pension Fund. Between fiscal years 2017 and 2018, total property tax revenues increased by 2.9%. The increase can be attributed directly to an increased property tax levy in 2017 (payable in 2018) 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 2018, ROT revenue was approximately \$1.40 million compared to approximately \$1.25 million in 2017. Home-rule sales tax revenue was approximately \$1.26 million compared to approximately \$1.12 million in 2017.

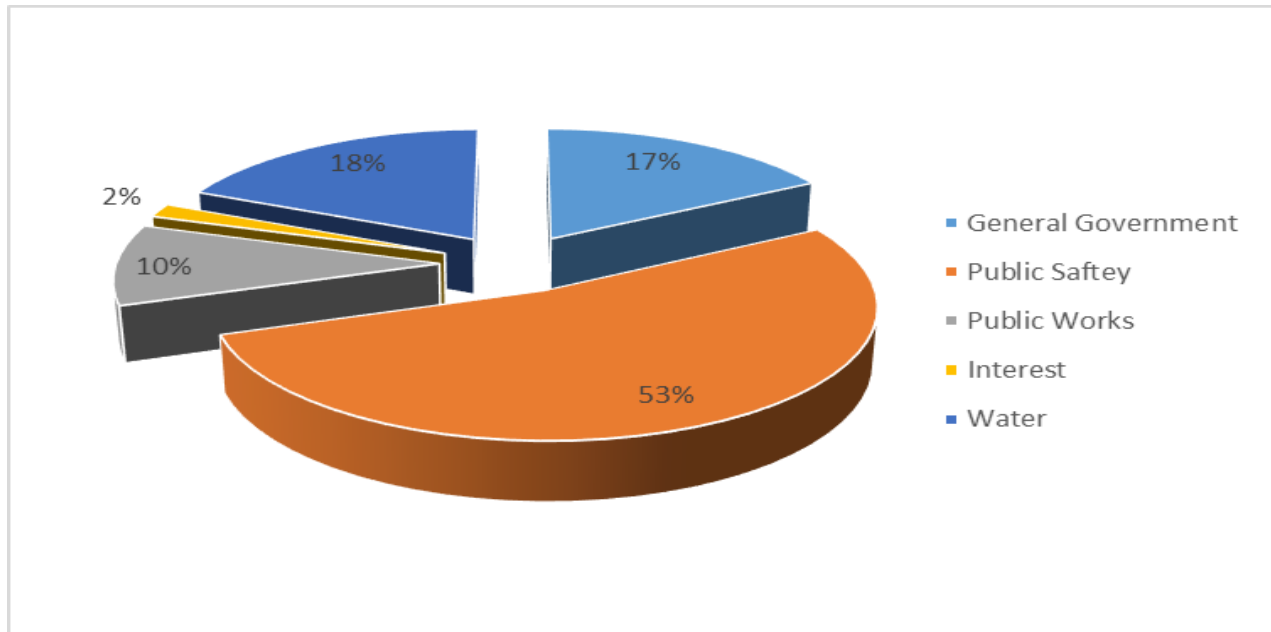
Income taxes are also shared by the state, but on a per-capita basis. In fiscal year 2018, state income tax revenue was approximately \$783,640, a decrease of \$28,367 from the previous year.

Real Estate Transfer Tax decreased \$962,151 from the prior fiscal year revenue. In FY '17 two large commercial properties were sold and that was the main driver of that year’s numbers. In FY '18 the Village recognized \$502,832 in Real Estate Transfer Tax, which is still substantive and is a reflection of a solid real-estate market.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

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 2018 totaled approximately \$2.33 million, an increase of 3.37% from the prior year. Also, non-operating income of \$47,252 was produced by investment income, and antenna leasing.

Total Fiscal Year 2018 Expenses



The Village of Harwood Heights expenses totaled approximately \$13.21 million in fiscal year 2018. This represents a decrease of approximately \$.72 million or .54% from the prior year.

Public safety costs comprise the greatest portion of the Village's total expenses. Public safety costs increased by 17.24%, from approximately \$5.95 million in 2017 to approximately \$6.98 million in 2018. The increase is attributable to higher personnel-related and other operating costs associated with the Village's police department in fiscal year 2018. The fiscal year 2018 personnel costs reflect the impact of the police department collective bargaining agreement settlement, as well as the increase in the Police Pension's Annual Required Contribution.

In the business-type activities, the expenses of the water and sewer function commodities and operating expenses totaled approximately \$2.43 million in 2018. This includes \$1,124,844 for water purchased in 2018 which increased by 3.4% compared to the previous year, and \$344,438 for sewer fees in 2018 which increased by 1.8% compared to the previous year. Personnel services in the amount of \$490,861 in 2018 were provided by public works and administration employees.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
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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, 2018, the governmental funds reported an ending fund balance of \$5.8 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 2018, the Village amended its appropriation ordinance.

General Fund Revenues

	FY2018 Amended Appropriation	FY 2018 Actual	Dollar Variance	Percent Variance
Revenues				
Taxes	\$3,938,625	\$3,962,312	\$23,687	0.60%
Intergovernmental	2,512,270	2,767,353	\$255,083	10.15%
Licenses and Permits	574,050	561,007	(\$13,043)	-2.27%
Fines	904,500	894,642	(\$9,858)	-1.09%
Charges for Services	348,600	297,626	(\$50,974)	-14.62%
Investment Income	12,595	13,952	\$1,357	10.77%
Miscellaneous Revenues	112,393	138,115	\$25,722	22.89%
Total Revenues	\$8,403,033	\$8,635,007	\$231,974	2.76%

Total General Fund revenue came in over the amended appropriation by \$231,974, or 2.76%.

General Fund Expenditures

	FY2018 Amended Appropriation	FY 2018 Actual	Dollar Variance	Percent Variance
Expenditures				
General Government	\$1,583,021	\$1,580,502	\$2,519	0.16%
Public Safety	5,417,145	5,500,944	(\$83,799)	-1.55%
Public Works	1,019,964	1,020,618	(\$654)	-0.06%
Debt Service	235,093	235,094	(\$1)	0.00%
Capital Outlay	116,515	270,009	(\$153,494)	-131.74%
Grant Expenditures	10,407	308,198	(\$297,791)	-2861.45%
Total Expenditures	\$8,382,145	\$8,915,365	(\$533,220)	-6.36%

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

General Fund expenditures came in over budget by (\$533,220), or (6.36%). Budget overage is due to a road resurfacing project that was started after the final amended budget. The Village allowed the contractor to perform work in late April due to ensure the timely completion of the project.

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2018 and 2017, net of accumulated depreciation of \$21,070,609 and \$20,178,159, respectively.

	Governmental Activities		Business-Type Activity		Total Government	
	2018	2017	2018	2017	2018	2017
Asset Type						
Construction In Process	\$599,394	\$0	\$4,026,570	\$3,160,475	\$4,625,964	\$3,160,475
Land	629,428	629,428	-	-	629,428	629,428
Buildings	4,336,044	4,456,828	-	-	4,336,044	4,456,828
Machinery and Equipment	606,664	559,161	98,231	186,280	704,895	745,441
Land Improvements	9,629	11,769	-	-	9,629	11,769
Infrastructure	7,786,928	8,110,659	2,977,721	3,063,559	10,764,649	11,174,218
Total Capital Assets	\$13,968,087	\$13,767,845	\$7,102,522	\$6,410,314	\$21,070,609	\$20,178,159

At the end of the fiscal year 2018, the Village had a combined total government net capital assets of \$21.1 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines. During fiscal year 2017, and continuing into fiscal year 2018, 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						
	Governmental Activities		Business-Type Activity		Total Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$5,623,737	\$3,290,134	\$0	\$0	\$5,623,737	\$3,290,134
Capital Leases	365,634	220,179	71,058	97,468	\$436,692	317,647
Notes Payable	925,532	1,057,751	3,225,958	3,064,940	\$4,151,490	4,122,691
Compensated Absences	1,387,075	1,107,742	-	-	\$1,387,075	1,107,742
Net Pension Liabilities	12,737,839	12,559,363	-	167,563	\$12,737,839	12,726,926
Net Other Post-Employment Benefit Obligations	319,974	294,999	-	-	\$319,974	294,999
Total	\$21,359,791	\$18,530,168	\$3,297,016	\$3,329,971	\$24,656,807	\$21,860,139

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2018

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 (DEFICIT)
April 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash, cash equivalents, and investments	\$ 4,796,998	\$ 12,861	\$ 4,809,859
Receivables (net of allowance for uncollectibles)	1,809,223	285,209	2,094,432
Prepaid items	196,654	-	196,654
Noncurrent assets			
Internal balances	947,686	(947,686)	-
Net pension asset	339,224	107,124	446,348
Capital assets not being depreciated	1,228,822	4,026,570	5,255,392
Capital assets, net of accumulated depreciation	<u>12,739,265</u>	<u>3,075,952</u>	<u>15,815,217</u>
Total assets	<u>22,057,872</u>	<u>6,560,030</u>	<u>28,617,902</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>2,248,484</u>	<u>62,517</u>	<u>2,311,001</u>
Total deferred outflows	<u>2,248,484</u>	<u>62,517</u>	<u>2,311,001</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF NET POSITION (DEFICIT)
April 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current			
Current portion of long-term liabilities	\$ 571,749	\$ 166,702	\$ 738,451
Accounts payable	431,701	353,412	785,113
Accrued payroll liabilities	11,034	-	11,034
Deposits payable	320,450	-	320,450
Pledged sales taxes payable	53,365	-	53,365
Accrued interest	79,468	13,577	93,045
Due to fiduciary funds	22,866	-	22,866
Unearned revenue	187,775	-	187,775
Long-term liabilities			
Due in more than one year	<u>20,788,042</u>	<u>3,130,314</u>	<u>23,918,356</u>
Total liabilities	<u>22,466,450</u>	<u>3,664,005</u>	<u>26,130,455</u>
DEFERRED INFLOWS			
Property taxes levied for a future period	892,155	-	892,155
Deferred inflows related to pensions	<u>1,353,369</u>	<u>231,736</u>	<u>1,585,105</u>
Total deferred inflows	<u>2,245,524</u>	<u>231,736</u>	<u>2,477,260</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	8,222,453	3,805,506	12,027,959
Restricted by enabling legislation	865,991	-	865,991
Restricted by enabling legislation, for debt service	1,112,344	-	1,112,344
Unrestricted	<u>(10,606,406)</u>	<u>(1,078,700)</u>	<u>(11,685,106)</u>
Total net position (deficit)	\$ <u><u>(405,618)</u></u>	\$ <u><u>2,726,806</u></u>	\$ <u><u>2,321,188</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

STATEMENT OF ACTIVITIES

Year Ended April 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>
Governmental activities				
General government	\$ 2,242,485	\$ 435,741	\$ 321,687	\$ -
Public safety	6,976,207	901,852	-	-
Public works	1,336,923	561,007	-	-
Interest	223,120	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	10,778,735	1,898,600	321,687	-
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities				
Water and sewer	2,426,935	2,329,313	-	4,593
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 13,205,670	\$ 4,227,913	\$ 321,687	\$ 4,593
	<hr/>	<hr/>	<hr/>	<hr/>

General revenues

Taxes

Intergovernmental

Interest

Other

Total general revenues

Change in net position

Net position - beginning
of year

Net position (deficit) - 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
\$ (1,485,057)	\$ -	\$ (1,485,057)
(6,074,355)	-	(6,074,355)
(775,916)	-	(775,916)
(223,120)	-	(223,120)
<u>(8,558,448)</u>	<u>-</u>	<u>(8,558,448)</u>
<u>-</u>	<u>(93,029)</u>	<u>(93,029)</u>
<u>(8,558,448)</u>	<u>(93,029)</u>	<u>(8,651,477)</u>
4,869,610	-	4,869,610
2,445,666	-	2,445,666
27,562	102	27,664
<u>-</u>	<u>42,557</u>	<u>42,557</u>
<u>7,342,838</u>	<u>42,659</u>	<u>7,385,497</u>
(1,215,610)	(50,370)	(1,265,980)
<u>809,992</u>	<u>2,777,176</u>	<u>3,587,168</u>
<u>\$ (405,618)</u>	<u>\$ 2,726,806</u>	<u>\$ 2,321,188</u>

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2018

	General	Motor Fuel Tax	General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents, and investments	\$ 2,441,091	\$ 932,933	\$ 758,228	\$ 664,746	\$ 4,796,998
Receivables, net of allowances					
Property taxes	735,565	-	153,590	-	889,155
Intergovernmental	751,281	19,715	-	-	770,996
Other	149,072	-	-	-	149,072
Prepays	196,654	-	-	-	196,654
Due from other funds	1,493,855	-	326,468	45,682	1,866,005
	<u>5,767,518</u>	<u>952,648</u>	<u>1,238,286</u>	<u>710,428</u>	<u>8,668,880</u>
Total assets	\$ 5,767,518	\$ 952,648	\$ 1,238,286	\$ 710,428	\$ 8,668,880
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts payable	\$ 141,764	\$ 2,980	\$ -	\$ 286,957	\$ 431,701
Accrued payroll liabilities	11,034	-	-	-	11,034
Deposits payable	320,450	-	-	-	320,450
Pledged sales taxes payable	53,365	-	-	-	53,365
Due to other funds	45,645	271,050	-	601,624	918,319
Due to fiduciary funds	22,866	-	-	-	22,866
Unearned revenue	187,775	-	-	-	187,775
	<u>782,899</u>	<u>274,030</u>	<u>-</u>	<u>888,581</u>	<u>1,945,510</u>
Total liabilities	782,899	274,030	-	888,581	1,945,510
Deferred Inflows					
Property taxes levied for a future period	738,565	-	153,590	-	892,155
	<u>738,565</u>	<u>-</u>	<u>153,590</u>	<u>-</u>	<u>892,155</u>
Total deferred inflows	738,565	-	153,590	-	892,155
Fund balances (deficits)					
Nonspendable					
Prepays	196,654	-	-	-	196,654
Restricted					
Special revenue funds	-	678,618	-	49,371	727,989
Debt service	-	-	1,084,696	27,648	1,112,344
Capital projects	-	-	-	138,002	138,002
Unassigned	4,049,400	-	-	(393,174)	3,656,226
	<u>4,246,054</u>	<u>678,618</u>	<u>1,084,696</u>	<u>(178,153)</u>	<u>5,831,215</u>
Total fund balance (deficit)	4,246,054	678,618	1,084,696	(178,153)	5,831,215
	<u>5,767,518</u>	<u>952,648</u>	<u>1,238,286</u>	<u>710,428</u>	<u>8,668,880</u>
Total liabilities and fund balance (deficit)	\$ 5,767,518	\$ 952,648	\$ 1,238,286	\$ 710,428	\$ 8,668,880

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 (DEFICIT)
April 30, 2018

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

Total fund balance - governmental funds	\$ 5,831,215
---	--------------

Net capital assets used in governmental activities and included in the statement of net position (deficit) do not require the expenditure of financial resources and, therefore, are not reported in the governmental funds balance sheet.	13,968,087
--	------------

The net pension asset resulting from IMRF contributions in excess of the annual required contribution is not a financial resource and, therefore, is not reported in the governmental funds balance sheet.	339,224
--	---------

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	\$ 157,509	
Deferred outflows of 2018 employer IMRF contributions related to pensions	40,468	
Deferred inflows related to IMRF pension fund	(733,832)	
Deferred outflows related to police pension fund	2,050,507	
Deferred inflows related to police pension fund	<u>(619,537)</u>	895,115

Interest on long-term liabilities accrued in the statement of net position (deficit) will not be paid with current financial resources and, therefore, is not recognized in the governmental funds balance sheet.	(79,468)
---	----------

Long-term liabilities included in the statement of net position (deficit) are not due and payable in the current period and, accordingly, are not reported in the governmental funds	<u>(21,359,791)</u>
--	---------------------

Net deficit - governmental activities	\$ <u><u>(405,618)</u></u>
---------------------------------------	----------------------------

Village of Harwood Heights, Illinois

Governmental Funds

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

Year Ended April 30, 2018

	General	Motor Fuel Tax	General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,962,312	\$ 219,890	\$ 374,345	\$ 313,063	\$ 4,869,610
Intergovernmental	2,767,353	-	-	-	2,767,353
Licenses and permits	561,007	-	-	-	561,007
Fines	894,642	-	-	7,210	901,852
Charges for services	297,626	-	-	-	297,626
Investment income	13,952	9,475	-	4,135	27,562
Miscellaneous	138,115	-	-	-	138,115
Total revenues	<u>8,635,007</u>	<u>229,365</u>	<u>374,345</u>	<u>324,408</u>	<u>9,563,125</u>
Expenditures					
Current					
General government	1,580,502	-	-	-	1,580,502
Public safety	5,500,944	-	-	293,403	5,794,347
Public works	1,020,618	45,036	-	-	1,065,654
Grant expenditures	308,198	-	-	-	308,198
Miscellaneous	-	-	-	11,679	11,679
Capital outlay	270,009	44,080	-	553,411	867,500
Debt service					
Principal	203,083	-	85,000	265,000	553,083
Interest and other	32,011	-	51,339	104,907	188,257
Total expenditures	<u>8,915,365</u>	<u>89,116</u>	<u>136,339</u>	<u>1,228,400</u>	<u>10,369,220</u>
Excess (deficiency) of revenues over expenditures	<u>(280,358)</u>	<u>140,249</u>	<u>238,006</u>	<u>(903,992)</u>	<u>(806,095)</u>
Other financing sources (uses)					
Capital lease proceeds	216,319	-	-	-	216,319
Debt issuance	-	-	-	2,500,000	2,500,000
Premium on bonds sold	-	-	-	194,530	194,530
Transfers in	1,000,000	-	-	-	1,000,000
Transfers out	-	-	-	(1,000,000)	(1,000,000)
Total other financing sources	<u>1,216,319</u>	<u>-</u>	<u>-</u>	<u>1,694,530</u>	<u>2,910,849</u>
Net change in fund balances (deficit)	935,961	140,249	238,006	790,538	2,104,754
Fund balance (deficit)					
Beginning of year	<u>3,310,093</u>	<u>538,369</u>	<u>846,690</u>	<u>(968,691)</u>	<u>3,726,461</u>
End of year	<u>\$ 4,246,054</u>	<u>\$ 678,618</u>	<u>\$ 1,084,696</u>	<u>\$ (178,153)</u>	<u>\$ 5,831,215</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 (DEFICIT) OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
April 30, 2018

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

Net change in fund balances (deficit) - total governmental funds	\$ 2,104,754
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	200,242
---	---------

The net pension asset resulting from the IMRF plan fiduciary net position exceeding the total pension liability is not a financial resource and therefore is not reported in the governmental funds.	339,224
--	---------

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	(794,465)
Deferred outflows and inflows of resources related to police pension fund	(189,952)

Accrued interest reported in the statement of activities does not require the use of current financial resources, and, therefore, is not reported as expenditures in the governmental funds.	(45,790)
--	----------

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>(2,829,623)</u>
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Change in net position (deficit) - governmental activities	\$ <u><u>(1,215,610)</u></u>
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The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF NET POSITION

April 30, 2018

ASSETS

Current

Cash and cash equivalents	\$ 12,861
Customer receivables (net of allowance for uncollectibles)	<u>285,209</u>

Total current assets 298,070

Net pension asset 107,124

Capital assets not being depreciated 4,026,570

Capital assets, net of accumulated depreciation 3,075,952

Total assets 7,507,716

DEFERRED OUTFLOWS

Deferred outflows related to pensions 62,517

Total deferred outflows 62,517

LIABILITIES

Current

Current portion of long-term liabilities 166,702

Accounts payable 353,412

Accrued interest payable 13,577

Long-term

Due to other funds 947,686

Due in more than one year 3,130,314

Total liabilities 4,611,691

DEFERRED INFLOWS

Deferred inflows related to pensions 231,736

Total deferred inflows 231,736

NET POSITION

Net investment in capital assets 3,805,506

Unrestricted (1,078,700)

Total net position \$ 2,726,806

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, 2018

OPERATING REVENUES	
Charges for services	\$ 2,286,096
Penalties	<u>43,217</u>
Total operating revenues	<u>2,329,313</u>
OPERATING EXPENSES	
Current	
Personal services	490,861
Commodities	1,155,910
Other services	524,763
Capital outlay	11,037
Depreciation	<u>182,192</u>
Total operating expenses	<u>2,364,763</u>
OPERATING LOSS	<u>(35,450)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	4,593
Energy efficiency rebates	8,573
Other	33,984
Interest income	102
Interest expense	<u>(62,172)</u>
Total nonoperating expenses	<u>(14,920)</u>
CHANGE IN NET POSITION	<u>(50,370)</u>
TOTAL NET POSITION	
Beginning of year	<u>2,777,176</u>
End of year	<u><u>\$ 2,726,806</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended April 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,292,497
Cash paid to suppliers for goods and services	(1,831,956)
Cash paid to employees for services	(514,662)
Net cash used in operating activities	(54,121)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Change in due from/to other funds	90,899
Net cash provided by noncapital financing activities	90,899
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(738,119)
Loan proceeds	295,796
Loan repayments	(134,778)
Principal payments on capital leases	(26,411)
Interest paid	(60,938)
Net cash used in capital financing activities	(664,450)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	102
Antenna leasing	33,984
Net cash provided by investing activities	34,086
NET DECREASE IN CASH AND CASH EQUIVALENTS	(593,586)
CASH AND CASH EQUIVALENTS	
Beginning of year	606,447
End of year	\$ 12,861
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (35,450)
Adjustments to reconcile operating loss to	
net cash used in operating activities	
Depreciation	182,192
Bad debt expense	2,313
Changes in assets and liabilities	
Customer receivables	(39,129)
Accounts payable	(196,611)
Prepaid items	56,365
Deferred outflows related to pensions	19,776
Deferred inflows related to pensions	231,109
Net pension asset	(274,686)
Net cash used in operating activities	\$ (54,121)

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds

STATEMENT OF NET POSITION

April 30, 2018

	Police Pension Fund	Agency Fund
	Police Pension	Special Service Area
ASSETS		
Cash and cash equivalents	\$ 646,521	\$ 99,091
Investments	17,313,693	-
Accrued interest receivable	81,270	-
Due from the Village	22,866	-
Prepays	1,809	-
Total assets	<u>18,066,159</u>	<u>\$ 99,091</u>
LIABILITIES		
Accounts payable	9,572	\$ -
Due to property owners	<u>-</u>	<u>99,091</u>
Total liabilities	<u>9,572</u>	<u>\$ 99,091</u>
NET POSITION		
Restricted for pensions	<u>\$ 18,056,587</u>	

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Police Pension Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
Year Ended April 30, 2018

ADDITIONS

Investment income	
Investment earnings	\$ 659,266
Net increase in fair value of investments	<u>409,743</u>

Total investment income	1,069,009
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Contributions

Employer	838,466
Members	<u>252,680</u>

Total contributions	<u>1,091,146</u>
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Total additions	<u>2,160,155</u>
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DEDUCTIONS

Investment expense	53,554
Pension benefits and refunds	1,235,590
Administrative expense	<u>45,956</u>

Total deductions	<u>1,335,100</u>
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CHANGE IN NET POSITION	825,055
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NET POSITION RESTRICTED
FOR PENSIONS

Beginning of Year	<u>17,231,532</u>
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End of Year	<u><u>\$ 18,056,587</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, 2018

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Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Harwood Heights, Illinois (the 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, 2018

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, 2018

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, 2018

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 Trust Fund is the Village's sole pension trust fund. The Police Pension Trust Fund accounts for contributions from the Village in the form of property tax revenue and contributions from participants that are used to fund the respective pension plans and make payments to beneficiaries in accordance with the Illinois Pension Code.
- 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, 2018.
- 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, 2018. There were no assigned amounts at April 30, 2018.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 modified 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, 2018

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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

6. Cash Equivalents

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

7. Receivables

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

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

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

8. Investments

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018.

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, 2018

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 Police Pension Plan (the "Plan") are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

10. Prepaid items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. 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. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

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, 2018

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 their acquisition 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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Pensions

For purposes of measuring the net pension liability (asset), 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 future periods. At April 30, 2018, the Village had deferred outflows of resources related to pension liabilities. 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 future reporting periods. At April 30, 2018, the Village's property taxes levied for a future period and pension liabilities 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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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	\$ 678,618
Crime investigation	14,972
DUI	34,399
Capital projects	138,002
Debt service	<u>1,112,344</u>
Total net position restricted by enabling legislation	<u>\$ 1,978,335</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 of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets, deferred outflows of resources, and liabilities, and deferred inflows of resources 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. Significant Accounting Standards Applicable in Future Years

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* in June 2015, which will be effective for the Village beginning with its year ending April 30, 2019. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Significant Accounting Standards Applicable in Future Years (Continued)

While the Village is still evaluating the full effects of this statements, the Village anticipates additional long-term liabilities associated with other postemployment benefit to be similar to the current unfunded actuarial accrued liability (UAAL). For the fiscal year ended April 30, 2018, the UAAL was \$1,079,743 (Note K).

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 (Deficit)

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

One element of that reconciliation explains that “Long-term liabilities included in the statement of net position (deficit) 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	\$ (5,380,000)
Unamortized bond premium	(243,737)
Note payable	(925,532)
Compensated absences payable	(1,387,075)
Capital lease payable	(365,634)
Other post-employment benefit obligation	(319,974)
Net pension obligations - police	<u>(12,737,839)</u>
Net adjustment to reduce fund balance - governmental funds to arrive at net position - governmental activities	<u><u>\$ (21,359,791)</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 (Deficit) 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 deficit - 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	\$ 869,714
Depreciation expense	<u>(669,472)</u>
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net deficit - governmental activities	<u>\$ 200,242</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:

Proceeds from bond issuance	\$ (2,500,000)
Premium on bond sold	(194,530)
Principal payments on note payable	132,219
Principal payments on general obligation bonds	350,000
Amortization of bond premiums	10,927
Net change in net pension obligations	(178,476)
Net change in other postemployment benefits obligation	(24,975)
Net change in compensated absences	(279,333)
Issuance of capital lease	(216,319)
Principal payments on capital lease	<u>70,864</u>
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position - governmental activities	<u>\$ (2,829,623)</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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*	\$ 2,268,323
Illinois Funds	<u>2,541,536</u>
Total cash and cash equivalents	<u>\$ 4,809,859</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.

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. Illinois Funds is not registered with the SEC as an investment company. Investments in Illinois Funds are rated AAA, and are valued at Illinois Funds' share price which is the price for which the investment can be sold. There are no unfunded commitments, the redemption in frequency is daily, 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, 2018

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, 2018, the Village had no uninsured and uncollateralized deposits. The carrying amount of the Village's deposits with financial institutions was \$2,268,323 at April 30, 2018. The Village's Agency Fund had a carrying value of \$99,091 at April 30, 2018.

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, 2018, 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, 2018

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 and related bank balances totaled \$646,521.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Brokered Certificates of Deposit	\$ -	\$ 99,698	\$ -	\$ 99,698
Debt Securities				
U.S. Treasuries	75,666	-	-	75,666
U.S. Agencies	-	3,912,760	-	3,912,760
U.S. Mortgage Backed Security	-	16,161	-	16,161
Corporate Bonds	-	2,967,758	-	2,967,758
State and Local Governments	-	378,285	-	378,285
Equity Securities				
Mutual Funds	7,510,829	-	-	7,510,829
Common Stock	2,352,536	-	-	2,352,536
Total investments by fair value level	\$ <u>9,939,031</u>	\$ <u>7,374,662</u>	\$ <u>-</u>	\$ <u>17,313,693</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

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

At April 30, 2018, 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
Brokered					
Certificates					
of Deposit	\$ 99,698	\$ 99,698	\$ -	\$ -	\$ -
U.S. Govt and					
Agency Obligations	4,004,587	328,871	2,046,110	1,613,580	16,026
State and Local					
Obligations	378,285	378,285	-	-	-
Corporate					
Obligations	<u>2,967,758</u>	<u>254,916</u>	<u>1,420,947</u>	<u>1,291,895</u>	<u>-</u>
	7,450,328	<u>\$ 1,061,770</u>	<u>\$ 3,467,057</u>	<u>\$ 2,905,475</u>	<u>\$ 16,026</u>
Equity Securities	9,863,365				
	<u>\$ 17,313,693</u>				

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 BBB 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, 2018, 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, 2018, 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, 2018

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, 2018, 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 \$2,352,536 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>
Columbia Dividend Income Fund	\$ 865,006
Deutsche Global Infrast-Ins	339,583
Fidelity Advisor New Insights Fund Class Z	893,614
Invesco Global Real Estate Fund	357,506
JP Morgan Mid Cap Value Fund	512,624
Lazard Emerging Markets Equity Fund	351,253
MFS International Value	821,915
Oppenheimer Developing MKT-I	391,674
Oppenheimer Intrl Growth Fd-I	847,104
Pear Tree Polaris Foreign Value Fund Class	50,382
Sector SPDR Trust SBI-Materials - ETF	74,284
Sector SPDR Trust Utilities - ETF	60,119
T. Rowe Price Mid-Cap Growth Fd	527,453
Undiscovered Managers Behavioral Value	580,906
Vanguard 500 Index Fund-Adm	<u>837,406</u>
 Total equity mutual funds	 \$ <u><u>7,510,829</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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>Portfolio Target Percentage</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Treasuries	4.50	%	4.30	%
U.S. Agencies	21.89		4.50	
Taxable IL Municipal Bonds	2.11		4.50	
U.S. Corporate Bonds	16.54		5.00	
U.S. Large Cap	28.32		7.50	
U.S. Mid Cap	5.80		7.80	
U.S. Small Cap	3.24		7.50	
International Stocks	9.58		7.80	
Emerging Markets Stocks	4.14		N/A	
Real Estate	1.99		6.80	
Global Infrastructure	1.89		7.30	
Total	<u>100.00</u>	%		

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 2018, 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, 2018 are listed in the table above.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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

b. Rate of Return

For the year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE D - PROPERTY TAXES

Property taxes for 2017 tax year attach as an enforceable lien on January 1, 2017 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, 2018 and August 1, 2018. The County collects such taxes and remits them periodically. The portion of the 2017 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, 2019, net taxes receivable is reflected as property taxes levied for a future period. The 2018 levy, which attached as an enforceable lien on property as of January 1, 2018, has not been recorded as a receivable as of April 30, 2018, as the tax has not yet been levied by the Village and will not be levied until December 2018; therefore, the levy is not measurable at April 30, 2018. The Village's annual property tax levy is subject to the Property Tax Extension Limitation Law (PTELL), which limits increases in property tax extensions.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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
	<u> </u>	<u> </u>
General		
Water and Sewer	\$ 734,821	\$ -
Emergency 911	393,159	-
MFT Fund	271,050	-
SSA Debt Service	94,825	-
Capital Projects	<u>-</u>	<u>45,645</u>
Total General	<u>1,493,855</u>	<u>45,645</u>
Other governmental funds		
General Obligation Bonds - Water and Sewer	212,865	-
General Obligation Bonds - SSA Debt Service	113,603	-
Capital Projects Fund - General Fund	45,645	-
Capital Projects Fund - SSA Debt Service	37	-
Emergency 911 - General	-	393,159
MFT Fund - General	-	271,050
SSA Debt Service - General	-	94,825
SSA Debt Service - Capital Projects Fund	-	37
SSA Debt Service - General Obligation Bonds	<u>-</u>	<u>113,603</u>
Total Other Governmental Funds	<u>372,150</u>	<u>872,674</u>
Water and Sewer Fund		
General	-	734,821
General Obligation Bonds	<u>-</u>	<u>212,865</u>
Total all Funds	1,866,005	1,866,005
Less amounts eliminated during GASB 34 conversion	<u>(918,319)</u>	<u>(918,319)</u>
Total Village internal balances	<u>\$ 947,686</u>	<u>\$ 947,686</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ -	\$ 1,000,000
Nonmajor governmental:		
Capital Projects	<u>1,000,000</u>	<u>-</u>
Total transfers	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018 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	-	599,394	-	599,394
	<u>629,428</u>	<u>599,394</u>	<u>-</u>	<u>1,228,822</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated				
Buildings	6,414,142	11,800	-	6,425,942
Machinery and equipment	3,105,307	258,520	-	3,363,827
Land improvements	121,499	-	-	121,499
Infrastructure	13,241,154	-	-	13,241,154
	<u>22,882,102</u>	<u>270,320</u>	<u>-</u>	<u>23,152,422</u>
Total capital assets, being depreciated				
Less accumulated depreciation for				
Buildings	1,957,314	132,584	-	2,089,898
Machinery and equipment	2,546,146	211,017	-	2,757,163
Land improvements	109,730	2,140	-	111,870
Infrastructure	5,130,495	323,731	-	5,454,226
	<u>9,743,685</u>	<u>669,472</u>	<u>-</u>	<u>10,413,157</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>13,138,417</u>	<u>(399,152)</u>	<u>-</u>	<u>12,739,265</u>
Governmental activities capital assets, net	<u>\$ 13,767,845</u>	<u>\$ 200,242</u>	<u>\$ -</u>	<u>\$ 13,968,087</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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	\$ 3,160,475	\$ 866,095	\$ -	\$ 4,026,570
Capital assets, being depreciated				
Machinery and equipment	410,304	8,305	-	418,609
Land improvements	34,700	-	-	34,700
Infrastructure	5,636,366	-	-	5,636,366
Total capital assets, being depreciated	6,081,370	8,305	-	6,089,675
Less accumulated depreciation for				
Machinery and equipment	224,024	96,354	-	320,378
Land improvements	34,700	-	-	34,700
Infrastructure	2,572,807	85,838	-	2,658,645
Total accumulated depreciation	2,831,531	182,192	-	3,013,723
Total capital assets, being depreciated, net	3,249,839	(173,887)	-	3,075,952
Business-type activities, capital assets, net	\$ 6,410,314	\$ 692,208	\$ -	\$ 7,102,522

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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	\$ 146,080
Public safety	128,262
Public works, streets, and lighting	<u>395,130</u>
	<u>\$ 669,472</u>

Business – type activities:

Water and sewer	<u>\$ 182,192</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.

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 4.00%. The agreement matured in July 2018 and was renewed at that time with a new maturity date of July 22, 2019. The renewed agreement allows for borrowings of up to \$1,000,000, and interest charged at 3.83%. There were no outstanding borrowings at April 30, 2018.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements /</u> <u>Refunded</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds					
Series 2015	\$ 3,230,000	\$ -	\$ 350,000	\$ 2,880,000	\$ 350,000
Series 2017	-	2,500,000	-	2,500,000	-
Bond premium	<u>60,134</u>	<u>194,530</u>	<u>10,927</u>	<u>243,737</u>	<u>-</u>
Total general obligation bonds	<u>3,290,134</u>	<u>2,694,530</u>	<u>360,927</u>	<u>5,623,737</u>	<u>350,000</u>
Capital lease obligations	220,179	216,319	70,864	365,634	89,530
Note payable	1,057,751	-	132,219	925,532	132,219
Police net pension liability	12,028,750	3,228,097	2,519,008	12,737,839	-
IMRF net pension liability *	530,613	181,444	712,057	-	-
OPEB obligation payable	294,999	73,410	48,435	319,974	-
Compensated absences	<u>1,107,742</u>	<u>875,007</u>	<u>595,674</u>	<u>1,387,075</u>	<u>-</u>
Total governmental activities	\$ <u><u>18,530,168</u></u>	\$ <u><u>7,268,807</u></u>	\$ <u><u>4,439,184</u></u>	\$ <u><u>21,359,791</u></u>	\$ <u><u>571,749</u></u>

* In 2018, the IMRF plan fiduciary net position exceeded the total pension liability, resulting in a net pension asset of \$446,348, which is presented as an asset on the statement of net position (deficit). The portion of the net pension asset allocated to governmental activities amounted to \$339,224 at April 30, 2018.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018:

	Beginning Balance	Additions	Retirements/ Forgiveness	Ending Balance	Due Within One Year
Illinois EPA loans	\$ 3,064,940	\$ 295,796	\$ 134,778	\$ 3,225,958	\$ 146,341
Capital lease obligations	97,468	-	26,410	71,058	20,361
IMRF net pension liability *	167,563	57,298	224,861	-	-
Total business-type activities	\$ <u>3,329,971</u>	\$ <u>353,094</u>	\$ <u>386,049</u>	\$ <u>3,297,016</u>	\$ <u>166,702</u>

* In 2018, the IMRF plan fiduciary net position exceeded the total pension liability, resulting in a net pension asset of \$446,348, which is presented as an asset on the statement of net position (deficit). The portion of the net pension asset allocated to business-type activities amounted to \$107,124 at April 30, 2018.

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%	\$ 2,880,000
Series 2017 General Obligation Bonds	3.00 - 4.00%	<u>2,500,000</u>
		<u>\$ 5,380,000</u>

During the fiscal year ended April 30, 2018, the Village issued \$2,500,000 of Series 2017 General Obligation Bonds. These general obligation bonds were used to pay for expenses related to projects within the Capital Projects Fund. Additionally, certain amounts were used to pay off the remaining line of credit balance within the General Fund.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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
2019	\$ 350,000	\$ 177,472	\$ 527,472
2020	360,000	159,488	519,488
2021	365,000	152,288	517,288
2022	395,000	144,988	539,988
2023	280,000	137,088	417,088
2024-2028	1,530,000	548,588	2,078,588
2029-2033	1,835,000	250,638	2,085,638
2034-2035	265,000	12,500	277,500
	<u>\$ 5,380,000</u>	<u>\$ 1,583,050</u>	<u>\$ 6,963,050</u>

3. Capital Lease Obligations

At April 30, 2018, 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
2019	\$ 89,530	\$ 9,901	\$ 20,361	\$ 1,628
2020	82,742	7,270	13,845	1,564
2021	71,420	4,794	14,328	1,081
2022	59,518	2,903	14,827	582
2023	46,313	1,176	7,697	98
2024	16,111	168	-	-
	<u>\$ 365,634</u>	<u>\$ 26,212</u>	<u>\$ 71,058</u>	<u>\$ 4,953</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 \$558,239, with accumulated depreciation and depreciation expense of \$161,039 and \$68,158, respectively, at April 30, 2018. 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 \$99,197 and \$29,574, respectively, at April 30, 2018.

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, 2018 was \$925,532.

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

Year ending April 30,	Principal
2019	\$ 132,219
2020	132,219
2021	132,219
2022	132,219
2023	132,219
2024-2025	<u>264,437</u>
	<u>\$ 925,532</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE I - LONG-TERM LIABILITIES (Continued)

5. Illinois EPA Loans

The details of the Illinois EPA loans payable as of April 30, 2018 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. \$ 1,145,887

IEPA Public Water Supply Loans, payable in semiannual installments of \$65,231, including interest at 1.86% through March 2037. 2,080,071

\$ 3,225,958

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
2019	\$ 146,341	\$ 59,326	\$ 205,667
2020	149,074	56,591	205,665
2021	151,861	53,806	205,667
2022	154,698	50,968	205,666
2023	157,589	48,076	205,665
2024-2028	833,232	195,095	1,028,327
2029-2033	914,048	114,281	1,028,329
2034-2037	<u>719,115</u>	<u>28,344</u>	<u>747,459</u>
	<u>\$ 3,225,958</u>	<u>\$ 606,487</u>	<u>\$ 3,832,445</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE I - LONG-TERM LIABILITIES (Continued)

6. Legal Debt Margin

The Village is a home rule municipality.

Chapter 6, Section 518-1 of the Illinois Compiled Statutes governs computation of the legal debt margin.

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

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

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, 2018

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, 2017, 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	29
Active plan members	<u>17</u>
Total	<u><u>71</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 2017 was 9.87%. For the fiscal year ended April 30, 2018 the Village contributed \$141,676 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 Asset

The Village's IMRF net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset 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, 2017:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50
Salary Increases	3.39% to 14.25%
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE J - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

Mortality

For non-disabled retirees, an IMRF-specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). 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-2017 (base year 2015). 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-2017 (base year 2015). 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, 2018

NOTE J - PENSION LIABILITIES (Continued)

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

Actuarial Assumptions (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic equity	37%	6.85%
International equity	18%	6.75%
Fixed income	28%	3.00%
Real estate	9%	5.75%
Alternative investments	7%	2.65% - 7.35%
Cash equivalents	1%	2.25%
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 3.31%, and the resulting single discount rate is 7.50%.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE J - PENSION LIABILITIES (Continued)

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

Changes in Net Pension Liability (Asset)

The following table shows the components of the change in the Village's net pension liability for the calendar year ended December 31, 2017:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (Asset)* (A) - (B)
Balances at December 31, 2016	\$ 7,572,758	\$ 6,874,582	\$ 698,176
Changes for the year:			
Service cost	158,956	-	158,956
Interest on the total pension liability	561,127	-	561,127
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(295,493)	-	(295,493)
Changes of assumptions	(264,115)	-	(264,115)
Contributions - Employer	-	131,231	(131,231)
Contributions - Employees	-	61,943	(61,943)
Net Investment Income	-	1,190,092	(1,190,092)
Benefit payments, including refunds of employee contributions	(341,089)	(341,089)	-
Other (net transfer)	-	(78,267)	78,267
Net changes	<u>(180,614)</u>	<u>963,910</u>	<u>(1,144,524)</u>
Balances at December 31, 2017	<u>\$ 7,392,144</u>	<u>\$ 7,838,492</u>	<u>\$ (446,348)</u>

* The net pension liability (asset) 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, 2018

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 (asset) 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)	\$ 485,389	\$ (446,348)	\$ (1,205,717)

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

For the year ended April 30, 2018, the Village recognized pension expense of \$42,500. At April 30, 2018, 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
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 4,852	\$ 221,842
Change of assumptions, cost of living and inflation	1,829	197,342
Net difference between projected and actual earnings on pension plan investments	200,567	546,384
Total deferred amounts to be recognized in pension expense in the future periods	207,248	965,568
Pension contributions made subsequent to the measurement date	53,247	-
Total deferred amounts related to pensions	\$ 260,495	\$ 965,568

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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 \$53,247 as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the reporting year ended April 30, 2018. Amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended April, 30	Net Deferred Inflows of Resources
2019	\$ 188,776
2020	193,663
2021	239,285
2022	136,596
2023	-
Thereafter	<u>-</u>
Total	\$ <u><u>758,320</u></u>

2. **Police Pension Plan**

Plan Description

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2018

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, 2018, 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, 2018, the Village's contribution was 32.65% of covered payroll.

Net Pension Liability

The Village's police fund net pension liability was measured as of April 30, 2018. 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, 2018

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, 2018, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2018
Actuarial measurement date	April 30, 2018
Actuarial cost method	Normal
Asset valuation method	5-year smoothed market
Assumptions	
Investment rate of return	6.75%
Discount rate	6.75%
Salary increases	4.00% - 11.00%
Cost of living adjustments	3.00%
Inflation	2.50%
Marital status	80% of members are assumed to be married

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

Discount Rate

The discount rate used to measure the total pension liability was 6.75%, 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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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, 2017	\$ 29,260,282	\$ 17,231,532	\$ 12,028,750
Changes for the year:			
Service cost	594,196	-	594,196
Interest on the total pension liability	2,046,568	-	2,046,568
Difference between expected and actual experience of the total pension liability	(412,409)	-	(412,409)
Changes of assumptions	541,378	-	541,378
Contributions - employer	-	838,466	(838,466)
Contributions - employees	-	252,680	(252,680)
Net investment income (loss)	-	1,015,454	(1,015,454)
Benefit payment, including refunds of employee contributions	(1,235,590)	(1,235,590)	-
Administrative expense	-	(45,956)	45,956
Net changes	<u>1,534,143</u>	<u>825,054</u>	<u>709,089</u>
Balances at April 30, 2018	<u>\$ 30,794,425</u>	<u>\$ 18,056,586</u>	<u>\$ 12,737,839</u>

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

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 6.75% 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net pension liability	<u>\$ 16,937,478</u>	<u>\$ 12,737,839</u>	<u>\$ 9,276,677</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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

For the year ended April 30, 2018 the Village recognized pension expense of \$1,737,507. At April 30, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Difference between expected and actual experience	\$ 370,924	\$ 619,537
Change in assumptions*	997,048	-
Net difference between projected and actual earnings on pension plan investments	<u>682,535</u>	<u>-</u>
Total deferred amounts related to Police Pension	<u>\$ 2,050,507</u>	<u>\$ 619,537</u>

* Based on the results of the 2017 Department of Insurance experience study, the following assumption changes were made:

- Updated retirement, termination and disability rate tables.
- Updated assumed salary increase rates.
- Updated the percentage of disabilities assumed to be in the line of duty from 70% to 60%.
- Updated the percentage of deaths assumed to be in the line of duty from 5% to 10%.

In addition, the following assumption change was made to better align with investment expectations:

- Updated investment return assumption from 7.00% to 6.75%.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

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

Year Ended April 30,	Net Deferred Outflows of Resources
2019	\$ 503,014
2020	503,014
2021	252,403
2022	151,044
2023	21,495
Thereafter	-
Total	\$ <u>1,430,970</u>

3. **Summary of Pension Items**

Below is a summary of the various pension items:

	<u>IMRF</u>	<u>Police</u>	<u>Total</u>
Deferred outflows of resources:			
Employer contributions	\$ 53,247	\$ -	\$ 53,247
Experience	4,852	370,924	375,776
Assumptions	1,829	997,048	998,877
Investments	<u>200,567</u>	<u>682,535</u>	<u>883,102</u>
	\$ <u>260,495</u>	\$ <u>2,050,507</u>	\$ <u>2,311,002</u>
Net pension liability (asset)	\$ <u>(446,348)</u>	\$ <u>12,737,839</u>	\$ <u>12,291,491</u>
Pension expense	\$ <u>42,500</u>	\$ <u>1,737,507</u>	\$ <u>1,780,007</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE J - PENSION LIABILITIES (Continued)

3. **Summary of Pension Items** (Continued)

Deferred inflows of resources:

Experience	\$ 221,842	\$ 619,537	\$ 841,379
Assumptions	197,342	-	197,342
Investments	<u>546,384</u>	<u>-</u>	<u>546,384</u>
	<u>\$ 965,568</u>	<u>\$ 619,537</u>	<u>\$ 1,585,105</u>

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, 2018, membership in the Plan consisted of the following:

	<u>Membership</u>
Actives fully eligible to retire	10
Actives not yet fully eligible to retire	32
Retirees and dependents	<u>1</u>
	<u>43</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

2. **Funding Policy**

Retirees have the option of choosing from an HSA 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 2018, the Village contributed \$37,456 toward the cost of the postemployment benefits for retirees.

3. **Annual OPEB Cost and Net OPEB Obligation**

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

	<u>April 30, 2018</u>
Annual required contribution	\$ 61,610
Interest on net OPEB obligation	11,800
Adjustment to annual required contribution	<u>(10,979)</u>
Annual OPEB cost	62,431
Contributions made	<u>(37,456)</u>
Increase in net OPEB obligation	24,975
Net OPEB obligation beginning of year	<u>294,999</u>
Net OPEB obligation end of year	<u><u>\$ 319,974</u></u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2018 and the two preceding fiscal years were as follows:

Actuarial Valuation Date	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/18	\$ 62,431	60.0%	\$ 319,974
4/30/17	98,099	31.9%	294,999
4/30/16	99,198	29.0%	228,149

* Annual OPEB cost estimated using ARC from most recent valuation information.

5. Funding Policy and Actuarial Assumptions

As of April 30, 2018, the actuarial accrued liability for benefits was \$1,079,743, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the unfunded actuarial accrued liability to the covered payroll were \$3,953,304 and 27.3%, respectively.

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, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

5. Funding Policy and Actuarial Assumptions (Continued)

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

The following simplifying assumptions were made:

Actuarial valuation date	May 1, 2017
Actuarial cost method	Entry age normal
Amortization period	Level percent of pay
Remaining amortization period	30 years
Asset valuation method	Not applicable
Actuarial assumptions:	
Discount rate	4.00%
Salary rate	4.00%
Healthcare inflation rate	7.8% initial; 5.0% ultimate
Dental rate	4.10%
Mortality, Turnover, Disability, Retirement Ages	RP-2014 Blue Collar table (for police) and RP-2014 table (for all others), 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	30%

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Percentage of spouses of future retirees who will elect retiree coverage	50%
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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, 2018. Future commitments under these contracts were approximately \$329,000 at April 30, 2018.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE L - CONTINGENCIES AND COMMITMENTS (Continued)

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.

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE M - TAX ABATEMENTS (Continued)

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 2018, total rebates were approximately \$297,000, approximately \$47,000 of which was due and outstanding at April 30, 2018. Cumulative payments paid or accrued under this arrangement amount to approximately \$1,463,000 through April 30, 2018.

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, 2018.

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 2018, total rebates were approximately \$21,000, approximately \$7,000 of which was due and outstanding at April 30, 2018. Cumulative payments paid or accrued under this arrangement amount to approximately \$56,000 through April 30, 2018.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2018

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2018, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than the items described above in Note H and below, have occurred subsequent to the statement of net position date that require disclosure in the financial statements.

Effective October 31, 2018, the Village entered into a lease agreement for an upgraded wireless network infrastructure and cameras at the Village's location. The lease requires annual payments, including interest, through November 2020.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Village of Harwood Heights, Illinois
Illinois Municipal Retirement Fund
MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
April 30, 2018

Calendar year ended December 31,	<u>2017</u>	<u>2016</u>
Total pension liability		
Service cost	\$ 158,956	\$ 150,233
Interest on the total pension liability	561,127	537,444
Difference between expected and actual experience of the total pension liability	(295,493)	(12,743)
Assumption changes	(264,115)	(9,337)
Benefit payments and refunds	<u>(341,089)</u>	<u>(386,422)</u>
Net change in total pension liability	(180,614)	279,175
Total pension liability, beginning	<u>7,572,758</u>	<u>7,293,583</u>
Total pension liability, ending	<u><u>\$ 7,392,144</u></u>	<u><u>\$ 7,572,758</u></u>
Plan fiduciary net position		
Contributions, employer	\$ 131,231	\$ 152,104
Contributions, employee	61,943	71,319
Net investment income	1,190,092	461,866
Benefit payments, including refunds of employee contributions	(341,089)	(386,422)
Other (net transfer)	<u>(78,267)</u>	<u>(23,927)</u>
Net change in plan fiduciary net position	963,910	274,940
Plan fiduciary net position, beginning	<u>6,874,582</u>	<u>6,599,642</u>
Plan fiduciary net position, ending	<u><u>\$ 7,838,492</u></u>	<u><u>\$ 6,874,582</u></u>
Net pension liability (asset)	<u><u>\$ (446,348)</u></u>	<u><u>\$ 698,176</u></u>
Plan fiduciary net position as a percentage of the total pension liability	106.04 %	90.78 %
Covered Valuation Payroll	\$ 1,329,591	\$ 1,439,017
Net pension liability (asset) as a percentage of covered valuation payroll	(33.57) %	48.52 %

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.

2015

\$ 140,878
513,793

23,725
8,942
(347,789)
339,549
6,954,034
\$ 7,293,583

\$ 141,104
63,185
32,819
(347,789)
74,699
(35,982)
6,635,624
\$ 6,599,642

\$ 693,941

90.49 %

\$ 1,338,389

51.85 %

Village of Harwood Heights, Illinois
 Illinois Municipal Retirement Fund
 MULTIYEAR SCHEDULE OF CONTRIBUTIONS
April 30, 2018

Fiscal Year December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2017	\$ 131,231 *	\$ 131,231	\$ -	\$ 1,329,591	% 9.87
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 2017 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): 26-year closed 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 21 years for most employers (two employers were financed over 30 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.

(Continued)

Village of Harwood Heights, Illinois
Illinois Municipal Retirement Fund
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
April 30, 2018

Methods and Assumptions Used to Determine 2017 Contribution Rates:** (Continued)

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 projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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.

Other Information:

There were no benefit changes during the year.

Notes to the Required Supplementary Information:

* Estimated based on contribution rate of 9.87% and covered valuation payroll of \$1,329,591.

** Based on valuation assumptions used in December 2015 actuarial valuation.

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

MULTIYEAR SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

April 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 594,196	\$ 559,532	\$ 516,498
Interest on the total pension liability	2,046,568	1,915,734	1,798,675
Difference between expected and actual experience of the total pension liability	(412,409)	556,388	(551,725)
Assumption changes	541,378	-	1,091,793
Benefit payments and refunds	<u>(1,235,590)</u>	<u>(1,225,559)</u>	<u>(1,159,820)</u>
Net change in total pension liability	1,534,143	1,806,095	1,695,421
Total pension liability, beginning	<u>29,260,282</u>	<u>27,454,187</u>	<u>25,758,766</u>
Total pension liability, ending	<u><u>\$ 30,794,425</u></u>	<u><u>\$ 29,260,282</u></u>	<u><u>\$ 27,454,187</u></u>
Plan fiduciary net position			
Contributions, employer	\$ 838,466	\$ 820,142	\$ 668,617
Contributions, employee	252,680	283,346	224,805
Net investment income (loss)	1,015,454	1,079,805	(93,153)
Benefit payments, including refunds of employee contributions	(1,235,590)	(1,225,559)	(1,159,820)
Transfers to other pensions	-	-	-
Administrative expense	<u>(45,956)</u>	<u>(46,967)</u>	<u>(45,779)</u>
Net change in plan fiduciary net position	825,054	910,767	(405,330)
Plan fiduciary net position, beginning	<u>17,231,532</u>	<u>16,320,765</u>	<u>16,726,095</u>
Plan fiduciary net position, ending	<u><u>\$ 18,056,586</u></u>	<u><u>\$ 17,231,532</u></u>	<u><u>\$ 16,320,765</u></u>
Net pension liability	<u><u>\$ 12,737,839</u></u>	<u><u>\$ 12,028,750</u></u>	<u><u>\$ 11,133,422</u></u>
Plan fiduciary net position as a percentage of the total pension liability	58.64 %	58.89 %	59.45 %
Covered Valuation Payroll	\$ 2,568,420	\$ 2,423,667	\$ 2,115,352
Net pension liability as a percentage of covered valuation payroll	495.94 %	496.30 %	526.32 %

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.

2015	
<u>2015</u>	
\$ 495,347	
1,651,615	
1,096,887	
-	
(1,168,464)	
<u>2,075,385</u>	
23,683,381	
<u>\$ 25,758,766</u>	
\$ 545,245	
189,713	
922,870	
(1,115,751)	
(52,895)	
(40,152)	
<u>449,030</u>	
16,277,065	
<u>\$ 16,726,095</u>	
<u>\$ 9,032,671</u>	
64.93 %	
\$ 2,133,608	
423.35 %	

Village of Harwood Heights, Illinois
Police Pension Fund
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
April 30, 2018

<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>
2018	\$ 1,303,048	\$ 838,466	\$ (464,582)	\$ 2,568,420	32.65 %
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	Amortized over a period ending in 2033.
Asset valuation method	Smoothed over 5-year period
Mortality rate	RP-2000 Combined Healthy Mortality projected to the valuation date using scale BB
Investment rate of return	7.00%
Retirement age	See notes to the financial statements
Salary increases	4.00% - 11.00%
Inflation	2.50%
Marital status	80% of Members are assumed to be married
Cost-of-Living Adjustment	Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55. Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.

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, 2018

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2018	5.94%
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
MULTIYEAR SCHEDULE OF FUNDING PROGRESS
April 30, 2018

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)
04/30/18	\$ -	\$ 1,079,743	\$ 1,079,743	0.0 %	\$ 3,953,304	27.3 %
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, 2018

	Original Appropriation	Amended and Final Appropriation	Actual	Variance Over / (Under)
Revenues				
Taxes	\$ 4,139,590	\$ 3,938,625	\$ 3,962,312	\$ 23,687
Intergovernmental	2,445,000	2,512,270	2,767,353	255,083
Licenses and permits	688,350	574,050	561,007	(13,043)
Fines	960,000	904,500	894,642	(9,858)
Charges for services	295,500	348,600	297,626	(50,974)
Investment income	2,525	12,595	13,952	1,357
Miscellaneous	114,890	112,393	138,115	25,722
Total revenues	<u>8,645,855</u>	<u>8,403,033</u>	<u>8,635,007</u>	<u>231,974</u>
Expenditures				
Current				
General government	1,657,521	1,583,021	1,580,502	(2,519)
Public safety	5,214,494	5,417,145	5,500,944	83,799
Public works	1,056,048	1,019,964	1,020,618	654
Debt service				
Principal	166,482	203,082	203,083	1
Interest and other	7,300	32,011	32,011	-
Capital outlay	117,500	116,515	270,009	153,494
Grant expenditures	-	10,407	308,198	297,791
Total expenditures	<u>8,219,345</u>	<u>8,382,145</u>	<u>8,915,365</u>	<u>533,220</u>
Excess (deficiency) of revenues over expenditures	<u>426,510</u>	<u>20,888</u>	<u>(280,358)</u>	<u>(301,246)</u>
Other financing sources (uses)				
Transfer in	-	-	1,000,000	1,000,000
Transfer out	(125,000)	-	-	-
Capital lease proceeds	-	-	216,319	216,319
Total other financing sources (uses)	<u>(125,000)</u>	<u>-</u>	<u>1,216,319</u>	<u>1,216,319</u>
Net change in fund balance	<u>\$ 301,510</u>	<u>\$ 20,888</u>	935,961	<u>\$ 915,073</u>
Fund balance				
Beginning of year			<u>3,310,093</u>	
End of year			<u>\$ 4,246,054</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, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
State of Illinois motor fuel tax	\$ 223,210	\$ 220,690	\$ 219,890	\$ (800)
Investment income	<u>1,000</u>	<u>9,375</u>	<u>9,475</u>	<u>100</u>
Total revenues	<u>224,210</u>	<u>230,065</u>	<u>229,365</u>	<u>(700)</u>
Expenditures				
Public works				
Maintenance - street lights	5,000	3,045	4,790	1,745
Traffic light maintenance - IDOT	2,300	2,742	3,600	858
Traffic signal maintenance - Meade	3,780	5,000	4,841	(159)
Maintenance - streets	15,000	12,000	11,168	(832)
Supplies - road salt	20,000	16,637	16,637	-
Engineering	<u>125,000</u>	<u>48,080</u>	<u>4,000</u>	<u>(44,080)</u>
Total Public works	<u>171,080</u>	<u>87,504</u>	<u>45,036</u>	<u>(42,468)</u>
Capital outlay	<u>220,000</u>	<u>-</u>	<u>44,080</u>	<u>44,080</u>
Total expenditures	<u>391,080</u>	<u>87,504</u>	<u>89,116</u>	<u>1,612</u>
Excess (deficiency) of revenues over expenditures	<u>(166,870)</u>	<u>142,561</u>	<u>140,249</u>	<u>(2,312)</u>
Net change in fund balance	<u>\$ (166,870)</u>	<u>\$ 142,561</u>	<u>140,249</u>	<u>\$ (2,312)</u>
Fund balance				
Beginning of Year			<u>538,369</u>	
End of Year			<u>\$ 678,618</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, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ <u>420,000</u>	\$ <u>380,847</u>	\$ <u>374,345</u>	\$ <u>(6,502)</u>
Total revenues	<u>420,000</u>	<u>380,847</u>	<u>374,345</u>	<u>(6,502)</u>
Expenditures				
Debt service				
Principal	85,000	85,000	85,000	-
Interest and other	<u>171,338</u>	<u>19,835</u>	<u>51,339</u>	<u>31,504</u>
Total debt service	<u>256,338</u>	<u>104,835</u>	<u>136,339</u>	<u>31,504</u>
Total expenditures	<u>256,338</u>	<u>104,835</u>	<u>136,339</u>	<u>31,504</u>
Excess of revenues over expenditures	<u>163,662</u>	<u>276,012</u>	<u>238,006</u>	<u>(38,006)</u>
Other financing uses				
Transfer out	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
Net change in fund balance	\$ <u><u>13,662</u></u>	\$ <u><u>126,012</u></u>	238,006	\$ <u><u>111,994</u></u>
Fund balance				
Beginning of year			<u>846,690</u>	
End of year			\$ <u><u>1,084,696</u></u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2018

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, 2018 is taken by the Village Board before July 31, 2017. The appropriation amounts shown in the financial statements are as originally adopted by the Village Board on May 25, 2017 and as amended on April 26, 2018.
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, 2018:

<u>Fund</u>	<u>Variance</u>
General	\$ 533,220
Capital Projects	149,970
Water and Sewer Fund	35,429
General Obligation Bonds	31,504
Motor Fuel Tax	1,612
Emergency Telephone System Fund	214

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes				
Property				
General	\$ 318,240	\$ 300,513	\$ 313,337	\$ 12,824
Police protection	306,800	290,254	302,641	12,387
Police pension	<u>821,600</u>	<u>793,858</u>	<u>838,466</u>	<u>44,608</u>
Total property taxes	<u>1,446,640</u>	<u>1,384,625</u>	<u>1,454,444</u>	<u>69,819</u>
Other taxes				
Home rule sales tax	1,348,750	1,280,000	1,263,458	(16,542)
Video rental tax	3,200	2,000	1,565	(435)
Utility	500,000	515,000	505,546	(9,454)
Telecommunications	150,000	149,000	134,568	(14,432)
Real estate transfer tax	600,000	510,000	502,832	(7,168)
Long term storage tax	39,000	42,000	42,726	726
Motor fuel tax	<u>52,000</u>	<u>56,000</u>	<u>57,173</u>	<u>1,173</u>
Total other taxes	<u>2,692,950</u>	<u>2,554,000</u>	<u>2,507,868</u>	<u>(46,132)</u>
Total taxes	<u>4,139,590</u>	<u>3,938,625</u>	<u>3,962,312</u>	<u>23,687</u>
Intergovernmental revenues				
Taxes				
Sales tax	1,478,000	1,467,825	1,403,815	(64,010)
State income tax	712,800	767,591	783,640	16,049
State local use tax	222,200	238,052	225,442	(12,610)
Roads and bridges	25,500	26,250	25,273	(977)
Personal property replacement tax	<u>6,500</u>	<u>7,000</u>	<u>7,496</u>	<u>496</u>
Total intergovernmental taxes	<u>2,445,000</u>	<u>2,506,718</u>	<u>2,445,666</u>	<u>(61,052)</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Grants				
Intergovernmental grants	\$ -	\$ 5,552	\$ 321,687	\$ 316,135
Total intergovernmental revenues	<u>2,445,000</u>	<u>2,512,270</u>	<u>2,767,353</u>	<u>255,083</u>
Licenses and permits				
Business licenses	80,000	75,000	72,971	(2,029)
Liquor licenses	50,000	47,250	47,250	-
Overweight truck permits	500	400	560	160
Building permits	300,000	190,000	184,941	(5,059)
Sewer permits	1,000	1,350	1,275	(75)
Plumbing permits	1,500	550	985	435
Electrical permits	7,500	7,000	7,305	305
Elevator inspections	2,500	2,500	1,900	(600)
Building inspections	11,000	8,500	8,100	(400)
Fence permits	600	700	675	(25)
Franchise fees	100,000	109,000	105,268	(3,732)
Dog tags	250	200	189	(11)
Vehicle licenses	130,000	128,000	126,038	(1,962)
Parking permit	<u>3,500</u>	<u>3,600</u>	<u>3,550</u>	<u>(50)</u>
Total licenses and permits	<u>688,350</u>	<u>574,050</u>	<u>561,007</u>	<u>(13,043)</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Fines				
Code enforcement fines	\$ 10,000	\$ 14,500	\$ 16,118	\$ 1,618
Traffic	130,000	128,000	115,121	(12,879)
Overweight trucks	-	-	160	160
Safe speed	375,000	285,000	283,190	(1,810)
Red speed	170,000	220,000	216,362	(3,638)
Parking tickets	220,000	205,000	205,091	91
Vehicle impound fees	<u>55,000</u>	<u>52,000</u>	<u>58,600</u>	<u>6,600</u>
Total fines	<u>960,000</u>	<u>904,500</u>	<u>894,642</u>	<u>(9,858)</u>
Charges for services				
Youth program fees	17,500	17,500	15,855	(1,645)
Garbage fees	232,000	250,000	231,464	(18,536)
Hearing fees	1,000	1,200	905	(295)
Hearing officer fees	200	-	-	-
Escrow bond forfeiture	2,000	38,000	7,250	(30,750)
Police reports	1,000	900	1,017	117
Rental	37,500	36,000	35,747	(253)
Credit card processing	<u>4,300</u>	<u>5,000</u>	<u>5,388</u>	<u>388</u>
Total charges for services	<u>295,500</u>	<u>348,600</u>	<u>297,626</u>	<u>(50,974)</u>
Investment income				
Interest	<u>2,525</u>	<u>12,595</u>	<u>13,952</u>	<u>1,357</u>
Total investment income	<u>2,525</u>	<u>12,595</u>	<u>13,952</u>	<u>1,357</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<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	\$ 32,000	\$ 34,999	\$ 2,999
Insurance	5,000	-	-	-
Personnel (guards)	10,390	12,485	12,485	-
Police	15,000	40,000	44,685	4,685
Vacant properties	7,000	1,000	1,600	600
Special events revenue	12,500	22,908	23,108	200
Other miscellaneous	<u>60,000</u>	<u>4,000</u>	<u>21,238</u>	<u>17,238</u>
Total miscellaneous revenues	<u>114,890</u>	<u>112,393</u>	<u>138,115</u>	<u>25,722</u>
Total revenues	<u>\$ 8,645,855</u>	<u>\$ 8,403,033</u>	<u>\$ 8,635,007</u>	<u>\$ 231,974</u>

(Concluded)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<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	\$ 436,723	\$ 429,196	\$ 438,702	\$ 9,506
Legal	204,000	206,039	200,091	(5,948)
Finance	388,520	390,793	381,202	(9,591)
Building	116,138	112,789	112,497	(292)
Total General Management and Support	<u>1,145,381</u>	<u>1,138,817</u>	<u>1,132,492</u>	<u>(6,325)</u>
Recreation and cultural opportunities	<u>202,685</u>	<u>206,720</u>	<u>202,721</u>	<u>(3,999)</u>
Health	<u>38,911</u>	<u>37,733</u>	<u>36,463</u>	<u>(1,270)</u>
Miscellaneous	<u>270,544</u>	<u>199,751</u>	<u>208,826</u>	<u>9,075</u>
Total General Government	<u>1,657,521</u>	<u>1,583,021</u>	<u>1,580,502</u>	<u>(2,519)</u>
Public Safety				
Police	<u>5,214,494</u>	<u>5,417,145</u>	<u>5,500,944</u>	<u>83,799</u>
Public Works				
Forestry	45,000	45,555	45,555	-
Streets and lights	469,149	418,025	412,847	(5,178)
Refuse disposal	<u>541,899</u>	<u>556,384</u>	<u>562,216</u>	<u>5,832</u>
Total Public Works	<u>1,056,048</u>	<u>1,019,964</u>	<u>1,020,618</u>	<u>654</u>
Debt Service				
Principal	166,482	203,082	203,083	1
Interest and other	<u>7,300</u>	<u>32,011</u>	<u>32,011</u>	<u>-</u>
Total Debt Service	<u>173,782</u>	<u>235,093</u>	<u>235,094</u>	<u>1</u>
Capital outlay	117,500	116,515	270,009	153,494
Grant expenditures	<u>-</u>	<u>10,407</u>	<u>308,198</u>	<u>297,791</u>
Total expenditures	<u>\$ 8,219,345</u>	<u>\$ 8,382,145</u>	<u>\$ 8,915,365</u>	<u>\$ 533,220</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 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, 2018

	Special Revenue Funds		
	Emergency Telephone System	Criminal Investigation	DUI
ASSETS			
Cash and cash equivalents	\$ -	\$ 14,972	\$ 34,399
Due from other funds	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 14,972</u>	<u>\$ 34,399</u>
LIABILITIES			
Accounts payable	\$ 15	\$ -	\$ -
Due to other funds	<u>393,159</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>393,174</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)			
Restricted for			
Special revenue funds	-	14,972	34,399
Capital projects	-	-	-
Debt service	-	-	-
Unassigned	<u>(393,174)</u>	<u>-</u>	<u>-</u>
Total fund balance (deficit)	<u>(393,174)</u>	<u>14,972</u>	<u>34,399</u>
Total liabilities and fund balances (deficit)	<u>\$ -</u>	<u>\$ 14,972</u>	<u>\$ 34,399</u>

Capital Projects Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Capital Projects	SSA Debt Service	
\$ 373,966	\$ 241,409	\$ 664,746
45,682	-	45,682
\$ 419,648	\$ 241,409	\$ 710,428
\$ 281,646	\$ 5,296	\$ 286,957
-	208,465	601,624
281,646	213,761	888,581
-	-	49,371
138,002	-	138,002
-	27,648	27,648
-	-	(393,174)
138,002	27,648	(178,153)
\$ 419,648	\$ 241,409	\$ 710,428

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT)
Year Ended April 30, 2018

	Special Revenue Funds		
	Emergency Telephone System	Criminal Investigation	DUI
Revenues			
Taxes	\$ 38,469	\$ -	\$ -
Fines	-	-	7,210
Investment income	231	1,977	9
Total revenues	<u>38,700</u>	<u>1,977</u>	<u>7,219</u>
Expenditures			
Current			
Public safety	293,403	-	-
Miscellaneous	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>293,403</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(254,703)</u>	<u>1,977</u>	<u>7,219</u>
Other financing sources (uses)			
Debt issuance	-	-	-
Premium on bonds sold	-	-	-
Transfers out	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(254,703)	1,977	7,219
Fund balance (deficit)			
Beginning of year	<u>(138,471)</u>	<u>12,995</u>	<u>27,180</u>
End of year	<u>\$ (393,174)</u>	<u>\$ 14,972</u>	<u>\$ 34,399</u>

<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Capital Projects</u>	<u>SSA Debt Service</u>	
\$ -	\$ 274,594	\$ 313,063
-	-	7,210
-	1,918	4,135
<u>-</u>	<u>276,512</u>	<u>324,408</u>
-	-	293,403
-	11,679	11,679
553,411	-	553,411
-	265,000	265,000
76,907	28,000	104,907
<u>630,318</u>	<u>304,679</u>	<u>1,228,400</u>
<u>(630,318)</u>	<u>(28,167)</u>	<u>(903,992)</u>
2,500,000	-	2,500,000
194,530	-	194,530
(1,000,000)	-	(1,000,000)
<u>1,694,530</u>	<u>-</u>	<u>1,694,530</u>
1,064,212	(28,167)	790,538
<u>(926,210)</u>	<u>55,815</u>	<u>(968,691)</u>
<u>\$ 138,002</u>	<u>\$ 27,648</u>	<u>\$ (178,153)</u>

Village of Harwood Heights, Illinois

Emergency Telephone System Fund

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

Year Ended April 30, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes				
911 tax	\$ -	\$ 38,469	\$ 38,469	\$ -
Interest income	-	231	231	-
Total revenues	-	38,700	38,700	-
Expenditures				
Public Safety				
Telephone	5,500	11,976	11,976	-
Dues/lectures/conferences	500	137	137	-
Maintenance - equipment	2,000	5,363	5,363	-
Bank fees	50	1	1	-
Contract services - equip. maintenance	2,500	1,172	1,172	-
Contractual services - IT/NABTECH	4,601	17,998	17,998	-
Salary - radio operators	80,000	136,125	136,125	-
Salary - communications supervisor	15,240	20,320	20,320	-
Overtime	5,000	26,593	26,593	-
Unused sick time	50,000	15,482	15,482	-
Health/dental/life/AD&D/EAP	16,500	21,130	21,344	214
Taxes - FICA and SUTA	15,300	15,025	15,025	-
IMRF expense	20,000	17,667	17,667	-
Uniform allowance	-	4,200	4,200	-
Total Public Safety	217,191	293,189	293,403	214
Total expenditures	217,191	293,189	293,403	214

(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, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Deficiency of revenues over expenditures	\$ <u>(217,191)</u>	\$ <u>(254,489)</u>	\$ <u>(254,703)</u>	\$ <u>(214)</u>
Other financing sources				
Transfer in	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u><u>(92,191)</u></u>	\$ <u><u>(254,489)</u></u>	<u>(254,703)</u>	\$ <u><u>(214)</u></u>
Fund deficit				
Beginning of year			<u>(138,471)</u>	
End of year			\$ <u><u>(393,174)</u></u>	

(Concluded)

Village of Harwood Heights, Illinois

SSA Debt Service Fund

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

Year Ended April 30, 2018

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ 300,000	\$ 275,000	\$ 274,594	\$ (406)
Interest income	<u>1,100</u>	<u>2,000</u>	<u>1,918</u>	<u>(82)</u>
Total revenues	<u>301,100</u>	<u>277,000</u>	<u>276,512</u>	<u>(488)</u>
Expenditures				
Current				
Service contracts - municipal	<u>8,000</u>	<u>6,384</u>	<u>11,679</u>	<u>5,295</u>
Total current	<u>8,000</u>	<u>6,384</u>	<u>11,679</u>	<u>5,295</u>
Debt service				
Principal	265,000	265,000	265,000	-
Interest and other	<u>53,038</u>	<u>59,503</u>	<u>28,000</u>	<u>(31,503)</u>
Total debt service	<u>318,038</u>	<u>324,503</u>	<u>293,000</u>	<u>(31,503)</u>
Total expenditures	<u>326,038</u>	<u>330,887</u>	<u>304,679</u>	<u>(26,208)</u>
Deficiency of revenues over expenditures	<u>(24,938)</u>	<u>(53,887)</u>	<u>(28,167)</u>	<u>25,720</u>
Net change in fund balance	\$ <u><u>(24,938)</u></u>	\$ <u><u>(53,887)</u></u>	(28,167)	\$ <u><u>25,720</u></u>
Fund balance				
Beginning of year			<u>55,815</u>	
End of year			\$ <u><u>27,648</u></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, 2018

	<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	\$ 2,200,000	\$ 2,075,000	\$ 2,026,837	\$ (48,163)
Sewer fees	255,000	265,000	253,433	(11,567)
Water taps	8,500	1,200	1,200	-
Sewer taps	5,000	-	-	-
Meter sales	7,000	1,000	1,300	300
Miscellaneous	<u>1,000</u>	<u>2,700</u>	<u>3,326</u>	<u>626</u>
Total charges for sales and services	2,476,500	2,344,900	2,286,096	(58,804)
Penalties	<u>36,000</u>	<u>43,000</u>	<u>43,217</u>	<u>217</u>
Total operating revenues	<u>2,512,500</u>	<u>2,387,900</u>	<u>2,329,313</u>	<u>(58,587)</u>
Non-Operating Revenues				
Grant revenue	-	4,593	4,593	-
Antenna leasing	33,500	33,984	33,984	-
Energy efficiency rebates	-	8,573	8,573	-
Interest income	<u>40</u>	<u>59</u>	<u>102</u>	<u>43</u>
Total non-operating revenues	<u>33,540</u>	<u>47,209</u>	<u>47,252</u>	<u>43</u>
Total revenues	<u>\$ 2,546,040</u>	<u>\$ 2,435,109</u>	<u>\$ 2,376,565</u>	<u>\$ (58,544)</u>

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<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	1,800	-
Office supplies	1,000	510	510	-
Taxes - FICA	860	765	765	-
Taxes - SUTA	-	48	45	(3)
IMRF net pension liability adjustment	-	-	(23,801)	(23,801)
Maintenance staff	385,000	420,000	418,514	(1,486)
Office staff	<u>120,000</u>	<u>83,000</u>	<u>83,028</u>	<u>28</u>
Total personal services	<u>518,660</u>	<u>516,123</u>	<u>490,861</u>	<u>(25,262)</u>
Commodities				
Vehicle gas and oil	5,000	5,181	5,181	-
Purchase of water	1,185,739	1,125,000	1,124,844	(156)
Electric power and gas	21,000	15,000	6,516	(8,484)
Supplies - chlorine	1,100	63	63	-
Supplies - pump room	3,000	2,300	2,917	617
Supplies maintenance	12,000	11,700	11,164	(536)
Hydrant parts	2,500	400	400	-
Meter purchases	<u>8,000</u>	<u>5,000</u>	<u>4,825</u>	<u>(175)</u>
Total commodities	<u>1,238,339</u>	<u>1,164,644</u>	<u>1,155,910</u>	<u>(8,734)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<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	\$ 344,490	\$ 346,548	\$ 344,438	\$ (2,110)
Telephone	6,600	9,800	9,058	(742)
Postage	7,000	7,500	7,500	-
Printing	1,000	-	565	565
Water testing	3,600	3,000	3,042	42
Dues, lectures, and conference fees	2,000	2,192	2,192	-
Uniform allowance	3,000	83	83	-
Street, sidewalk, and parkway repair	20,000	11,370	11,370	-
Maintenance - equipment	5,500	9,500	9,655	155
Main testing and maintenance	1,500	1,065	1,065	-
Buildings and grounds maintenance	2,500	2,915	2,915	-
Reservoir and tower maintenance	3,000	1,695	1,695	-
Maintenance - vehicles	9,000	5,400	4,886	(514)
Legal	2,000	1,882	3,922	2,040
Outside service - breaks	2,500	6,900	6,900	-
Outside service - taps	500	-	-	-
Water service - miscellaneous	1,500	-	1,390	1,390
Supplies - building	1,200	-	-	-
Sewer repair	3,500	2,983	3,263	280
Dump fees	17,000	7,500	7,123	(377)
Permits - sewer fee	1,000	1,000	1,000	-
Single family flood relief grant	6,000	-	-	-
Insurance-property, liability, and auto	52,261	43,480	45,637	2,157
IMRF net pension liab adj	-	5,000	-	(5,000)
Contractual services - BSA software	-	2,009	2,009	-
Contractual services - census	2,000	1,950	1,950	-
Contractual services - generator	2,899	338	338	-
Contractual services - water tower maintena	26,779	26,779	12,679	(14,100)
Professional services - auditing	6,000	6,000	7,900	1,900

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2018

	<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	\$ -	\$ -	\$ -
Professional services - general	24,000	22,500	25,500	3,000
Contractual services - backflow	<u>7,296</u>	<u>7,296</u>	<u>6,688</u>	<u>(608)</u>
Total other services	<u>570,625</u>	<u>536,685</u>	<u>524,763</u>	<u>(11,922)</u>
Capital outlay				
Small tools and equipment	-	-	11,037	11,037
Pump Room equipment	10,000	1,103	-	(1,103)
Backhoe	12,929	-	-	-
Box truck	12,929	-	-	-
Fire hydrants	10,000	5,341	-	(5,341)
Security system	10,000	-	-	-
Grant expenses	<u>-</u>	<u>4,593</u>	<u>-</u>	<u>(4,593)</u>
Total capital outlay	<u>55,858</u>	<u>11,037</u>	<u>11,037</u>	<u>-</u>
Depreciation	<u>145,000</u>	<u>160,000</u>	<u>182,192</u>	<u>22,192</u>
Total operating expenses	<u>2,528,482</u>	<u>2,388,489</u>	<u>2,364,763</u>	<u>(23,726)</u>
Non-operating expenses				
Interest expense	<u>3,017</u>	<u>3,017</u>	<u>62,172</u>	<u>59,155</u>
Total non-operating expenses	<u>3,017</u>	<u>3,017</u>	<u>62,172</u>	<u>59,155</u>
Total expenses	<u>\$ 2,531,499</u>	<u>\$ 2,391,506</u>	<u>\$ 2,426,935</u>	<u>\$ 35,429</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, 2018

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ <u>98,981</u>	\$ <u>110</u>	\$ <u>-</u>	\$ <u>99,091</u>
Total assets	\$ <u><u>98,981</u></u>	\$ <u><u>110</u></u>	\$ <u><u>-</u></u>	\$ <u><u>99,091</u></u>
LIABILITIES				
Due to property owners	\$ <u>98,981</u>	\$ <u>110</u>	\$ <u>-</u>	\$ <u>99,091</u>
Total liabilities	\$ <u><u>98,981</u></u>	\$ <u><u>110</u></u>	\$ <u><u>-</u></u>	\$ <u><u>99,091</u></u>

OTHER SUPPLEMENTAL INFORMATION (Unaudited)

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

	2018	2017	2016	2015	2014
Revenues					
Taxes	\$4,869,610	\$5,495,683	\$ 4,057,880	\$4,147,841	\$4,269,245
Intergovernmental	2,767,353	2,876,465	2,812,541	2,498,110	3,911,228
Licenses and Permits	561,007	598,773	615,340	477,486	395,766
Fines	901,852	972,942	935,222	899,185	1,145,097
Charges for Services	297,626	276,472	30,337	32,467	51,446
Investment Income	27,562	11,310	4,771	2,007	2,213
Miscellaneous	138,115	93,564	455,962	436,048	882,231
Total Revenues	9,563,125	10,325,209	8,912,053	8,493,144	10,657,226
Expenditures					
General Government	1,580,502	1,968,872	1,574,521	1,671,146	2,091,536
Public Safety	5,794,347	5,157,374	5,076,306	4,498,279	4,521,439
Public Works	1,065,654	1,069,819	1,204,584	1,129,796	1,375,412
Grant	308,198	-	-	-	1,828,750
Miscellaneous	11,679	1,332,507	8,822	11,459	6,368
Capital Outlay	867,500	840,355	128,315	638,687	276,159
Debt Service					
Principal	553,083	507,986	673,910	1,544,526	445,494
Interest and Other	188,257	120,470	71,716	265,419	220,551
Total Expenditures	10,369,220	10,997,383	8,738,174	9,759,312	10,765,709
Other Financing Sources (Uses)					
Capital Lease Proceeds	216,319	-	-	-	-
Transfer (out)	(1,000,000)	(350,260)	(1,398,572)	(300,000)	-
Transfer in	1,000,000	350,260	1,398,572	300,000	-
Payment on Refunded Debt	-	-	-	(3,564,263)	-
Issuance of Debt	2,500,000	206,395	-	4,100,000	1,370,118
Premium on Bonds Sold	194,530	-	-	67,226	-
Total Other Financing Sources (Uses)	2,910,849	206,395	-	602,963	1,370,118
Net Change in Fund Balance	2,104,754	(465,779)	173,879	(663,205)	1,261,635
Fund Balance					
Beginning of Year	3,726,461	4,192,240	4,018,361	4,681,566	3,419,931
End of Year	<u>\$5,831,215</u>	<u>\$3,726,461</u>	<u>\$ 4,192,240</u>	<u>\$4,018,361</u>	<u>\$4,681,566</u>

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

	2018	2017	2016	2015*	2014
Governmental activities					
Net investment in capital assets	\$ 8,222,453	\$ 10,317,666	\$ 9,770,027	\$ 9,818,034	\$ 9,592,398
Restricted	1,978,335	1,205,785	1,491,983	1,137,161	1,348,296
Unrestricted	<u>(10,606,406)</u>	<u>(10,713,459)</u>	<u>(9,772,857)</u>	<u>(1,187,690)</u>	<u>(1,285,594)</u>
Total governmental activities	<u>(405,618)</u>	<u>809,992</u>	<u>1,489,153</u>	<u>9,767,505</u>	<u>9,655,100</u>
Business-type activities					
Net investment in capital assets	3,805,506	3,247,905	2,686,985	2,172,997	1,475,380
Unrestricted	<u>(1,078,700)</u>	<u>(470,729)</u>	<u>(521,207)</u>	<u>83,741</u>	<u>584,446</u>
Total business-type activities	<u>2,726,806</u>	<u>2,777,176</u>	<u>2,165,778</u>	<u>2,256,738</u>	<u>2,059,826</u>
Total	<u>\$ 2,321,188</u>	<u>\$ 3,587,168</u>	<u>\$ 3,654,931</u>	<u>\$ 12,024,243</u>	<u>\$ 11,714,926</u>

* Note: The Governmental Accounting Standards Board (GASB) had 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.