

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2020

Village of Harwood Heights, Illinois

ANNUAL FINANCIAL REPORT

Year Ended April 30, 2020

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INTRODUCTORY SECTION (UNAUDITED)

Village of Harwood Heights, Illinois

PRINCIPAL OFFICIALS

Year Ended April 30, 2020

Arlene Jezierny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Lawrence Steiner

Anna Wegrecki

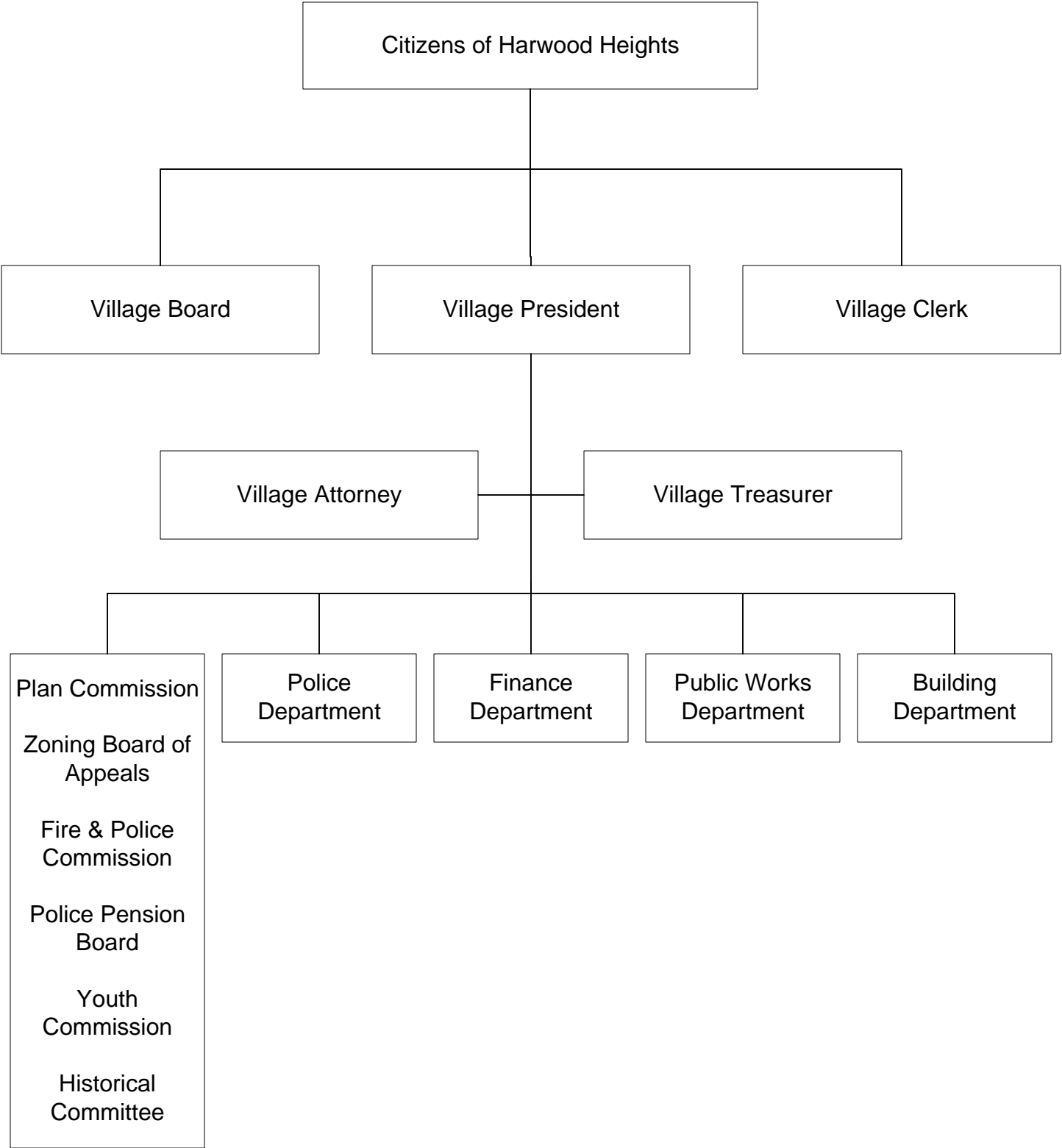
Giuseppe Zerillo

Zbigniew Lewandowski

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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the Illinois Municipal Retirement Fund and Police Pension Fund data on pages 82 - 88, the other postemployment benefits data on page 89, and the budgetary comparison schedule and notes to required supplementary information on pages 90 - 98 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.

Our audit for the year ended April 30, 2020 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


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, 2020 has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended April 30, 2020 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, 2020 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended April 30, 2020.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Village of Harwood Heights, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Harwood Heights, Illinois' internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
October 21, 2020

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

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, 2020

FUND FINANCIAL STATEMENTS (Continued)

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 82-98 of this report.

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 99-113 of this report.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

FUND FINANCIAL STATEMENTS (Continued)

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, 2020

GOVERNMENT-WIDE STATEMENTS (Continued)

Statement of Net Position (Deficit) (Continued)

Statement of Net Position						
As of April 30,						
	Governmental Activities		Business-Type Activity		Total Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current/Other Assets	\$5,158,056	\$6,173,793	\$671,706	\$1,055,667	\$5,829,762	\$7,229,460
Internal Balances	407,083	978,118	(407,083)	(978,118)	-	-
Capital Assets	16,288,227	16,167,051	6,977,117	7,162,292	23,265,344	23,329,343
Total Assets	21,853,366	23,318,962	7,241,740	7,239,841	29,095,106	30,558,803
Deferred Outflows of Resources						
Deferred Outflows Related to Pensions	4,674,300	3,360,699	177,694	341,785	4,851,994	3,702,484
Deferred Outflows Related to Other Postemployment Benefits	-	17,060	-	1,896	-	18,956
Total Deferred Outflows	4,674,300	3,377,759	177,694	343,681	4,851,994	3,721,440
Liabilities						
Current/Other Liabilities	1,202,404	2,604,849	360,267	514,586	1,562,671	3,119,435
Long-Term Liabilities	26,213,213	23,349,923	3,094,201	3,451,873	29,307,414	26,801,796
Total Liabilities	27,415,617	25,954,772	3,454,468	3,966,459	30,870,085	29,921,231
Deferred Inflows of Resources						
Property Taxes Levied for a Future Period	1,008,139	920,935	-	-	1,008,139	920,935
Deferred Inflows Related to Pensions	1,159,691	969,901	242,995	161,384	1,402,686	1,131,285
Total Deferred Inflows	2,167,830	1,890,836	242,995	161,384	2,410,825	2,052,220
Net Position (Deficit)						
Net Investment in Capital Assets	11,127,383	10,860,947	3,924,199	3,923,382	15,051,582	14,784,329
Restricted by Enabling Legislation	1,423,385	1,526,045	-	-	1,423,385	1,526,045
Unrestricted	(15,606,549)	(13,535,879)	(202,228)	(467,703)	(15,808,777)	(14,003,582)
Total Net Position (Deficit)	(\$3,055,781)	(\$1,148,887)	\$3,721,971	\$3,455,679	\$666,190	\$2,306,792

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

GOVERNMENT-WIDE STATEMENTS (Continued)

Changes in Net Position

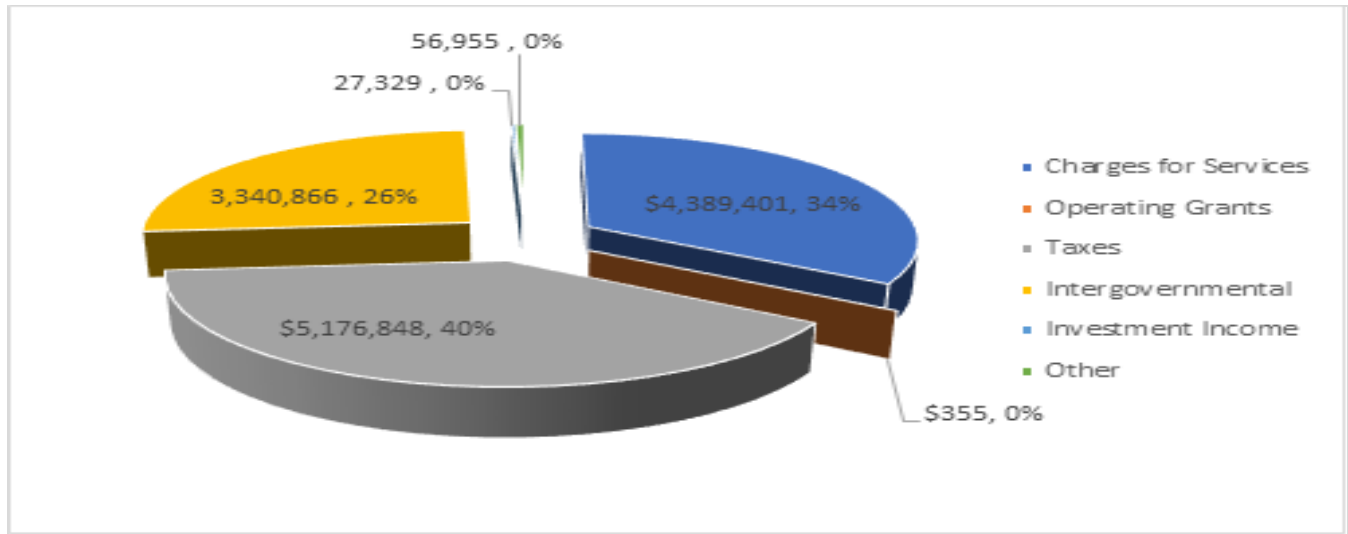
The following table summarizes the revenues, expenses, and net position of the Village's activities.

	Changes in Net Position (Deficit) For the Fiscal Year Ended April 30,					
	Governmental Activities		Business-Type Activity		Total Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for Services	\$1,898,151	\$1,834,785	\$2,491,250	\$2,538,528	\$4,389,401	\$4,373,313
Operating Grants	355	5,606	-	-	355	5,606
Capital Grants	-	2,165,200	-	-	-	2,165,200
General Revenues						
Taxes	5,176,848	4,907,152	-	-	5,176,848	4,907,152
Intergovernmental	3,340,704	2,697,892	162	599,838	3,340,866	3,297,730
Investment Income	27,262	36,399	67	15	27,329	36,414
Other	20,901	-	36,054	35,004	56,955	35,004
Transfers	(205,667)	(205,666)	205,667	205,666	-	-
Total Revenues	10,258,554	11,441,368	2,733,200	3,379,051	12,991,754	14,820,419
Expenses						
General Government	2,769,604	2,451,160	-	-	2,769,604	2,451,160
Public Safety	7,453,352	6,833,589	-	-	7,453,352	6,833,589
Public Works	1,782,494	1,856,802	-	-	1,782,494	1,856,802
Interest	159,998	162,565	-	-	159,998	162,565
Water	-	-	2,466,908	2,516,790	2,466,908	2,516,790
Total Expenses	12,165,448	11,304,116	2,466,908	2,516,790	14,632,356	13,820,906
Change in Net Position (Deficit)	(1,906,894)	137,252	266,292	862,261	(1,640,602)	999,513
Beginning Net Position (Deficit)	(1,148,887)	(1,286,139)	3,455,679	2,593,418	2,306,792	1,307,279
Ending Net Position (Deficit)	(\$3,055,781)	(1,148,887)	\$3,721,971	\$3,455,679	\$666,190	\$2,306,792

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

GOVERNMENT-WIDE STATEMENTS (Continued)

Total Fiscal Year 2020 Revenues



For the fiscal year ended April 30, 2020, revenues totaled approximately \$12.99 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 \$2.15 million excluding R&B 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 2019 and 2020, total property tax revenues decreased by (0.5%). The decrease can be attributed directly to decreased collections within the Special Service Area as well as a reduced tax levy to cover G.O. debt service payments.

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 2020, ROT revenue was approximately \$2.04 million compared to approximately \$1.83 million in 2019. Home-rule sales tax revenue was approximately \$1.58 million compared to approximately \$1.38million in 2019.

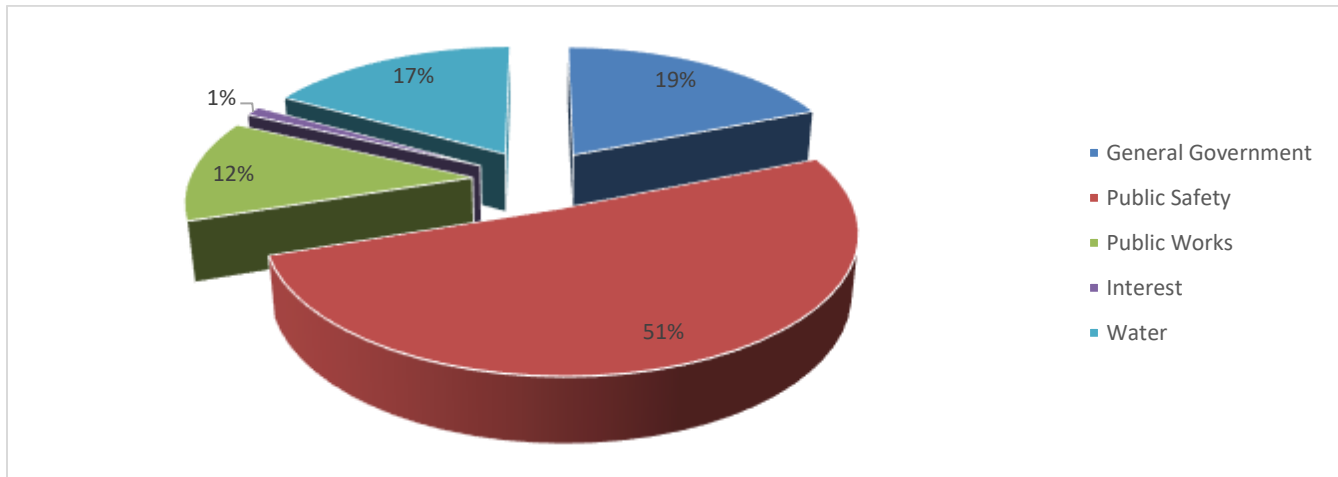
Income taxes are also shared by the state, but on a per-capita basis. In fiscal year 2020, state income tax revenue was approximately \$847,000, a decrease of \$44,000 from the previous year.

The Village’s sole business-type activity is its Water and Sewer Department. Water service charges, sewer fees, grants, transfers and late payment penalties for fiscal year 2020 totaled approximately \$2.49 million, a decrease of 1.86% from the prior year. The decrease can be attributed to the Village waiving penalties of water & sewer bills from the on start of the COVID-19 outbreak.

**Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020**

GOVERNMENT-WIDE STATEMENTS (Continued)

Total Fiscal Year 2020 Expenses



The Village of Harwood Heights expenses totaled approximately \$14.63 million in fiscal year 2020. This represents an increase of approximately \$.81 million or 5.9% from the prior year.

Public safety costs comprise the greatest portion of the Village's total expenses. Public safety costs increased by 9.07%, from approximately \$6.83 million in 2019 to approximately \$7.45 million in 2020. The increase is related to higher personnel-related costs associated with the Village's police department in fiscal year 2020. The fiscal year 2020 personnel costs reflect increasing pension contribution costs as well as higher payroll cost in relation to earned time off benefit bank payouts.

In the business-type activities, the expenses of the water and sewer function commodities and operating expenses totaled approximately \$2.47 million in 2020. This includes \$1,151,050 for water purchased in 2020 which increased by 1.65% compared to the previous year, and \$351,026 for sewer fees in 2020 which increased by 0.63% compared to the previous year. Personnel services in the amount of \$443,892 in 2020 were provided by public works and administration employees.

Real Estate Transfer Tax has been consistent within the last few years. In both fiscal years 2019 and 2020 there were no large commercial real-estate purchases as compared to years prior to that where the tax raised in excess of \$1M. In 2020 the Village recognized \$380,033 in Real Estate Transfer Tax, which is still substantive and reflects a solid real-estate market.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

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 2020, the Village amended its appropriation ordinance.

General Fund Revenues

	FY 2020 Amended Appropriation	FY 2020 Actual	Dollar Variance	Percent Variance
Revenues				
Taxes	\$4,265,662	\$4,236,929	(\$28,733)	0.67%
Intergovernmental	2,874,533	2,880,155	5,622	-0.20%
Licenses and Permits	540,724	513,490	(27,234)	5.04%
Fines	1,015,864	991,585	(24,279)	2.39%
Charges for Services	278,354	275,140	(3,214)	1.15%
Investment Income	14,185	14,288	103	-0.73%
Miscellaneous Revenues	102,726	100,340	(2,386)	2.32%
Total Revenues	\$9,092,048	\$9,011,927	(\$80,121)	0.88%

Total General Fund revenue came in under the appropriation by \$80,121, or .88%.

General Fund Expenditures

	FY 2020 Amended Appropriation	FY 2020 Actual	Dollar Variance	Percent Variance
Expenditures				
General Government	\$1,799,363	\$1,794,446	(\$4,917)	-0.27%
Public Safety	5,684,058	5,714,695	30,637	0.54%
Public Works	1,279,318	1,281,254	1,936	0.15%
Debt Service	281,944	281,946	2	0.00%
Capital Outlay	27,887	166,747	138,860	497.94%
Total Expenditures	\$9,072,570	\$9,239,088	\$166,518	1.84%

Total General Fund expenditures came in over the appropriation by \$166,518, or 1.84% mostly due to capital infrastructure projects beginning earlier in the season.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

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, 2020, the governmental funds reported an ending fund balance of \$3.0 million

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2020 and 2019, net of accumulated depreciation of \$23,265,344 and \$23,329,343, respectively.

Asset Type	Governmental Activities		Business-Type Activity		Total Government	
	2020	2019	2020	2019	2020	2019
Construction In Process	\$476,971	\$452,798	-	\$4,105,666	\$476,971	\$4,558,464
Land	629,428	629,428	-	-	629,428	629,428
Buildings	6,589,313	6,804,766	-	-	6,589,313	6,804,766
Machinery and Equipment	521,195	521,942	126,022	164,743	647,217	686,685
Land Improvements	5,349	7,489	-	-	5,349	7,489
Infrastructure	8,065,971	7,750,628	6,851,095	2,891,883	14,917,066	10,642,511
Total Capital Assets	\$16,288,227	\$16,167,051	\$6,977,117	\$7,162,292	\$23,265,344	\$23,329,343

At the end of the fiscal year 2020, the Village had a combined total government net capital asset of \$23.3 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines.

Long-Term Debt

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

Long-Term Debt

	Governmental Activities		Business-Type Activity		Total Government	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$4,881,135	\$5,257,436	-	-	\$4,881,135	\$5,257,436
Capital Leases	279,709	276,104	122,376	159,294	\$402,085	435,398
Notes Payable	661,094	793,313	-	-	\$661,094	793,313
Compensated Absences	1,170,355	1,300,330	2,930,543	3,079,617	\$4,100,898	4,379,947
Net Pension Liabilities	18,119,451	15,047,659	64,683	286,549	\$18,184,134	15,334,208
Net Other Post-Employment Benefit Obligations	1,721,683	1,250,042	170,276	138,893	\$1,891,959	1,388,935
Total	\$26,833,427	\$23,924,884	\$3,287,878	\$3,664,353	\$30,121,305	\$27,589,237

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2020

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (Continued)

Long-Term Debt (Continued)

As of April 30, 2020, the Village had a total of approximately \$30.12 million of long-term debt outstanding. Of this amount, approximately \$4.88 million was in the form of general obligation bonds backed by the full faith and credit of the Village government. As an Illinois home-rule community, the Village is not subject to any debt limitation. In its most recent rating, Standard and Poor's Ratings Services affirmed an AA Stable credit rating for the Village's general obligation bonds.

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

Economic Factors

The Village of Harwood Heights is limited in its ability to grow because it is surrounded by neighboring municipalities, including the City of Chicago. Thus, all growth must occur from within. The property tax revenue derived from the residential, commercial, and industrial properties is relatively stable. Sales taxes have increased in the last few years due to new economic development initiatives. However, the direct and indirect impacts of the COVID-19 pandemic on the Village's vendors, operations, financing arrangements, and future property tax collections are currently unknown (except as described below), as is the duration and severity of any impacts that the Village may experience. We have experienced the impact to economically sensitive revenue sources such as Sales tax, Income tax and Motor Fuel tax, which have seen significant declines in fiscal year 2021, for which we plan to reduce expenses to balance the budget. Additionally, tax payors in Cook County have been granted an extension on the second installment payment for property tax (due August 1, 2020). Tax payors were given until October 1, 2020 to remit property tax payments without penalty, which will affect the timing of the Village receiving those property taxes, and overall cash flows. Also, the values of the Police Pension Fund's investments may have changed by material amounts since year end. The Village is monitoring the situation. While our evaluation is ongoing, we are currently unable to quantify the effects that this situation will have on operations, cash flows, and financial position; however, they may be significant.

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, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash, cash equivalents, and investments	\$ 2,195,300	\$ 290,293	\$ 2,485,593
Receivables (net of allowance for uncollectibles)	2,962,756	322,650	3,285,406
Prepaid items	-	58,763	58,763
Noncurrent assets			
Internal balances	407,083	(407,083)	-
Capital assets not being depreciated	1,106,399	-	1,106,399
Capital assets, net of accumulated depreciation	<u>15,181,828</u>	<u>6,977,117</u>	<u>22,158,945</u>
Total assets	<u>21,853,366</u>	<u>7,241,740</u>	<u>29,095,106</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	<u>4,674,300</u>	<u>177,694</u>	<u>4,851,994</u>
Total deferred outflows	<u>4,674,300</u>	<u>177,694</u>	<u>4,851,994</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF NET POSITION (DEFICIT)
April 30, 2020

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Current			
Current portion of long-term liabilities	\$ 620,214	\$ 193,677	\$ 813,891
Accounts payable	184,094	154,836	338,930
Accrued payroll liabilities	29,428	-	29,428
Deposits payable	180,697	-	180,697
Pledged sales taxes payable	56,146	-	56,146
Accrued interest	68,561	11,754	80,315
Due to fiduciary funds	9,321	-	9,321
Unearned revenue	53,943	-	53,943
Long-term liabilities			
Due in more than one year	26,213,213	3,094,201	29,307,414
	<u>27,415,617</u>	<u>3,454,468</u>	<u>30,870,085</u>
Total liabilities			
DEFERRED INFLOWS			
Property taxes levied for a future period	1,008,139	-	1,008,139
Deferred inflows related to pensions	1,159,691	242,995	1,402,686
	<u>2,167,830</u>	<u>242,995</u>	<u>2,410,825</u>
Total deferred inflows			
NET POSITION (DEFICIT)			
Net investment in capital assets	11,127,383	3,924,199	15,051,582
Restricted by enabling legislation	1,423,385	-	1,423,385
Unrestricted	(15,606,549)	(202,228)	(15,808,777)
	<u>(15,606,549)</u>	<u>(202,228)</u>	<u>(15,808,777)</u>
Total net position (deficit)	\$ (3,055,781)	\$ 3,721,971	\$ 666,190
	<u><u>(3,055,781)</u></u>	<u><u>3,721,971</u></u>	<u><u>666,190</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF ACTIVITIES
Year Ended April 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>
Governmental activities			
General government	\$ 2,769,604	\$ 658,737	\$ 355
Public safety	7,453,352	992,895	-
Public works	1,782,494	246,519	-
Interest	159,998	-	-
	<u>12,165,448</u>	<u>1,898,151</u>	<u>355</u>
Total governmental activities			
Business-type activities			
Water and sewer	<u>2,466,908</u>	<u>2,491,250</u>	<u>-</u>
Total	<u>\$ 14,632,356</u>	<u>\$ 4,389,401</u>	<u>\$ 355</u>

General revenues

Taxes

Intergovernmental

Interest

Other

Transfers

Total general revenues

Change in net position

Net position (deficit) - 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		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,110,512)	\$ -	\$ (2,110,512)
(6,460,457)	-	(6,460,457)
(1,535,975)	-	(1,535,975)
<u>(159,998)</u>	<u>-</u>	<u>(159,998)</u>
<u>(10,266,942)</u>	<u>-</u>	<u>(10,266,942)</u>
<u>-</u>	<u>24,342</u>	<u>24,342</u>
<u>(10,266,942)</u>	<u>24,342</u>	<u>(10,242,600)</u>
5,176,848	-	5,176,848
3,340,704	162	3,340,866
27,262	67	27,329
20,901	36,054	56,955
<u>(205,667)</u>	<u>205,667</u>	<u>-</u>
<u>8,360,048</u>	<u>241,950</u>	<u>8,601,998</u>
(1,906,894)	266,292	(1,640,602)
<u>(1,148,887)</u>	<u>3,455,679</u>	<u>2,306,792</u>
<u>\$ (3,055,781)</u>	<u>\$ 3,721,971</u>	<u>\$ 666,190</u>

Village of Harwood Heights, Illinois

Governmental Funds

BALANCE SHEET

April 30, 2020

	General	General Obligation Bonds	Capital Projects	Motor Fuel Tax	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash, cash equivalents, and investments	\$ 979,551	\$ 508,143	\$ -	\$ 397,639	\$ 309,967	\$ 2,195,300
Receivables, net of allowances						
Property taxes	893,479	111,660	-	-	-	1,005,139
Intergovernmental	651,675	-	1,090,844	25,542	-	1,768,061
Other	189,556	-	-	-	-	189,556
Due from other funds	2,029,920	450,993	-	-	-	2,480,913
Total assets	\$ 4,744,181	\$ 1,070,796	\$ 1,090,844	\$ 423,181	\$ 309,967	\$ 7,638,969
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICITS)						
Liabilities						
Accounts payable	\$ 113,672	\$ -	\$ 30,343	\$ 39,539	\$ 540	\$ 184,094
Accrued payroll liabilities	29,428	-	-	-	-	29,428
Deposits payable	180,697	-	-	-	-	180,697
Pledged sales taxes payable	56,146	-	-	-	-	56,146
Due to other funds	238,128	-	1,606,882	-	228,820	2,073,830
Due to fiduciary funds	9,321	-	-	-	-	9,321
Unearned revenue	53,943	-	-	-	-	53,943
Total liabilities	681,335	-	1,637,225	39,539	229,360	2,587,459
Deferred inflows						
Unavailable grant revenues	-	-	1,090,844	-	-	1,090,844
Property taxes levied for a future period	896,479	111,660	-	-	-	1,008,139
Total deferred inflows	896,479	111,660	1,090,844	-	-	2,098,983
Fund balances (deficits)						
Restricted						
Special revenue funds	-	-	-	383,642	66,499	450,141
Debt service	-	959,136	-	-	14,108	973,244
Unassigned	3,166,367	-	(1,637,225)	-	-	1,529,142
Total fund balance (deficit)	3,166,367	959,136	(1,637,225)	383,642	80,607	2,952,527
Total liabilities, deferred inflows and fund balance (deficit)	\$ 4,744,181	\$ 1,070,796	\$ 1,090,844	\$ 423,181	\$ 309,967	\$ 7,638,969

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, 2020

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	\$ 2,952,527	
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.		16,288,227
Certain intergovernmental revenues are not available to pay for current expenditures and are therefore not accrued in the governmental funds.		1,090,844
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:		
Net deferred outflows and (inflows) of resources related to:		
IMRF pension	\$ (231,526)	
Police pension	<u>3,746,135</u>	3,514,609
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.		(68,561)
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.		
General obligation bonds payable	\$ (4,670,000)	
Unamortized bond premium	(211,135)	
Note payable	(661,094)	
Compensated absences payable	(1,170,355)	
Capital lease payable	(279,709)	
IMRF net pension liability	(229,332)	
Police net pension liability	(17,890,119)	
OPEB liability	<u>(1,721,683)</u>	<u>(26,833,427)</u>
Net deficit - governmental activities		\$ <u><u>(3,055,781)</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Governmental Funds

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

Year Ended April 30, 2020

	General	General Obligation Bonds	Capital Projects	Motor Fuel Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,236,929	\$ 393,027	\$ -	\$ 758,901	\$ 261,043	\$ 5,649,900
Intergovernmental	2,880,155	-	-	-	-	2,880,155
Licenses and permits	513,490	-	-	-	-	513,490
Fines	991,585	-	-	-	5,448	997,033
Charges for services	275,140	-	-	-	-	275,140
Investment income	14,288	-	-	5,887	7,087	27,262
Miscellaneous	100,340	-	47,275	-	-	147,615
Total revenues	9,011,927	393,027	47,275	764,788	273,578	10,490,595
Expenditures						
Current						
General government	1,794,446	-	-	-	-	1,794,446
Public safety	5,714,695	-	-	-	-	5,714,695
Public works	1,281,254	-	-	125,942	-	1,407,196
Miscellaneous	-	-	-	-	13,703	13,703
Capital outlay	166,747	-	81,202	668,304	-	916,253
Debt service						
Principal	267,474	85,000	-	-	275,000	627,474
Interest and other	14,472	112,400	-	-	48,037	174,909
Total expenditures	9,239,088	197,400	81,202	794,246	336,740	10,648,676
Excess (deficiency) of revenues over expenditures	(227,161)	195,627	(33,927)	(29,458)	(63,162)	(158,081)
Other financing sources (uses)						
Capital lease proceeds	138,860	-	-	-	-	138,860
Transfers out	-	(205,667)	-	-	-	(205,667)
Total other financing sources (uses)	138,860	(205,667)	-	-	-	(66,807)
Net change in fund balances (deficit)	(88,301)	(10,040)	(33,927)	(29,458)	(63,162)	(224,888)
Fund balance (deficit)						
Beginning of year	3,254,668	969,176	(1,603,298)	413,100	143,769	3,177,415
End of year	\$ 3,166,367	\$ 959,136	\$ (1,637,225)	\$ 383,642	\$ 80,607	\$ 2,952,527

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
Year Ended April 30, 2020

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

Net change in fund balances (deficit) - total governmental funds	\$	(224,888)
--	----	-----------

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 and loss on disposals of capital assets.

Capital outlay	\$	916,253	
Depreciation expense		(768,703)	
Loss on disposals of capital assets		<u>(26,374)</u>	121,176

Changes in deferred outflows and inflows of resources related to pensions and other post employment benefits (OPEB) are reported only in the statement of activities:

IMRF pension fund		(802,798)	
Police pension fund		1,926,609	
Retiree health plan OPEB		<u>(17,060)</u>	1,106,751

Accrued interest on debt 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.		(1,390)
--	--	---------

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.

Principal payments on note payable	\$	132,219	
Principal payments on general obligation bonds		360,000	
Amortization of bond premiums		16,301	
IMRF net pension liability, net		678,073	
Police pension liability, net		(3,749,865)	
OPEB liability, net		(471,641)	
Compensated absences, net		129,975	
Capital lease proceeds		(138,860)	
Principal payments on capital leases		<u>135,255</u>	<u>(2,908,543)</u>
Change in net position (deficit) - governmental activities	\$		<u><u>(1,906,894)</u></u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Water and Sewer Fund - Proprietary Fund

STATEMENT OF NET POSITION

April 30, 2020

ASSETS

Current

Cash and cash equivalents	\$ 290,293
Customer receivables (net of allowance for uncollectibles)	322,650
Prepaid items	<u>58,763</u>

Total current assets 671,706

Capital assets, net of accumulated depreciation 6,977,117

Total assets 7,648,823

DEFERRED OUTFLOWS

Deferred outflows related to pensions 177,694

Total deferred outflows 177,694

LIABILITIES

Current

Current portion of long-term liabilities	193,677
Accounts payable	154,836
Accrued interest payable	11,754

Long-term

Advances from other funds	407,083
Due in more than one year	<u>3,094,201</u>

Total liabilities 3,861,551

DEFERRED INFLOWS

Deferred inflows related to pensions 242,995

Total deferred inflows 242,995

NET POSITION

Net investment in capital assets	3,924,199
Unrestricted	<u>(202,228)</u>

Total net position \$ 3,721,971

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, 2020

OPERATING REVENUES	
Charges for services	\$ 2,471,100
Penalties	<u>20,150</u>
Total operating revenues	<u>2,491,250</u>
OPERATING EXPENSES	
Current	
Personal services	443,892
Commodities	1,178,343
Other services	611,048
Capital outlay	8,507
Depreciation	<u>165,418</u>
Total operating expenses	<u>2,407,208</u>
OPERATING INCOME	<u>84,042</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	162
Other	36,054
Interest income	67
Interest expense	<u>(59,700)</u>
Total nonoperating revenues (expenses)	<u>(23,417)</u>
Other financing sources	
Transfers in	<u>205,667</u>
CHANGE IN NET POSITION	266,292
NET POSITION	
Beginning of year	<u>3,455,679</u>
End of year	<u>\$ 3,721,971</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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,514,333
Cash paid to suppliers for goods and services	(1,932,068)
Cash paid to employees for services	(386,777)
Net cash provided by operating activities	195,488

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from other funds	205,667
Change in due from/to other funds	(571,035)
Net cash used in noncapital financing activities	(365,368)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Return of retainage	19,756
Loan repayments	(149,074)
Grant reimbursement	600,000
Principal payments on capital leases	(36,917)
Interest paid	(61,523)
Net cash provided by capital financing activities	372,242

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	67
Antenna leasing	36,054
Net cash provided by investing activities	36,121

NET INCREASE IN CASH AND CASH EQUIVALENTS

238,483

CASH AND CASH EQUIVALENTS

Beginning of year	51,810
End of year	\$ 290,293

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 84,042
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	165,418
Changes in assets and liabilities	
Customer receivables	23,083
Accounts payable	(133,693)
Prepaid items	(477)
Deferred outflows related to pensions and OPEB	165,987
Deferred inflows related to pensions	81,611
Net pension liability and net OPEB liability	(190,483)
Net cash provided by operating activities	\$ 195,488

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

Fiduciary Funds STATEMENT OF NET POSITION April 30, 2020

	Pension Trust Fund	Agency Fund
	Police Pension	Special Service Area
ASSETS		
Cash and cash equivalents	\$ 422,185	\$ 81,879
Investments	18,077,557	-
Accrued interest receivable	64,236	-
Due from the Village	9,321	-
Prepays	5,270	-
Total assets	18,578,569	\$ 81,879
LIABILITIES		
Accounts payable	4,818	\$ -
Due to property owners	-	81,879
Total liabilities	4,818	\$ 81,879
NET POSITION		
Restricted for pensions	\$ 18,573,751	

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, 2020

ADDITIONS

Investment income	
Investment earnings	\$ 724,519
Net depreciation in fair value of investments	<u>(536,882)</u>
Total investment income	<u>187,637</u>
Contributions	
Employer	963,830
Members	<u>258,042</u>
Total contributions	<u>1,221,872</u>
Total additions	<u>1,409,509</u>

DEDUCTIONS

Investment expense	52,719
Pension benefits and refunds	1,707,030
Administrative expense	<u>49,959</u>
Total deductions	<u>1,809,708</u>

CHANGE IN NET POSITION	(400,199)
------------------------	-----------

NET POSITION RESTRICTED
FOR PENSIONS

Beginning of Year	<u>18,973,950</u>
End of Year	<u>\$ 18,573,751</u>

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

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April 30, 2020

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April 30, 2020

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Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

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, 2020

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:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation - Fund Accounting (Continued)

a. Governmental Fund Types (Continued)

- 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.
- 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, and DUI 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, intergovernmental grant revenue, 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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Presentation - Fund Accounting (Continued)

c. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- 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. There were no nonspendable amounts at April 30, 2020.
- 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, 2020.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Balance (Continued)

d. *Assigned* - refers to amounts that are constrained by the Village's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Trustees or the individual the Village Board delegates the authority to assign amounts to be used for specific purposes. The Village Board has not delegated this authority as of April 30, 2020. There were no assigned amounts at April 30, 2020.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, interest revenue, and charges for services revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *General Obligation Bonds 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.

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

The *Motor Fuel Tax Fund* is a special revenue fund that accounts for the operation of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the Village reports the following fiduciary fund types:

The *Police Pension Trust Fund* accounts for the activities of the accumulation of resources to pay pension costs. Resources are contributed by members at rates fixed by state statutes and by the employer contributions which are based upon actuarial studies and funded through an annual property tax levy.

The *Special 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.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.
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Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value Measurements (Continued)

- 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, 2020.

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. Treasury Obligations : Valued at closing price of similar instruments with comparable durations 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.

Mortgage-Backed Securities : Valued based on matrix pricing models, maximizing the use of observable inputs for similar securities.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

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 and Exchange-Traded 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, 2020

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, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plan and additions to/deductions from the pension/OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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, whether or not withheld from actual proceeds, 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, 2020, the Village had deferred outflows of resources related to pensions. 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, 2020, the Village reported deferred inflows of resources related to property taxes levied for a future period, pensions, and unavailable grant revenues.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	\$ 383,642
Crime investigation	18,827
DUI	47,672
Debt service	<u>973,244</u>
Total net position restricted by enabling legislation	<u>\$ 1,423,385</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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS

For disclosure purposes, the amounts are segregated as follows:

	Government- Wide	Agency Fund	Police Pension Fund	Total
Deposits with financial institutions*	\$ 1,411,853	\$ 81,879	\$ 422,185	\$ 1,915,917
Cash on hand	1,750	-	-	1,750
Investments	-	-	18,077,557	18,077,557
Illinois Funds	1,071,990	-	-	1,071,990
Total cash, cash equivalents and investments	\$ <u>2,485,593</u>	\$ <u>81,879</u>	\$ <u>18,499,742</u>	\$ <u>21,067,214</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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security, while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

Deposits with Financial Institutions

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, 2020, the Village had no uninsured and uncollateralized deposits. The carrying amount of the Village's deposits with financial institutions was \$1,411,853 at April 30, 2020. The Village's Agency Fund had a carrying value of \$81,879 at April 30, 2020.

Interest Rate Risk

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.

Credit Risk

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

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

1. Village Deposits and Investments (Continued)

Concentration of 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, 2020, 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.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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

Also authorized are deposits or investments in money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; 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 \$422,185.

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, 2020:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt Securities				
U.S. Treasuries	\$ -	\$ 150,012	\$ -	\$ 150,012
U.S. Agencies	-	3,523,584	-	3,523,584
U.S. Mortgage Backed Security	-	11,782	-	11,782
Corporate Bonds	-	2,902,418	-	2,902,418
Equity Securities				
Common Stock	1,481,345	-	-	1,481,345
Mutual Funds	9,934,667	-	-	9,934,667
Exchange-Traded Funds	73,749	-	-	73,749
Total investments by fair value level	\$ <u>11,489,761</u>	\$ <u>6,587,796</u>	\$ <u>-</u>	\$ <u>18,077,557</u>

At April 30, 2020, the Pension Fund has the following investment maturities:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Govt and Agency Obligations	\$ 3,685,378	\$ 708,316	\$ 1,659,965	\$ 1,305,406	\$ 11,691
Corporate Obligations	2,902,418	116,214	2,071,829	714,375	-
	6,587,796	\$ <u>824,530</u>	\$ <u>3,731,794</u>	\$ <u>2,019,781</u>	\$ <u>11,691</u>
Equity Securities	11,489,761				
	\$ <u>18,077,557</u>				

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - 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 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, 2020, 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, 2020, the U.S. government agencies 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, 2020

NOTE B - 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, 2020, the Pension Fund has over 5% of its net plan assets invested in various agency securities. 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 \$1,481,345 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	\$ 1,709,085
DWS Global Real Estate Securities Fund	347,662
Fidelity Advisor New Insights Fund	1,719,043
JP Morgan Mid Cap Value Fund	507,496
MFS International Value Fund	920,673
Oppenheimer Developing Markets Fund	763,482
Oppenheimer Intrl Growth Fund	860,375
Pear Tree Polaris Foreign Value Fund	280,223
T. Rowe Price Mid-Cap Growth Fund	524,863
Undiscovered Managers Behavioral Value Fund	458,105
Vanguard 500 Index Fund	1,843,660
Total equity mutual funds	\$ <u><u>9,934,667</u></u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - 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>
Cash and cash equivalents	2.05 %	3.13 %
High quality domestic bonds	34.24	3.03
Developed international bonds	1.45	(1.61)
Large cap domestic stocks	36.85	5.34
Small & mid cap domestic stocks	8.22	5.12
Developed international stocks	11.17	6.34
Emerging market stocks	4.14	6.61
REITS	1.88	5.88
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 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, 2020 are listed in the table above.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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

b. Rate of Return

For the year ended April 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE C - PROPERTY TAXES

Property taxes for the 2019 tax year attach as an enforceable lien on January 1, 2019 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, 2020 and August 1, 2020. The County collects such taxes and remits them periodically. The portion of the 2019 property tax levy not received by April 30 is recorded as a receivable, net of an 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, 2021, net taxes receivable is reflected as property taxes levied for a future period. The 2020 levy, which attached as an enforceable lien on property as of January 1, 2020, has not been recorded as a receivable as of April 30, 2020, as the tax has not yet been levied by the Village and will not be levied until December 2020; therefore, the levy is not measurable at April 30, 2020. 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, 2020

NOTE D - INTERFUND TRANSACTIONS

1. Due from/to Other Funds and Advances to/from Other Funds

	Due from/ Advances to	Due to/ Advances from
General Fund		
Water and Sewer Fund	\$ 194,218	\$ -
SSA Debt Service Fund	228,820	-
General Obligation Bonds Fund	-	238,128
Capital Projects Fund	1,606,882	
Total General Fund	2,029,920	238,128
General Obligation Bonds Fund		
General Fund	238,128	-
Water and Sewer Fund	212,865	-
Total General Obligation Bonds Fund	450,993	-
Capital Projects Fund		
General Fund	-	1,606,882
Total Capital Projects Fund	-	1,606,882
Nonmajor governmental funds		
SSA Debt Service Fund - General Fund	-	228,820
Total nonmajor governmental funds	-	228,820
Total governmental funds	2,480,913	2,073,830
Water and Sewer Fund		
General Fund	-	194,218
General Obligation Bonds Fund	-	212,865
Total Water and Sewer Fund	-	407,083
Total all Funds	2,480,913	2,480,913
Less amounts eliminated during GASB 34 conversion	(2,073,830)	(2,073,830)
Total Village internal balances	\$ 407,083	\$ 407,083

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2020

NOTE D - INTERFUND TRANSACTIONS (Continued)

1. Due from/to Other Funds and Advances to/from Other Funds (Continued)

The principal purpose of the advances is a result of cash deficits in applicable funds throughout the year. Amounts are expected to be repaid back in the next twelve months.

2. Interfund Transfers

Interfund transfers are recorded for permanent transfers between funds which are not expected to be repaid.

During the year ended April 30, 2020, the General Obligation Bonds Fund transferred \$205,667 to the Water and Sewer Fund for debt service on the Illinois EPA loans (Note H).

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2020 was as follows:

1. Governmental Activities

	Beginning Balance	Additions / Transfers	Disposals / Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 629,428	\$ -	\$ -	\$ 629,428
Construction in process	<u>452,798</u>	<u>383,356</u>	<u>359,183</u>	<u>476,971</u>
Total capital assets, not being depreciated	<u>1,082,226</u>	<u>383,356</u>	<u>359,183</u>	<u>1,106,399</u>
Capital assets, being depreciated				
Buildings	9,164,158	56,885	-	9,221,043
Machinery and equipment	3,488,310	172,710	196,869	3,464,151
Land improvements	121,499	-	-	121,499
Infrastructure	<u>13,539,635</u>	<u>662,485</u>	<u>-</u>	<u>14,202,120</u>
Total capital assets, being depreciated	<u>26,313,602</u>	<u>892,080</u>	<u>196,869</u>	<u>27,008,813</u>
Less accumulated depreciation for				
Buildings	2,359,391	272,339	-	2,631,730
Machinery and equipment	2,966,367	147,084	170,495	2,942,956
Land improvements	114,010	2,140	-	116,150
Infrastructure	<u>5,789,009</u>	<u>347,140</u>	<u>-</u>	<u>6,136,149</u>
Total accumulated depreciation	<u>11,228,777</u>	<u>768,703</u>	<u>170,495</u>	<u>11,826,985</u>
Total capital assets, being depreciated, net	<u>15,084,825</u>	<u>123,377</u>	<u>26,374</u>	<u>15,181,828</u>
Governmental activities capital assets, net	<u>\$ 16,167,051</u>	<u>\$ 506,733</u>	<u>\$ 385,557</u>	<u>\$ 16,288,227</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE E - CAPITAL ASSETS (Continued)

2. Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions / Transfers</u>	<u>Disposals / Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Construction in process	\$ 4,105,666	\$ -	\$ 4,105,666	\$ -
Capital assets, being depreciated				
Machinery and equipment	556,238		-	556,238
Land improvements	34,700	-	-	34,700
Infrastructure	5,636,366	4,085,909	-	9,722,275
Total capital assets, being depreciated	<u>6,227,304</u>	<u>4,085,909</u>	<u>-</u>	<u>10,313,213</u>
Less accumulated depreciation for				
Machinery and equipment	391,495	38,721	-	430,216
Land improvements	34,700	-	-	34,700
Infrastructure	2,744,483	126,697	-	2,871,180
Total accumulated depreciation	<u>3,170,678</u>	<u>165,418</u>	<u>-</u>	<u>3,336,096</u>
Total capital assets, being depreciated, net	<u>3,056,626</u>	<u>3,920,491</u>	<u>-</u>	<u>6,977,117</u>
Business-type activities, capital assets, net	<u>\$ 7,162,292</u>	<u>\$ 3,920,491</u>	<u>\$ 4,105,666</u>	<u>\$ 6,977,117</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE E - CAPITAL ASSETS (Continued)

3. Depreciation Expense

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

Governmental activities:

General government	\$ 279,012
Public safety	87,355
Public works, streets, and lighting	<u>402,336</u>
	<u>\$ 768,703</u>

Business – type activities:

Water and sewer	<u>\$ 165,418</u>
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NOTE F - 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 G - 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 3.83%. The agreement matured in July 2020 and was renewed at that time with a maturity date of July 23, 2021. The renewed agreement allows for borrowings of up to \$1,000,000, and interest charged at 3.24%. There were no outstanding borrowings at April 30, 2020.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE H - LONG-TERM LIABILITIES

1. Changes in Long-Term Liabilities

The following is a summary of the Village's long-term liability balances and transactions associated with governmental activities for the year ended April 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds					
Series 2015	\$ 2,530,000	\$ -	\$ 360,000	\$ 2,170,000	\$ 365,000
Series 2017	2,500,000	-	-	2,500,000	-
Bond premium	227,436	-	16,301	211,135	-
Total general obligation bonds	<u>5,257,436</u>	<u>-</u>	<u>376,301</u>	<u>4,881,135</u>	<u>365,000</u>
Capital lease obligations	276,104	138,860	135,255	279,709	122,995
Note payable	793,313	-	132,219	661,094	132,219
Police net pension liability	14,140,254	5,106,656	1,356,791	17,890,119	-
IMRF net pension liability	907,405	578,853	1,256,926	229,332	-
OPEB liability	1,250,042	514,097	42,456	1,721,683	-
Compensated absences	<u>1,300,330</u>	<u>873,735</u>	<u>1,003,710</u>	<u>1,170,355</u>	<u>-</u>
Total governmental activities	\$ <u>23,924,884</u>	\$ <u>7,212,201</u>	\$ <u>4,303,658</u>	\$ <u>26,833,427</u>	\$ <u>620,214</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE H - LONG-TERM LIABILITIES (Continued)

1. Changes in Long-Term Liabilities (Continued)

The following is a summary of the Village's long-term liability balances and transactions associated with business-type activities for the year ended April 30, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Illinois EPA loans	\$ 3,079,617	\$ -	\$ 149,074	\$ 2,930,543	\$ 151,861
Capital lease obligations	159,294	-	36,918	122,376	41,816
IMRF net pension liability	286,549	163,266	385,132	64,683	-
OPEB liability	138,893	35,582	4,199	170,276	-
Total business-type activities	\$ <u>3,664,353</u>	\$ <u>198,848</u>	\$ <u>575,323</u>	\$ <u>3,287,878</u>	\$ <u>193,677</u>

2. Long-Term Debt - Terms and Maturities

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

Purpose	Interest Rates	Amount
Series 2015 General Obligation Bonds	2.00 - 3.13%	\$ 2,170,000
Series 2017 General Obligation Bonds	3.00 - 4.00%	<u>2,500,000</u>
		\$ <u>4,670,000</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE H - LONG-TERM LIABILITIES (Continued)

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

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

Year Ending April 30,	General Obligation Bonds Payable		
	Principal	Interest	Total
2021	\$ 365,000	\$ 152,288	\$ 517,288
2022	395,000	144,988	539,988
2023	280,000	137,088	417,088
2024	285,000	128,688	413,688
2025	295,000	120,138	415,138
2026-2030	1,645,000	439,688	2,084,688
2031-2035	1,405,000	123,213	1,528,213
	<u>\$ 4,670,000</u>	<u>\$ 1,246,091</u>	<u>\$ 5,916,091</u>

3. Capital Lease Obligations

At April 30, 2020, the Village is obligated for future payments under various noncancelable lease for equipment as follows:

Year Ending April 30,	Capital Leases Governmental Activities		Capital Leases Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 122,995	\$ 10,183	\$ 41,817	\$ 3,885
2022	94,290	4,450	43,352	2,349
2023	46,313	1,176	37,207	790
2024	16,111	168	-	-
2025	-	-	-	-
	<u>\$ 279,709</u>	<u>\$ 15,977</u>	<u>\$ 122,376</u>	<u>\$ 7,024</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE H - LONG-TERM LIABILITIES (Continued)

3. Capital Lease Obligations (Continued)

The cost of the capital assets associated with governmental activities acquired through capital lease is \$565,230, with accumulated depreciation and depreciation expense of \$195,385 and \$71,683, respectively, at April 30, 2020. The cost of the capital assets associated with business-type activities acquired through capital lease is \$233,124, with accumulated depreciation and depreciation expense of \$123,021 and \$32,862, respectively, at April 30, 2020.

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, 2020 was \$661,094.

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

<u>Year ending April 30,</u>	<u>Principal</u>
2021	\$ 132,219
2022	132,219
2023	132,219
2024	132,219
2025	<u>132,218</u>
	<u>\$ 661,094</u>

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2020

NOTE H - LONG-TERM LIABILITIES (Continued)

5. Illinois EPA Loans

The details of the Illinois EPA loans payable as of April 30, 2020 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.	\$ 1,036,594
IEPA Public Water Supply Loans, payable in semiannual installments of \$65,231, including interest at 1.86% through March 2037.	<u>1,893,949</u>
	<u><u>\$ 2,930,543</u></u>

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
2021	\$ 151,861	\$ 53,806	\$ 205,667
2022	154,698	50,968	205,666
2023	157,589	48,076	205,665
2024	160,534	45,132	205,666
2025	163,534	42,132	205,666
2026-2030	685,269	137,393	822,662
2031 - 2035	931,128	97,200	1,028,328
2036-2037	<u>525,930</u>	<u>15,863</u>	<u>541,793</u>
	<u><u>\$ 2,930,543</u></u>	<u><u>\$ 490,570</u></u>	<u><u>\$ 3,421,113</u></u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE H - 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 I - PENSION LIABILITIES

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

1. Illinois Municipal Retirement Fund

Plan Description

The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Village's plan is managed with the Illinois Municipal Retirement Fund (IMRF), the 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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Benefits Provided

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

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

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, 2019, the following employees were covered by the benefit terms:

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

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - 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 2019 was 5.9%. For the fiscal year ended April 30, 2020 the Village contributed \$103,008 to the plan. The Village also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Village's IMRF net pension liability was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2019:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.50
Salary Increases	3.35% to 14.25%
Investment Rate of Return	7.25%
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, 2020

NOTE I - 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, 2020

NOTE I - 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%	5.75%
International equity	18%	6.50%
Fixed income	28%	3.25%
Real estate	9%	5.20%
Alternative investments	7%	3.60% - 7.60%
Cash equivalents	1%	1.85%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.25% 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 pension plan investments is 7.25%, the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the "20-Year Municipal GO AA index"), and the resulting single discount rate is 7.25%.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Changes in Net Pension Liability

The following table shows the components of the change in the Village's net pension liability for the calendar year ended December 31, 2019:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability * (A) - (B)
Balances at December 31, 2018	\$ 8,576,142	\$ 7,382,188	\$ 1,193,954
Changes for the year:			
Service cost	128,553	-	128,553
Interest on the total pension liability	613,566	-	613,566
Changes of benefit terms	-	-	-
Difference between expected and actual experience of the total pension liability	(133,450)	-	(133,450)
Changes of assumptions	-	-	-
Contributions - Employer	-	78,252	(78,252)
Contributions - Employees	-	59,683	(59,683)
Net Investment Income	-	1,331,889	(1,331,889)
Benefit payments, including refunds of employee contributions	(354,869)	(354,869)	-
Other (net transfer)	-	38,784	(38,784)
Net changes	<u>253,800</u>	<u>1,153,739</u>	<u>(899,939)</u>
Balances at December 31, 2019	<u>\$ 8,829,942</u>	<u>\$ 8,535,927</u>	<u>\$ 294,015</u>

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

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

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

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

	1% Lower (6.25%)	Current Discount Rate (7.25%)	1% Higher (8.25%)
Net pension liability (asset)	\$ <u>1,441,004</u>	\$ <u>294,015</u>	\$ <u>(642,553)</u>

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

For the year ended April 30, 2020, the Village recognized pension expense of \$251,529. At April 30, 2020, the Village reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ 129,851	\$ 137,896
Change of assumptions	51,166	50,929
Net difference between projected and actual earnings on pension plan investments	<u>577,212</u>	<u>915,702</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>758,229</u>	<u>1,104,527</u>
Pension contributions made subsequent to the measurement date	<u>49,471</u>	<u>-</u>
Total deferred amounts related to pensions	\$ <u>807,700</u>	\$ <u>1,104,527</u>

The Village reported \$49,471 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, 2020. Amounts reported as net deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

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

Year Ended	Net Deferred
April, 30	(Inflows) Outflows of Resources
2021	\$ (80,768)
2022	(134,941)
2023	30,037
2024	(160,626)
2025	-
Thereafter	-
Total	\$ <u>(346,298)</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.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

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 48 consecutive months of service within the last 60 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).

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 the change in the Consumer Price Index for the proceeding calendar year.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Plan Membership

As of April 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>25</u>
 Total plan membership	 <u><u>51</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, 2020, the Village's contribution was 38.87% of covered payroll.

Net Pension Liability

The Village's police fund net pension liability was measured as of April 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of April 30, 2020, using the following actuarial methods and assumptions.

Actuarial valuation date	May 1, 2020
Actuarial measurement date	April 30, 2020

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Actuarial Assumptions (Continued)

Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Assumptions	
Investment rate of return	6.75%
Discount rate	6.75%
Salary increases	3.50% - 11.00%
Cost of living adjustments	1.25% - 3.00%
Inflation	2.50%
Marital status	80% of members are assumed to be married

Mortality rates were based on the PubS-2010 mortality tables, projected 5 years past the valuation date with Scale MP-2019.

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.

Funding Policy

The Village funds its contributions to the Police Pension plan through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal costs, plus the amount to amortize the unfunded accrued liability.

Administrative Costs

The Police Pension Fund's administrative costs are part of the budget prepared annually and the actual costs are paid out of the revenues received.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Changes in Net Pension Liability

	Total Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2019	\$ 33,114,204	\$ 18,973,950	\$ 14,140,254
Changes for the year:			
Service cost	651,594	-	651,594
Interest on the total pension liability	2,221,579	-	2,221,579
Difference between expected and actual experience of the total pension liability	2,012,860	-	2,012,860
Changes of benefit terms	170,664	-	170,664
Contributions - employer	-	963,830	(963,830)
Contributions - employees	-	258,041	(258,041)
Net investment income (loss)	-	134,920	(134,920)
Benefit payment, including refunds of employee contributions	(1,707,030)	(1,707,030)	-
Administrative expense	-	(49,959)	49,959
Net changes	<u>3,349,667</u>	<u>(400,198)</u>	<u>3,749,865</u>
Balances at April 30, 2020	<u>\$ 36,463,871</u>	<u>\$ 18,573,752</u>	<u>\$ 17,890,119</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>22,870,569</u>	\$ <u>17,890,119</u>	\$ <u>13,802,148</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - 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, 2020 the Village recognized pension expense of \$2,787,086. At April 30, 2020, 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	\$ 2,132,177	\$ 298,159
Change in assumptions	912,551	-
Net difference between projected and actual earnings on pension plan investments	<u>999,566</u>	<u>-</u>
Total deferred amounts related to Police Pension	\$ <u>4,044,294</u>	\$ <u>298,159</u>

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

<u>Year Ended April 30,</u>	<u>Net Deferred Outflows of Resources</u>
2021	\$ 963,402
2022	862,043
2023	732,494
2024	706,874
2025	481,322
Thereafter	<u>-</u>
Total	\$ <u>3,746,135</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE I - PENSION LIABILITIES (Continued)

3. Summary of Pension Items

Below is a summary of the various pension items:

	IMRF	Police	Total
Deferred outflows of resources:			
Employer contributions	\$ 49,471	\$ -	\$ 49,471
Experience	129,851	2,132,177	2,262,028
Assumptions	51,166	912,551	963,717
Investments	577,212	999,566	1,576,778
	<u>\$ 807,700</u>	<u>\$ 4,044,294</u>	<u>\$ 4,851,994</u>
Net pension liability	<u>\$ 294,015</u>	<u>\$ 17,890,119</u>	<u>\$ 18,184,134</u>
Pension expense	<u>\$ 251,529</u>	<u>\$ 2,787,086</u>	<u>\$ 3,038,615</u>
Deferred inflows of resources:			
Experience	\$ 137,896	\$ 298,159	\$ 436,055
Assumptions	50,929	-	50,929
Investments	915,702	-	915,702
	<u>\$ 1,104,527</u>	<u>\$ 298,159</u>	<u>\$ 1,402,686</u>

NOTE J - OTHER POSTEMPLOYMENT BENEFITS

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

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.

Employees Covered by Benefit Terms

As of April 30, 2020, membership in the Plan consisted of the following:

Active plan members	46
Inactive plan members currently receiving benefits	1
Inactive plan members entitled to but not receiving benefits	-
	<hr/>
	47
	<hr/>

Contributions

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 2020, the Village contributed \$46,655 toward the cost of the postemployment benefits for retirees, which was 1.20% of covered payroll.

OPEB Expense

The GASB 75 valuation was performed utilizing the Alternative Measurement Method for small plans as permitted under GASB 75. Under GASB 75 as it applies to plans that qualify for the Alternative Measurement Method, changes in the total OPEB liability are not permitted to be included in deferred outflows of resources or deferred inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense. For the year ended April, 30, 2020, the Village recognized OPEB expense of \$568,635.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation performed as of May 1, 2018 and rolled-forward using the following actuarial methods and assumptions:

Actuarial valuation date	May 1, 2018
Measurement date	April 30, 2020
Actuarial cost method	Entry Age Normal (Level %)
Actuarial assumptions:	
Inflation	2.25%
Discount rate	2.56%
Salary increase rate	3.00%
Healthcare cost trend rate	
HSA	6.96% initial; 5.00% ultimate
Dental	3.70% all years
Mortality rates	Based on sex distinct raw rates as developed in the RP-2014 Study, with blue collar adjustment. Improved generationally using MP-2016 improvement rates.
Election at retirement	30%; 10% for employees currently waiving coverage.
Spousal election	Of those employees assumed to elect coverage in retirement, 50% are assumed to elect spousal coverage. Female spouses are assumed to be 3 years younger than male spouses.

Discount Rate

The Village does not have a dedicated Trust to pay retiree healthcare benefits. Per GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). A rate of 2.56% is used, which is the Bond Buyer 20-Bond GO Index as of April 30, 2020.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability (A)	Plan Fiduciary Net Position (B)	Net OPEB Liability * (A) - (B)
Balances at May 1, 2019	\$ 1,388,935	\$ -	\$ 1,388,935
Changes for the year:			
Service cost	28,204	-	28,204
Interest on the total OPEB liability	51,751	-	51,751
Difference between expected and actual experience of the total OPEB liability	-	-	-
Changes of assumptions	469,724	-	469,724
Contributions - employer	-	46,655	(46,655)
Contributions - active and inactive employees	-	-	-
Net investment income (loss)	-	-	-
Benefit payment, including the implicit rate subsidy	(46,655)	(46,655)	-
Other changes	-	-	-
Net changes	<u>503,024</u>	<u>-</u>	<u>503,024</u>
Balances at April 30, 2020	<u>\$ 1,891,959</u>	<u>\$ -</u>	<u>\$ 1,891,959</u>

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability, calculated using a Single Discount Rate of 2.56%, as well as what the plan's total OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower (1.56%)	Current Discount Rate (2.56%)	1% Higher (3.56%)
Total OPEB liability	<u>\$ 2,085,605</u>	<u>\$ 1,891,959</u>	<u>\$ 1,724,650</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the plan's net OPEB liability, calculated using a Healthcare Trend Rate range of 3.70%-6.96%, as well as what the plan's net OPEB liability would be if it were calculated using a Healthcare Trend Rate range that is 1% lower or 1% higher than the current range:

	1% Lower (2.70%-5.96%)	Current Healthcare Rate (3.70%-6.96%)	1% Higher (4.70%-7.96%)
Total OPEB liability	\$ <u>1,672,397</u>	\$ <u>1,891,959</u>	\$ <u>2,148,891</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended April 30, 2020, the Village recognized OPEB expense of \$568,635. At April 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Amounts to be Recognized in OPEB Expense in Future Periods		
Changes of Assumptions	\$ <u>-</u>	\$ <u>-</u>

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

Year Ended April 30,	Deferred Outflows (Inflows) of Resources
2021	\$ -
2022	-
2023	-
2025	-
2025	-
Thereafter	-
	\$ <u>-</u>

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE K - CONTINGENCIES AND COMMITMENTS

1. Grants

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

2. Litigation

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

3. Construction Commitments

The Village has certain contracts for several construction projects that were in progress at April 30, 2020. Future commitments under these contracts were approximately \$57,000 at April 30, 2020.

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 percentage of the MCD's total operating costs chargeable to each Party is 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 Village's total allocation for the year ended April 30, 2020 is 24%. The charges are payable to MCD on a quarterly basis.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE L - TAX ABATEMENTS

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

The Village has entered into the following abatement agreements:

In April 2012, the Village entered into an agreement with a business developer related to land to be developed in the Village. Under the agreement, the Village agreed to reimburse the developer up to \$3,850,000 of the costs to develop the land, to be paid over a period of 40 years. The Village will make the reimbursement payments from 50% of the sales tax revenue generated from the business developed on the land. The monthly payments commenced in May 2013. Each monthly payment is applied first to interest at the prime rate plus 2.25%, with any remaining amount applied to the \$3,850,000 principal. The Village's pledge is limited to 50% of the related sales tax revenue, and the obligation will terminate at the end of the 40 year period, regardless of whether a principal balance remains. In 2020, total rebates were approximately \$304,000, approximately \$56,000 of which was due and outstanding at April 30, 2020. Cumulative payments paid or accrued under this arrangement amount to approximately \$2,064,000 through April 30, 2020.

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, 2020.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2020

NOTE L - TAX ABATEMENTS (Continued)

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 2020, total rebates were approximately \$22,000, approximately \$7,000 of which was due and outstanding at April 30, 2020. Cumulative payments paid or accrued under this arrangement amount to approximately \$99,000 through April 30, 2020.

NOTE M - DEFICIT FUND BALANCE

As of April 30, 2020, the Capital Projects Fund has a deficit balance of \$1,637,225. The Village expects to fund this deficit through grant reimbursement.

NOTE N - SUBSEQUENT EVENTS AND COVID-19

Management has evaluated subsequent events through October 21, 2020, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than below, have occurred subsequent to the statement of net position date that require disclosure in the financial statements.

The direct and indirect impacts of the COVID-19 pandemic on the Village's vendors, operations, financing arrangements, tax revenues, and future property tax collections are currently unknown (except as noted below), as is the duration and severity of any impacts that the Village may experience.

The Village has experienced a significant loss in sales tax revenues, the Village is planning on reducing expenses to balance the Fiscal 2021 budget. Additionally, tax payors in Cook County have been granted an extension on the second installment payment for property tax (due August 1, 2020). Tax payors were given until October 1, 2020 to remit property tax payments without penalty, which will affect the timing of the Village receiving those property taxes, and overall cash flows. Also, the values of the Police Pension Fund's investments may have changed by material amounts since year end. The Village is monitoring the situation.

While the Village's evaluation is ongoing, management is currently unable to quantify the effects that this situation will have on its operations, cash flows, and financial position; however, they may be significant. No adjustments have been made to these financial statements as a result of this uncertainty.

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
Five Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>
Total pension liability		
Service cost	\$ 128,553	\$ 103,642
Interest on the total pension liability	613,566	545,121
Difference between expected and actual experience of the total pension liability	(133,450)	635,991
Assumption changes	-	250,608
Benefit payments and refunds	(354,869)	(351,364)
Net change in total pension liability	<u>253,800</u>	<u>1,183,998</u>
Total pension liability, beginning	8,576,142	7,392,144
Total pension liability, ending	<u><u>\$ 8,829,942</u></u>	<u><u>\$ 8,576,142</u></u>
Plan fiduciary net position		
Contributions, employer	\$ 78,252	\$ 119,692
Contributions, employee	59,683	55,073
Net investment income	1,331,889	(368,715)
Benefit payments, including refunds of employee contributions	(354,869)	(351,364)
Other (net transfer)	38,784	89,010
Net change in plan fiduciary net position	<u>1,153,739</u>	<u>(456,304)</u>
Plan fiduciary net position, beginning	7,382,188	7,838,492
Plan fiduciary net position, ending	<u><u>\$ 8,535,927</u></u>	<u><u>\$ 7,382,188</u></u>
Net pension liability (asset)	<u><u>\$ 294,015</u></u>	<u><u>\$ 1,193,954</u></u>
Plan fiduciary net position as a percentage of the total pension liability	96.67 %	86.08 %
Covered Valuation Payroll	\$ 1,326,296	\$ 1,223,839
Net pension liability (asset) as a percentage of covered valuation payroll	22.17 %	97.56 %

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.

Note: Actuarial valuations are as of December 31, which is four months prior to the end of the fiscal year.

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 158,956	\$ 150,233	\$ 140,878
561,127	537,444	513,793
(295,493)	(12,743)	23,725
(264,115)	(9,337)	8,942
(341,089)	(386,422)	(347,789)
(180,614)	279,175	339,549
7,572,758	7,293,583	6,954,034
<u>\$ 7,392,144</u>	<u>\$ 7,572,758</u>	<u>\$ 7,293,583</u>
\$ 131,231	\$ 152,104	\$ 141,104
61,943	71,319	63,185
1,190,092	461,866	32,819
(341,089)	(386,422)	(347,789)
(78,267)	(23,927)	74,699
963,910	274,940	(35,982)
6,874,582	6,599,642	6,635,624
<u>\$ 7,838,492</u>	<u>\$ 6,874,582</u>	<u>\$ 6,599,642</u>
<u>\$ (446,348)</u>	<u>\$ 698,176</u>	<u>\$ 693,941</u>
106.04 %	90.78 %	90.49 %
\$ 1,329,591	\$ 1,439,017	\$ 1,338,389
(33.57) %	48.52 %	51.85 %

Village of Harwood Heights, Illinois
 Illinois Municipal Retirement Fund
 MULTIYEAR SCHEDULE OF CONTRIBUTIONS
Five Most Recent Fiscal Years

<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>
2020	\$ 78,251 *	\$ 78,252	\$ 1	\$ 1,326,296	% 5.90
2019	119,691	119,692	1	1,223,839	9.78
2018	131,231	131,231	-	1,329,591	9.87
2017	152,104	152,104	-	1,439,017	10.57
2016	133,839	141,104	7,265	1,338,389	10.54

* Estimated based on contribution rate of 5.90% and covered valuation payroll of \$1,326,296.

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.

Note: Actuarial valuations are as of December 31, which is four months prior to the end of the fiscal year.

Village of Harwood Heights, Illinois

Police Pension Fund

MULTIYEAR SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Six Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 651,594	\$ 610,705	\$ 594,196
Interest on the total pension liability	2,221,579	2,073,104	2,046,568
Difference between expected and actual experience of the total pension liability	2,012,860	377,061	(412,409)
Assumption changes	-	643,854	541,378
Change of benefit terms	170,664		
Benefit payments and refunds	(1,707,030)	(1,384,945)	(1,235,590)
Net change in total pension liability	<u>3,349,667</u>	<u>2,319,779</u>	<u>1,534,143</u>
Total pension liability, beginning	<u>33,114,204</u>	<u>30,794,425</u>	<u>29,260,282</u>
Total pension liability, ending	<u><u>\$ 36,463,871</u></u>	<u><u>\$ 33,114,204</u></u>	<u><u>\$ 30,794,425</u></u>
Plan fiduciary net position			
Contributions, employer	\$ 963,830	\$ 901,461	\$ 838,466
Contributions, employee	258,041	255,098	252,680
Net investment income (loss)	134,920	1,189,028	1,015,454
Benefit payments, including refunds of employee contributions	(1,707,030)	(1,384,945)	(1,235,590)
Transfers to other pensions	-	-	-
Administrative expense	(49,959)	(43,278)	(45,956)
Net change in plan fiduciary net position	<u>(400,198)</u>	<u>917,364</u>	<u>825,054</u>
Plan fiduciary net position, beginning	<u>18,973,950</u>	<u>18,056,586</u>	<u>17,231,532</u>
Plan fiduciary net position, ending	<u><u>\$ 18,573,752</u></u>	<u><u>\$ 18,973,950</u></u>	<u><u>\$ 18,056,586</u></u>
Net pension liability	<u><u>\$ 17,890,119</u></u>	<u><u>\$ 14,140,254</u></u>	<u><u>\$ 12,737,839</u></u>
Plan fiduciary net position as a percentage of the total pension liability	50.94 %	57.30 %	58.64 %
Covered Valuation Payroll	\$ 2,479,425	\$ 2,783,628	\$ 2,568,420
Net pension liability as a percentage of covered valuation payroll	721.54 %	507.98 %	495.94 %

Note: The Village implemented GASB 68 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 559,532	\$ 516,498	\$ 495,347
1,915,734	1,798,675	1,651,615
556,388	(551,725)	1,096,887
-	1,091,793	-
(1,225,559)	(1,159,820)	(1,168,464)
<u>1,806,095</u>	<u>1,695,421</u>	<u>2,075,385</u>
27,454,187	25,758,766	23,683,381
<u>\$ 29,260,282</u>	<u>\$ 27,454,187</u>	<u>\$ 25,758,766</u>
\$ 820,142	\$ 668,617	\$ 545,245
283,346	224,805	189,713
1,079,805	(93,153)	922,870
(1,225,559)	(1,159,820)	(1,115,751)
-	-	(52,895)
(46,967)	(45,779)	(40,152)
<u>910,767</u>	<u>(405,330)</u>	<u>449,030</u>
16,320,765	16,726,095	16,277,065
<u>\$ 17,231,532</u>	<u>\$ 16,320,765</u>	<u>\$ 16,726,095</u>
<u>\$ 12,028,750</u>	<u>\$ 11,133,422</u>	<u>\$ 9,032,671</u>
58.89 %	59.45 %	64.93 %
\$ 2,423,667	\$ 2,115,352	\$ 2,133,608
496.30 %	526.32 %	423.35 %

Village of Harwood Heights, Illinois
Police Pension Fund
MULTIYEAR SCHEDULE OF CONTRIBUTIONS
Six Most Recent Fiscal Years

<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>
2020	\$ 1,640,140	\$ 963,830	\$ (676,310)	\$ 2,479,425	38.87 %
2019	1,413,603	901,461	(512,142)	2,783,628	32.38
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

Note: The Village implemented GASB 68 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
Six Most Recent Fiscal Years

<u>Fiscal Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
2020	0.69%
2019	4.54%
2018	5.94%
2017	6.67%
2016	-0.54%
2015	5.78%

Note: The Village implemented GASB 68 beginning with its fiscal year ended April 30, 2015; therefore, 10 years of information is not available.

Village of Harwood Heights, Illinois

Retiree Health Plan

SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB)

LIABILITY AND RELATED RATIOS

Two Most Recent Fiscal Years

	<u>2020</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 28,204	\$ 26,413
Interest on the total OPEB liability	51,751	52,084
Change in benefit terms	-	-
Difference between expected and actual experience of the total OPEB liability	-	-
Assumption changes	469,724	20,402
Benefit payments and refunds	(46,655)	(43,847)
Other changes	-	-
Net change in total OPEB liability	<u>503,024</u>	<u>55,052</u>
Total OPEB liability, beginning	<u>1,388,935</u>	<u>1,333,883</u>
Total OPEB liability, ending	<u><u>\$ 1,891,959</u></u>	<u><u>\$ 1,388,935</u></u>
Plan fiduciary net position		
Contributions, employer	\$ 46,655	\$ 43,847
Contributions, employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(46,655)	(43,847)
Other (net transfer)	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>
Plan fiduciary net position, beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability	<u><u>\$ 1,891,959</u></u>	<u><u>\$ 1,388,935</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	- %	- %
Covered valuation payroll	\$ 3,875,409	\$ 4,081,786
Net OPEB liability as a percentage of covered valuation payroll	48.82 %	34.03 %

Note: The Village implemented GASB 75 beginning with its fiscal year ended April 30, 2019; therefore 10 years of information is 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, 2020

	Original Appropriation	Amended and Final Appropriation	Actual	Variance Over / (Under)
Revenues				
Taxes	\$ 4,184,347	\$ 4,265,662	\$ 4,236,929	\$ (28,733)
Intergovernmental	2,819,206	2,874,533	2,880,155	5,622
Licenses and permits	586,950	540,724	513,490	(27,234)
Fines	957,000	1,015,864	991,585	(24,279)
Charges for services	379,400	278,354	275,140	(3,214)
Investment income	12,300	14,185	14,288	103
Miscellaneous	104,000	102,726	100,340	(2,386)
Total revenues	<u>9,043,203</u>	<u>9,092,048</u>	<u>9,011,927</u>	<u>(80,121)</u>
Expenditures				
Current				
General government	1,727,674	1,799,363	1,794,446	(4,917)
Public safety	5,783,330	5,684,058	5,714,695	30,637
Public works	1,228,826	1,279,318	1,281,254	1,936
Debt service				
Principal	251,154	267,473	267,474	1
Interest and other	19,721	14,471	14,472	1
Capital outlay	121,800	27,887	166,747	138,860
Total expenditures	<u>9,132,505</u>	<u>9,072,570</u>	<u>9,239,088</u>	<u>166,518</u>
Excess (deficiency) of revenues over expenditures	<u>(89,302)</u>	<u>19,478</u>	<u>(227,161)</u>	<u>(246,639)</u>
Other financing sources				
Capital lease proceeds	<u>105,000</u>	<u>-</u>	<u>138,860</u>	<u>33,860</u>
Total other financing sources	<u>105,000</u>	<u>-</u>	<u>138,860</u>	<u>33,860</u>
Net change in fund balance	\$ <u>15,698</u>	\$ <u>19,478</u>	(88,301)	\$ <u>(212,779)</u>
Fund balance				
Beginning of year			<u>3,254,668</u>	
End of year			\$ <u>3,166,367</u>	

Village of Harwood Heights, Illinois
General Obligation Bonds Fund
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ 331,204	\$ 335,000	\$ 393,027	\$ 58,027
Total revenues	<u>331,204</u>	<u>335,000</u>	<u>393,027</u>	<u>58,027</u>
Expenditures				
Debt service				
Principal	85,000	85,000	85,000	-
Interest and other	<u>143,188</u>	<u>143,138</u>	<u>112,400</u>	<u>(30,738)</u>
Total debt service	<u>228,188</u>	<u>228,138</u>	<u>197,400</u>	<u>(30,738)</u>
Total expenditures	<u>228,188</u>	<u>228,138</u>	<u>197,400</u>	<u>(30,738)</u>
Excess of revenues over expenditures	<u>103,016</u>	<u>106,862</u>	<u>195,627</u>	<u>88,765</u>
Other financing uses				
Transfer out	<u>(205,667)</u>	<u>(205,667)</u>	<u>(205,667)</u>	<u>-</u>
Total other financing uses	<u>(205,667)</u>	<u>(205,667)</u>	<u>(205,667)</u>	<u>-</u>
Net change in fund balance	\$ <u>(102,651)</u>	\$ <u>(98,805)</u>	(10,040)	\$ <u>88,765</u>
Fund balance				
Beginning of year			<u>969,176</u>	
End of year			\$ <u>959,136</u>	

Village of Harwood Heights, Illinois
Capital Projects Fund
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE (DEFICIT) - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Intergovernmental	\$ 100,000	\$ -	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>47,275</u>	<u>47,275</u>	<u>-</u>
Total revenues	<u>100,000</u>	<u>47,275</u>	<u>47,275</u>	<u>-</u>
Expenditures				
Capital outlay				
Recreation Center	-	16,311	16,312	1
Other	<u>-</u>	<u>59,336</u>	<u>64,890</u>	<u>5,554</u>
Total expenditures	<u>-</u>	<u>75,647</u>	<u>81,202</u>	<u>5,555</u>
Excess of revenues over expenditures	\$ <u>100,000</u>	<u>(28,372)</u>	\$ (33,927)	\$ <u>(5,555)</u>
Fund deficit				
Beginning of year			<u>(1,603,298)</u>	
End of year			\$ <u>(1,637,225)</u>	

Village of Harwood Heights, Illinois

Motor Fuel Tax Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) - APPROPRIATION AND ACTUAL Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes	\$ 223,120	\$ 752,604	\$ 758,901	\$ 6,297
Grants	533,984	-	-	-
Interest	<u>5,000</u>	<u>6,000</u>	<u>5,887</u>	<u>(113)</u>
Total revenues	<u>762,104</u>	<u>758,604</u>	<u>764,788</u>	<u>6,184</u>
Expenditures				
Public works	265,494	169,692	125,942	(43,750)
Capital outlay				
Site improvements	<u>909,408</u>	<u>626,704</u>	<u>668,304</u>	<u>41,600</u>
Total expenditures	<u>1,174,902</u>	<u>796,396</u>	<u>794,246</u>	<u>(2,150)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(412,798)</u>	<u>(37,792)</u>	\$ (29,458)	\$ <u>8,334</u>
Fund balance				
Beginning of year			<u>413,100</u>	
End of year			<u>\$ 383,642</u>	

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2020

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, 2020 is taken by the Village Board before July 31, 2019. The original appropriation amounts shown in the financial statements were adopted by the Village Board on June 13, 2019 and the amended and final appropriation amounts shown in the financial statements were adopted by the Village Board on May 14, 2020.
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, 2020:

<u>Fund</u>	<u>Variance</u>
General	\$ 166,518
Capital Projects	5,555
SSA Debt Service	31,276

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2020

NOTE C - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2019 IMRF CONTRIBUTION RATE *

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 2019 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP, and ECO groups): 24-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 19 years for most employers (three employers were financed over 28 years and four others were financed over 29 years).
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Growth	3.25%
Price Inflation	2.50% - approximate; no explicit price inflation assumption is used in this valuation.
Salary Increases	3.35% to 14.25%, 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 2017 calculation pursuant to an experience study of the period 2014-2016.
Mortality	For non-disabled retirees, an IMRF mortality table was used with fully generational projections 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 projection 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.

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2020

NOTE C - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2019 IMRF CONTRIBUTION RATE (Continued) *

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

* Based on Valuation Assumptions used in the December 31, 2017 actuarial valuation.

Change in Assumptions:

For the 2019 and 2018 measurement year, the assumed investment rate of return was 7.25 percent, including an inflation rate of 2.50 percent and a real return of 4.75 percent.

For the 2017, 2016, 2015 and 2014 measurement years, the assumed investment rate of return was 7.50 percent, including an inflation rate of 2.50 percent and a real return of 5.00 percent.

NOTE D - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2020 POLICE PENSION CONTRIBUTION RATE

Actuarial Cost Method	Projected unit credit
Amortization Method	90% funding by 2040, level percent of payroll, 3.5% payroll growth assumption
Funding Method	Entry Age Normal Cost Method.
Actuarial Asset Method	Investment gains and losses are smoother over a 5-year period.
Mortality	Active Lives: PubS-2010 Employee mortality, projected 5 years past the valuation date with Scale MP-2019. 10% of active deaths are assumed to be line of duty. Inactive Lives: PubS-2010 Healthy Retiree mortality, projected 5 years past the valuation date with Scale MP-2019. Beneficiaries: PubS-2010 Survivor mortality, projected 5 years past the valuation date with Scale MP-2019. Disabled Lives: PubS-2010 Disabled mortality, projected 5 years past the valuation date with Scale MP-2019.
Investment Rate of Return	6.75%
Retirement Age	Based on a 2017 experience study performed for the State of Illinois Department of Insurance
Disability Rate	0.00% - 1.15%. 60% of disabilities are assumed to be in the line of duty, based on a 2017 experience study performed for the State of Illinois Department of Insurance

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2020

NOTE D - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE
CALCULATION OF THE 2019 POLICE PENSION CONTRIBUTION RATE (Continued)

Termination Rate	0.00% - 14.00%, based on a 2017 experience study performed for the State of Illinois Department of Insurance
Salary Increases	3.50% - 11.00%, based on a 2017 experience study performed for the State of Illinois Department of Insurance
Inflation	2.50%
Marital Status	80% of members are assumed to be married, with males assumed to be three years older than females.
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.

The following actuarial assumption changes were made:

2020 - There were no assumption or method changes since the prior valuation.

2019 - The mortality rates were updated to reflect the PubS-2010 tables.

2018 - The retirement, termination disability and salary increase rates were updated; the percentage of disabilities assumed to be in the line of duty was updated from 70% to 60%; the percentage of deaths assumed to be in the line of duty was updated from 5% to 10%; and the investment return assumption was updated from 7.00% to 6.75%.

2016 - Morality Rates were updated from RP-2000 Combined Healthy Morality table to the RP-2000 Combined Healthy Morality table projected to the valuation date using Scale BB; disabled mortality rates were updated from the RP-2000 Disabled Retiree Mortality table to the RP-2000 Disabled Retiree Mortality table projected to the valuation date using Scale BB.

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2020

**NOTE E - SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE
CALCULATION OF THE 2020 RHP CONTRIBUTION RATE**

Valuation Date:

Valuation Date	May 1, 2018
Measurement Date	April 30, 2020
Fiscal Year End	April 30, 2020

Methods and Assumptions Used to Determine the 2020 Contribution Rate:

Actuarial Cost Method	Entry Age Normal (Level percent of payroll)
Amortization Method	Straight line
Municipal Bond Index	Bond Buyer 20-Bond GO Index
Investment Rate of Return	N/A
Price Inflation	2.25%
Salary Increases	3.00%
Retirement Age	IMRF employees: Age 55 for Tier I and age 62 for Tier II. Police officers: Age 50 for Tier I and age 55 for Tier II.
Election at Retirement	30%; 10% for employees waiving active medical coverage.
Mortality	Active, Retiree, and Spousal IMRF Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study, with Blue Collar Adjustment. These rates are improved generationally using MP-2016 Improvement Rates. Active, Retiree, Disabled and Spouse Police Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study, improved to 2017 using MP-2019 Improvement Rates. These rates are improved generationally using MP-2019 Improvement Rates.
Healthcare Cost Trend Rates	3.70% - 7.20% initial; 3.70% - 5.00% ultimate.

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues				
Taxes				
Property				
General	\$ 300,513	\$ 304,499	\$ 196,491	\$ (108,008)
Police protection	290,254	286,045	335,115	49,070
Police pension	931,480	962,752	965,721	2,969
Total property taxes	<u>1,522,247</u>	<u>1,553,296</u>	<u>1,497,327</u>	<u>(55,969)</u>
Other taxes				
Home rule sales tax	1,430,000	1,540,000	1,584,062	44,062
Video rental tax	1,100	1,455	1,455	-
Utility	510,000	505,000	488,363	(16,637)
Telecommunications	120,000	99,500	111,260	11,760
Real estate transfer tax	420,000	380,033	380,033	-
Long term storage tax	46,000	49,550	49,230	(320)
Motor fuel tax	48,000	70,000	62,282	(7,718)
Video Gaming	60,000	34,450	30,539	(3,911)
Cannabis use tax	-	1,409	1,409	-
Car wash tax	27,000	30,969	30,969	-
Total other taxes	<u>2,662,100</u>	<u>2,712,366</u>	<u>2,739,602</u>	<u>27,236</u>
Total taxes	<u>4,184,347</u>	<u>4,265,662</u>	<u>4,236,929</u>	<u>(28,733)</u>
Intergovernmental revenues				
Taxes				
Sales tax	1,670,000	1,633,500	1,689,162	55,662
State income tax	830,000	900,000	847,291	(52,709)
State local use tax	270,708	295,000	297,772	2,772
Roads and bridges	25,830	25,830	25,388	(442)
Personal property replacement tax	7,668	7,700	8,039	339
Total intergovernmental taxes	<u>2,804,206</u>	<u>2,862,030</u>	<u>2,867,652</u>	<u>5,622</u>

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Grants				
IPRF grant	\$ 10,000	\$ 12,148	\$ 12,148	\$ -
Intergovernmental grants	<u>5,000</u>	<u>355</u>	<u>355</u>	<u>-</u>
Total intergovernmental grants	15,000	12,503	12,503	-
Total intergovernmental revenues	<u>2,819,206</u>	<u>2,874,533</u>	<u>2,880,155</u>	<u>5,622</u>
Licenses and permits				
Business licenses	80,000	85,000	81,871	(3,129)
Liquor licenses	53,000	55,000	50,769	(4,231)
Overweight truck permits	750	480	480	-
Building permits	175,000	124,836	124,836	-
Sewer permits	1,200	5,500	5,500	-
Plumbing permits	1,200	2,125	2,125	-
Electrical permits	4,500	4,595	4,595	-
Elevator inspections	2,500	-	-	-
Building inspections	8,500	5,851	5,851	-
Fence permits	600	650	650	-
Franchise fees	100,000	102,550	99,467	(3,083)
Dog tags	200	122	122	-
Vehicle licenses	120,000	120,000	121,913	1,913
Video gaming	36,000	31,000	12,296	(18,704)
Parking permit	<u>3,500</u>	<u>3,015</u>	<u>3,015</u>	<u>-</u>
Total licenses and permits	<u>586,950</u>	<u>540,724</u>	<u>513,490</u>	<u>(27,234)</u>

(Continued)

Village of Harwood Heights, Illinois
General Fund
SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Revenues (continued)				
Fines				
Code enforcement fines	\$ 11,000	\$ 6,078	\$ 6,078	\$ -
DUI	6,000	-	-	-
Traffic	90,000	41,665	42,030	365
Overweight trucks	-	6,160	6,160	-
Safe speed	330,000	345,000	329,124	(15,876)
Red speed	190,000	105,000	100,281	(4,719)
Parking tickets	225,000	181,361	181,361	-
Vehicle impound fees	55,000	30,600	30,600	-
Illinois debt recovery	50,000	300,000	295,951	(4,049)
Total fines	<u>957,000</u>	<u>1,015,864</u>	<u>991,585</u>	<u>(24,279)</u>
Charges for services				
Youth program fees	16,500	8,886	8,836	(50)
Garbage fees	250,000	210,000	207,836	(2,164)
Hearing fees	500	175	175	-
Hearing officer fees	100	70	70	-
Escrow bond forfeiture	6,000	500	-	(500)
Police reports	800	1,940	1,940	-
Rental	75,000	45,000	44,500	(500)
Credit card processing	500	1,244	1,244	-
Recreation center - activities	-	5,159	5,159	-
Recreation center - memberships	30,000	5,380	5,380	(24,620)
Total charges for services	<u>379,400</u>	<u>278,354</u>	<u>275,140</u>	<u>(27,834)</u>
Investment income				
Interest	<u>12,300</u>	<u>14,185</u>	<u>14,288</u>	<u>103</u>
Total investment income	<u>12,300</u>	<u>14,185</u>	<u>14,288</u>	<u>103</u>

(Continued)

Village of Harwood Heights, Illinois
General Fund
SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<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	\$ 15,000	\$ 11,523	\$ 11,523	\$ -
Insurance	10,000	7,877	6,339	(1,538)
Personnel (guards)	12,500	12,485	12,485	-
Police	25,000	6,246	6,246	-
Vacant properties	2,500	1,600	1,600	-
Special events revenue	24,000	28,076	28,076	-
Other miscellaneous	15,000	34,919	34,071	(848)
	<u>104,000</u>	<u>102,726</u>	<u>100,340</u>	<u>(3,660)</u>
Total miscellaneous revenues				
	<u>104,000</u>	<u>102,726</u>	<u>100,340</u>	<u>(3,660)</u>
Total revenues	\$ 9,043,203	\$ 9,092,048	\$ 9,011,927	\$ (106,015)

(Concluded)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2020

	<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	\$ 460,412	\$ 426,838	\$ 424,068	\$ (2,770)
Legal	169,500	192,107	191,517	(590)
Finance	396,324	485,075	484,701	(374)
Building	139,662	138,415	138,434	19
	<u>1,165,898</u>	<u>1,242,435</u>	<u>1,238,720</u>	<u>(3,715)</u>
Recreation and cultural opportunities	318,302	317,605	317,692	87
Health	40,911	39,700	40,953	1,253
Miscellaneous	202,563	199,623	197,081	(2,542)
Total General Government	<u>1,727,674</u>	<u>1,799,363</u>	<u>1,794,446</u>	<u>(4,917)</u>
Public Safety				
Police	5,783,330	5,684,058	5,714,695	30,637
Public Works				
Forestry	45,000	50,884	50,884	-
Streets and lights	593,229	619,245	620,551	1,306
Refuse disposal	590,597	609,189	609,819	630
Total Public Works	<u>1,228,826</u>	<u>1,279,318</u>	<u>1,281,254</u>	<u>1,936</u>
Debt Service				
Principal	251,154	267,473	267,474	1
Interest and other	19,721	14,471	14,472	1
Total Debt Service	<u>270,875</u>	<u>281,944</u>	<u>281,946</u>	<u>2</u>
Capital outlay	121,800	27,887	166,747	138,860
Total expenditures	<u>\$ 9,132,505</u>	<u>\$ 9,072,570</u>	<u>\$ 9,239,088</u>	<u>\$ 166,518</u>

(Continued)

Village of Harwood Heights, Illinois
General Fund
SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<u>Original Appropriation</u>	<u>Amended and Final Appropriation</u>	<u>Actual</u>	<u>Variance Over / (Under)</u>
Other financing sources				
Capital lease proceeds sources	\$ <u>105,000</u>	\$ <u>-</u>	\$ <u>138,860</u>	\$ <u>33,860</u>
Total other financing uses	\$ <u><u>105,000</u></u>	\$ <u><u>-</u></u>	\$ <u><u>138,860</u></u>	\$ <u><u>33,860</u></u>

(Concluded)

Nonmajor Governmental Funds

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.

Village of Harwood Heights, Illinois

Nonmajor Governmental Funds

COMBINING BALANCE SHEETApril 30, 2020

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
	<u>Criminal Investigation</u>	<u>DUI</u>	<u>SSA Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 18,827	\$ 47,672	\$ 243,468	\$ 309,967
Receivables - intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 18,827</u>	<u>\$ 47,672</u>	<u>\$ 243,468</u>	<u>\$ 309,967</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 540	\$ 540
Due to other funds	<u>-</u>	<u>-</u>	<u>228,820</u>	<u>228,820</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>229,360</u>	<u>229,360</u>
FUND BALANCE				
Restricted for				
Special revenue funds	18,827	47,672	-	66,499
Debt service	<u>-</u>	<u>-</u>	<u>14,108</u>	<u>14,108</u>
Total fund balance	<u>18,827</u>	<u>47,672</u>	<u>14,108</u>	<u>80,607</u>
Total liabilities and fund balances	<u>\$ 18,827</u>	<u>\$ 47,672</u>	<u>\$ 243,468</u>	<u>\$ 309,967</u>

Village of Harwood Heights, Illinois
Nonmajor Governmental Funds
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended April 30, 2020

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Criminal Investigation</u>	<u>DUI</u>	<u>SSA Debt Service</u>	
Revenues				
Taxes	\$ -	\$ -	\$ 261,043	\$ 261,043
Fines	-	5,448	-	5,448
Investment income	<u>3,855</u>	<u>22</u>	<u>3,210</u>	<u>7,087</u>
Total revenues	<u>3,855</u>	<u>5,470</u>	<u>264,253</u>	<u>273,578</u>
Expenditures				
Current				
Public works	-	-	-	-
Miscellaneous	-	-	13,703	13,703
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	275,000	275,000
Interest and other	<u>-</u>	<u>-</u>	<u>48,037</u>	<u>48,037</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>336,740</u>	<u>336,740</u>
Excess (deficiency) of revenues over expenditures	<u>3,855</u>	<u>5,470</u>	<u>(72,487)</u>	<u>(63,162)</u>
Fund balance				
Beginning of year	<u>14,972</u>	<u>42,202</u>	<u>86,595</u>	<u>143,769</u>
End of year	<u>\$ 18,827</u>	<u>\$ 47,672</u>	<u>\$ 14,108</u>	<u>\$ 80,607</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, 2020

	<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	\$ 2,121,700	\$ 2,150,000	\$ 2,174,137	\$ 24,137
Sewer fees	302,820	295,000	279,104	(15,896)
Water taps	2,500	7,500	7,500	-
Sewer taps	1,000	-	-	-
Meter sales	3,000	6,760	6,766	6
Miscellaneous	2,500	3,596	3,593	(3)
	<u>2,433,520</u>	<u>2,462,856</u>	<u>2,471,100</u>	<u>8,244</u>
Total charges for sales and services	2,433,520	2,462,856	2,471,100	8,244
Penalties	<u>50,000</u>	<u>20,150</u>	<u>20,150</u>	<u>-</u>
Total operating revenues	<u>2,483,520</u>	<u>2,483,006</u>	<u>2,491,250</u>	<u>8,244</u>
Non-operating revenues				
Transfer in	205,667	205,667	205,667	-
Intergovernmental grants	-	162	162	-
Antenna leasing	36,054	36,054	36,054	-
Interest income	45	75	67	(8)
	<u>241,766</u>	<u>241,958</u>	<u>241,950</u>	<u>(8)</u>
Total non-operating revenues	241,766	241,958	241,950	(8)
Total revenues	<u>\$ 2,725,286</u>	<u>\$ 2,724,964</u>	<u>\$ 2,733,200</u>	<u>\$ 8,236</u>

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2020

	<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	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Salary - collector	1,800	1,800	1,050	(750)
Unused sick buyback	11,894	9,322	9,322	-
Office clerks	-	49,392	49,392	-
Part-time clerks	-	12,566	12,566	-
Public works superintendent	-	52,901	52,901	-
Public works foremen	-	48,531	48,531	-
Public works full-time laborer	-	202,564	202,564	-
Overtime	30,900	24,906	24,906	-
Unused sick	-	3,022	3,022	-
On call	3,090	3,099	3,099	-
Office supplies	1,000	254	254	-
Taxes - FICA	19,261	30,285	30,285	-
Taxes - SUTA	-	54	-	(54)
Maintenance staff	307,730	-	-	-
Office staff	61,537	-	-	-
Total personal services	<u>443,212</u>	<u>444,696</u>	<u>443,892</u>	<u>(804)</u>
Commodities				
Vehicle gas and oil	8,000	2,900	2,308	(592)
Purchase of water	1,148,568	1,300,000	1,151,050	(148,950)
Electric power and gas	-	-	-	-
Supplies - chlorine	1,000	848	848	-
Supplies - pump room	4,500	4,082	4,333	251
Supplies maintenance	18,000	3,000	12,056	9,056
Hydrant parts	2,500	1,000	207	(793)
Meter purchases	5,500	7,541	7,541	-
Total commodities	<u>1,188,068</u>	<u>1,319,371</u>	<u>1,178,343</u>	<u>(141,028)</u>

(Continued)

Village of Harwood Heights, Illinois

Water and Sewer Fund

SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2020

	<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	\$ 352,651	\$ 351,504	\$ 351,026	\$ (478)
Telephone	8,000	4,000	3,321	(679)
Postage	5,000	3,000	2,736	(264)
Printing	200	4,300	4,083	(217)
Water testing	3,000	3,000	2,775	(225)
Dues, lectures, and conference fees	2,000	-	-	-
Uniform allowance	2,500	2,825	2,825	-
Street, sidewalk, and parkway repair	13,000	27,161	27,161	-
Maintenance - equipment	11,500	15,800	15,443	(357)
Main testing and maintenance	1,500	1,250	1,250	-
Buildings and grounds maintenance	2,500	1,750	1,517	(233)
Reservoir and tower maintenance	2,000	-	-	-
Maintenance - vehicles	7,500	12,300	12,631	331
Legal	1,000	1,176	3,661	2,485
Outside service - breaks	7,500	2,739	2,739	-
Outside service - taps	500	-	-	-
Water service - miscellaneous	1,000	678	677	(1)
Supplies - building	1,000	8	8	-
Sewer repair	3,500	2,909	4,109	1,200
Dump fees	8,000	8,516	8,516	-
Permits - sewer fee	1,000	1,000	1,000	-
Single family flood relief grant	6,000	1,500	3,000	1,500
GIS	7,000	-	-	-
Insurance-property, liability, and auto	55,267	52,518	52,681	163
IMRF net pension liab adj	5,000	5,000	23,837	18,837
RHP OPEB liab adj	-	-	33,279	33,279
Contractual services - BSA software	2,125	2,375	2,375	-
Contractual services - census	2,009	1,950	1,950	-
Contractual services - generator	1,500	1,299	1,299	-
Contractual services - water tower mainte	26,779	29,725	22,294	(7,431)

(Continued)

Village of Harwood Heights, Illinois
Water and Sewer Fund
SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2020

	<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 - auditing	\$ 6,000	8,210	\$ 8,210	\$ -
Professional services - engineering	7,500	\$ 949	949	-
Professional services - general	8,400	8,400	8,400	-
Contractual services - backflow	7,442	7,296	7,296	-
	<u>569,873</u>	<u>563,138</u>	<u>611,048</u>	<u>47,910</u>
Total other services				
Capital outlay				
Pump room equipment	5,000	2,800	2,800	-
Backhoe	13,379	-	-	-
Security system	5,000	5,707	5,707	-
Fire hydrants	5,000	-	-	-
Other equipment purchases	25,526	-	-	-
	<u>53,905</u>	<u>8,507</u>	<u>8,507</u>	<u>-</u>
Total capital outlay				
Depreciation	<u>185,000</u>	<u>185,000</u>	<u>165,418</u>	<u>(19,582)</u>
Total operating expenses	<u>2,440,058</u>	<u>2,520,712</u>	<u>2,407,208</u>	<u>(113,504)</u>
Non-operating expenses				
Interest expense	<u>212,665</u>	<u>62,709</u>	<u>59,700</u>	<u>(152,965)</u>
Total non-operating expenses	<u>212,665</u>	<u>62,709</u>	<u>59,700</u>	<u>(152,965)</u>
Total expenses	<u>\$ 2,652,723</u>	<u>\$ 2,583,421</u>	<u>\$ 2,466,908</u>	<u>\$ (266,469)</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, 2020

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
ASSETS				
Cash	\$ <u>81,512</u>	\$ <u>367</u>	\$ <u>-</u>	\$ <u>81,879</u>
Total assets	\$ <u><u>81,512</u></u>	\$ <u><u>367</u></u>	\$ <u><u>-</u></u>	\$ <u><u>81,879</u></u>
LIABILITIES				
Due to property owners	\$ <u>81,512</u>	\$ <u>367</u>	\$ <u>-</u>	\$ <u>81,879</u>
Total liabilities	\$ <u><u>81,512</u></u>	\$ <u><u>367</u></u>	\$ <u><u>-</u></u>	\$ <u><u>81,879</u></u>

OTHER SUPPLEMENTAL INFORMATION (Unaudited)

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

	2020	2019	2018	2017	2016
Revenues					
Taxes	\$ 5,649,900	\$4,907,152	\$ 4,869,610	\$5,495,683	\$4,057,880
Intergovernmental	2,880,155	3,777,854	2,767,353	2,876,465	2,812,541
Licenses and Permits	513,490	488,338	561,007	598,773	615,340
Fines	997,033	875,628	901,852	972,942	935,222
Charges for Services	275,140	315,696	297,626	276,472	30,337
Investment Income	27,262	36,399	27,562	11,310	4,771
Miscellaneous	147,615	155,123	138,115	93,564	455,962
Total Revenues	10,490,595	10,556,190	9,563,125	10,325,209	8,912,053
Expenditures					
General Government	1,794,446	1,682,533	1,580,502	1,968,872	1,574,521
Public Safety	5,714,695	5,817,727	5,794,347	5,157,374	5,076,306
Public Works	1,407,196	1,499,117	1,065,654	1,069,819	1,204,584
Grant	-	-	308,198	-	-
Miscellaneous	13,703	13,000	11,679	1,332,507	8,822
Capital Outlay	916,253	3,229,035	867,500	840,355	128,315
Debt Service					
Principal	627,474	571,749	553,083	507,986	673,910
Interest and Other	174,909	191,163	188,257	120,470	71,716
Total Expenditures	10,648,676	13,004,324	10,369,220	10,997,383	8,738,174
Other Financing Sources (Uses)					
Capital Lease Proceeds	138,860	-	216,319	-	-
Transfer out	(205,667)	(598,840)	(1,000,000)	(350,260)	(1,398,572)
Transfer in		393,174	1,000,000	350,260	1,398,572
Issuance of Debt	-	-	2,500,000	206,395	-
Premium on Bonds Sold	-	-	194,530	-	-
Total Other Financing Sources (Uses)	(66,807)	(205,666)	2,910,849	206,395	-
Net Change in Fund Balance	(224,888)	(2,653,800)	2,104,754	(465,779)	173,879
Fund Balance					
Beginning of Year	3,177,415	5,831,215	3,726,461	4,192,240	4,018,361
End of Year	<u>\$ 2,952,527</u>	<u>\$3,177,415</u>	<u>\$ 5,831,215</u>	<u>\$3,726,461</u>	<u>\$4,192,240</u>

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

	2020	2019 *	2018	2017	2016
Governmental activities					
Net investment in capital assets	\$ 11,127,383	\$ 10,860,947	\$ 8,222,453	\$ 10,317,666	\$ 9,770,027
Restricted	1,423,385	1,526,045	1,978,335	1,205,785	1,491,983
Unrestricted	<u>(15,606,549)</u>	<u>(13,535,879)</u>	<u>(10,606,406)</u>	<u>(10,713,459)</u>	<u>(9,772,857)</u>
Total governmental activities	<u>(3,055,781)</u>	<u>(1,148,887)</u>	<u>(405,618)</u>	<u>809,992</u>	<u>1,489,153</u>
Business-type activities					
Net investment in capital assets	3,924,199	3,923,382	3,805,506	3,247,905	2,686,985
Unrestricted	<u>(202,228)</u>	<u>(467,703)</u>	<u>(1,078,700)</u>	<u>(470,729)</u>	<u>(521,207)</u>
Total business-type activities	<u>3,721,971</u>	<u>3,455,679</u>	<u>2,726,806</u>	<u>2,777,176</u>	<u>2,165,778</u>
Total	<u>\$ 666,190</u>	<u>\$ 2,306,792</u>	<u>\$ 2,321,188</u>	<u>\$ 3,587,168</u>	<u>\$ 3,654,931</u>

* Note: The Governmental Accounting Standards Board (GASB) had issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was adopted by the Village for the fiscal year ended April 30, 2019. The Village must now record the total/net OPEB liability as it relates to the Retiree Health Plan. As a result of the implementation, net position as of May 1, 2018 decreased by \$1,013,909.