

**The Village of
Harwood Heights, Illinois**

Annual Financial Report

Year Ended April 30, 2022

Village of Harwood Heights, Illinois
ANNUAL FINANCIAL REPORT
Year Ended April 30, 2022

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(Concluded)

INTRODUCTORY SECTION (UNAUDITED)

Village of Harwood Heights, Illinois

PRINCIPAL OFFICIALS

Year Ended April 30, 2022

Arlene Jeziorny, Mayor

Marcia Pollowy, Village Clerk

Joseph Russo, Treasurer

Board of Trustees

Lawrence Steiner

Anna Wegrecki

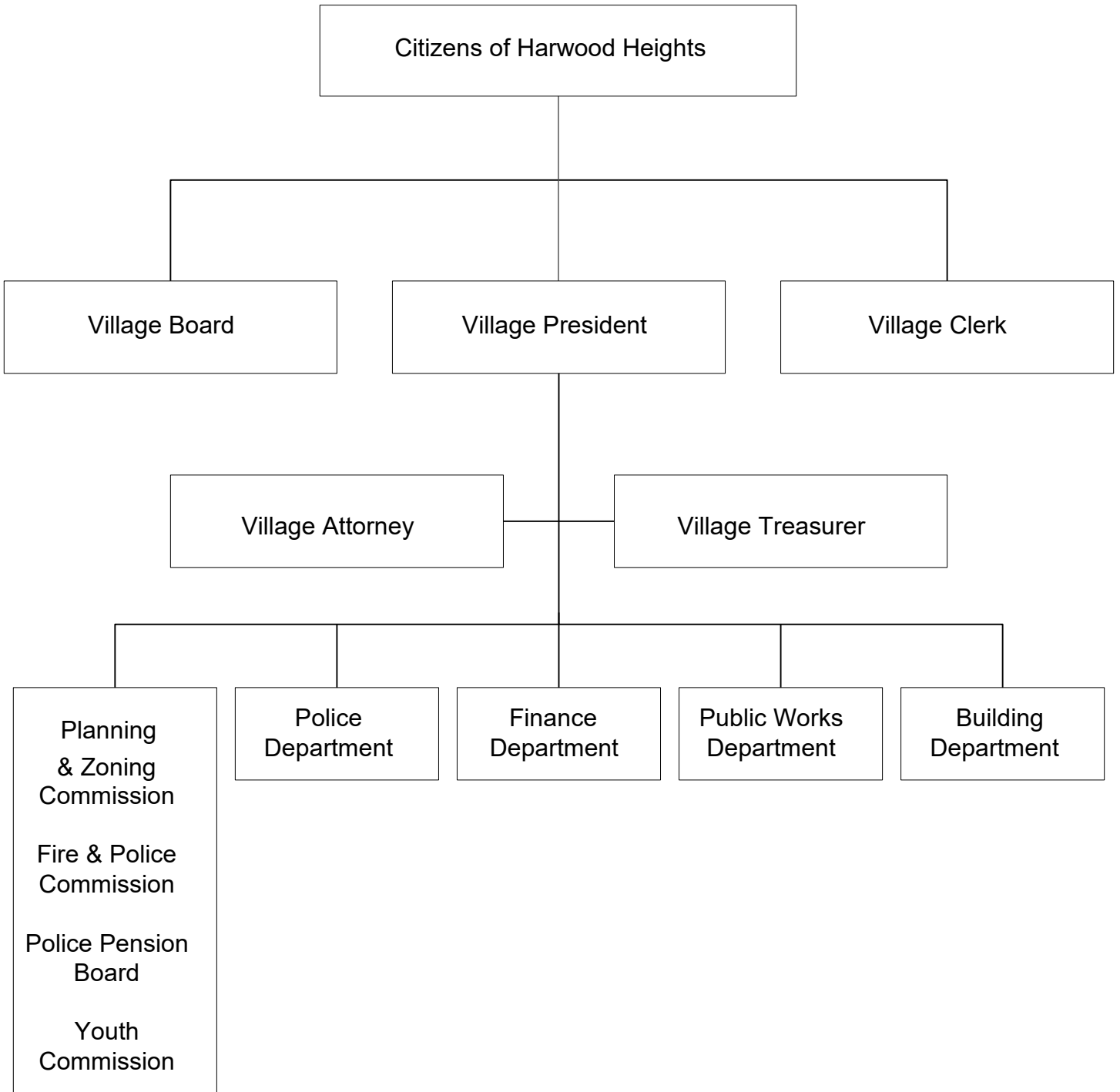
Giuseppe Zerillo

Zbigniew Lewandowski

Annette Brzezniak-Volpe

Gene Brutto

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
Harwood Heights, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the Village), as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of April 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)



Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, the Illinois Municipal Retirement Fund and Police Pension Fund data on pages 86 through 92, the other postemployment benefits data on page 93, and the budgetary comparison schedules and notes to the required supplementary information on pages 94 through 100 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Financial Information

Our audit for the year ended April 30, 2022 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying supplementary financial information, as listed in the table of contents, for the year ended April 30, 2022 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 accompanying supplementary financial information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended April 30, 2022.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other supplemental information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Information (Continued)

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022, on our consideration of Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Village's 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 Village's internal control over financial reporting and compliance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
October 24, 2022

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net deficit of governmental activities decreased by \$1,343,656 or 46.69% from prior year.
- Net position in business-type activities increased \$637,479 or 15.40% from prior year.

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 fund financial statements. Both perspectives (government-wide and fund financial statements) 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 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, 2022

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 and fund financial 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 Fund – Police Pension Trust Fund

The Police Pension Trust Fund is excluded from the government-wide financial statements. While this fund represents trust 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 Police Pension Fund is the Village's only fiduciary fund.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a better understanding of the data provided in the government wide and fund financial statements. The notes include information on significant accounting policies, explanations on the reconciliations of statements, investments, receivables, capital assets, debt, interfund balances, contingent liabilities, pensions, other postemployment benefits 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.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

FUND FINANCIAL STATEMENTS (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 86-100 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 certain governmental funds can be found on pages 102-110 of this report.

Infrastructure Assets

The Village's largest group of assets consists of infrastructure assets and water and sewer systems (land, streets, storm sewers, etc.). These assets are valued and reported in both the governmental activities and business-type activities of the government-wide statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The Village has chosen to depreciate assets over their useful lives. If a project is considered maintenance - a recurring cost that does not extend the asset's original useful life or expand its capacity - the cost of the project will be expensed. For example, the "overlay" of a street will be considered maintenance whereas a "rebuild" of a street will be capitalized.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position (Deficit)

Net position (deficit) 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 (deficit) 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, 2022

GOVERNMENT-WIDE STATEMENTS (Continued)

Statement of Net Position (Deficit) (Continued)

| Statement of Net Position | | | | | | |
|---|----------------------|----------------------|----------------------|---------------------|--------------------|--------------------|
| As of April 30, | | | | | | |
| | Governmental | | Business-Type | | Total | |
| | Activities | | Activity | | Government | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Assets | | | | | | |
| Current/Other Assets | \$6,795,725 | \$19,344,689 | \$840,550 | \$1,261,899 | \$7,636,275 | \$20,606,588 |
| Internal Balances | 545 | - | (545) | - | - | - |
| Capital Assets | 15,774,925 | 16,615,204 | 6,789,939 | 6,682,800 | 22,564,864 | 23,298,004 |
| Total Assets | 22,571,195 | 35,959,893 | 7,629,944 | 7,944,699 | 30,201,139 | 43,904,592 |
| Deferred Outflows of Resources | | | | | | |
| Deferred Outflows Related to Pensions | 2,526,901 | 5,523,740 | 98,098 | 80,395 | 2,624,999 | 5,604,135 |
| Total Deferred Outflows | 2,526,901 | 5,523,740 | 98,098 | 80,395 | 2,624,999 | 5,604,135 |
| Liabilities | | | | | | |
| Current/Other Liabilities | 1,309,668 | 2,356,627 | 382,073 | 335,403 | 1,691,741 | 2,692,030 |
| Long-Term Liabilities | 21,981,548 | 37,721,299 | 2,843,506 | 2,613,503 | 24,825,054 | 40,334,802 |
| Total Liabilities | 23,291,216 | 40,077,926 | 3,225,579 | 2,948,906 | 26,516,795 | 43,026,832 |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes Levied for a Future Period | 1,167,775 | 982,672 | - | - | 1,167,775 | 982,672 |
| Deferred Inflows Related to Pensions | 3,516,855 | 1,957,129 | 362,106 | 298,352 | 3,878,961 | 2,255,481 |
| Total Deferred Inflows | 4,684,630 | 2,939,801 | 362,106 | 298,352 | 5,046,736 | 3,238,153 |
| Net Position (Deficit) | | | | | | |
| Net Investment in Capital Assets | 11,118,377 | 12,464,204 | 3,930,696 | 4,021,607 | 15,049,073 | 16,485,811 |
| Restricted by Enabling Legislation | 1,638,198 | 11,734,561 | - | - | 1,638,198 | 11,734,561 |
| Unrestricted | (15,634,325) | (25,732,859) | 209,661 | 756,229 | (15,424,664) | (24,976,630) |
| Total Net Position (Deficit) | (\$2,877,750) | (\$1,534,094) | \$4,140,357 | \$ 4,777,836 | \$1,262,607 | \$3,243,742 |

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

GOVERNMENT-WIDE STATEMENTS (Continued)

Changes in Net Position

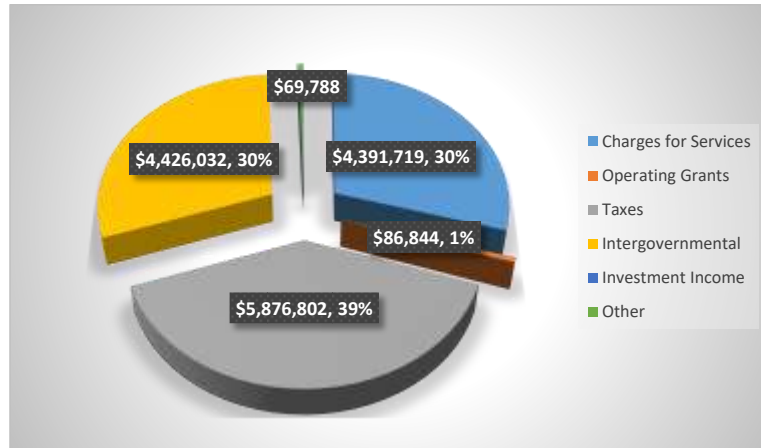
The following table summarizes the revenues, expenses, and net position of the Village's activities.

| | Changes in Net Position (Deficit) | | | | | |
|---|--|----------------------|-----------------------------------|--------------------|-----------------------------|--------------------|
| | For the Fiscal Year Ended April 30, | | | | | |
| | Governmental Activities | | Business-Type Activity | | Total Government | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for Services | \$1,420,394 | \$1,729,428 | \$2,616,605 | \$2,662,291 | \$4,036,999 | \$4,391,719 |
| Operating Grants | 284,028 | 86,844 | - | - | 284,028 | 86,844 |
| Capital Grants | - | - | - | - | - | - |
| General Revenues | | | | | | |
| Taxes | 5,110,344 | 5,876,802 | - | - | 5,110,344 | 5,876,802 |
| Intergovernmental | 3,084,935 | 4,426,032 | - | - | 3,084,935 | 4,426,032 |
| Investment Income | 4,334 | 12,947 | 51 | 70 | 4,385 | 13,017 |
| Other | 283,782 | 31,539 | 37,135 | 38,249 | 320,917 | 69,788 |
| Transfers | (205,667) | (205,667) | 205,667 | 205,667 | - | - |
| Total Revenues | \$9,982,150 | 11,957,925 | 2,859,458 | 2,906,277 | 12,841,608 | 14,864,202 |
| Expenses | | | | | | |
| General Government | 1,649,670 | 1,617,785 | - | - | 1,649,670 | 1,617,785 |
| Public Safety | 6,284,783 | 7,090,399 | - | - | 6,284,783 | 7,090,399 |
| Public Works | 1,746,836 | 1,728,979 | - | - | 1,746,836 | 1,728,979 |
| Interest | 142,792 | 177,106 | - | - | 142,792 | 177,106 |
| Water | - | - | 2,441,072 | 2,268,798 | 2,441,072 | 2,268,798 |
| Total Expenses | 9,824,081 | 10,614,269 | 2,441,072 | 2,268,798 | 12,265,153 | 12,883,067 |
| Change in Net Position (Deficit) | 158,069 | 1,343,656 | 418,386 | 637,479 | 576,455 | 1,981,135 |
| Beginning Net Position | (3,035,819) | (\$2,877,750) | 3,721,971 | \$4,140,357 | \$686,152 | \$1,262,607 |
| Ending Net Position (Deficit) | (\$2,877,750) | (\$1,534,094) | \$4,140,357 | \$4,777,836 | \$1,262,607 | \$3,243,742 |

Village of Harwood Heights, Illinois
Management’s Discussion and Analysis (Unaudited)
April 30, 2022

GOVERNMENT-WIDE STATEMENTS (Continued)

Total Fiscal Year 2022 Revenues



For the fiscal year ended April 30, 2022, revenues totaled approximately \$14.86 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 \$2.39 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 2021 and 2022, total property tax revenues increased by 9.13%. The increase can be attributed directly to the increased property tax levy that was raised to cover rising police pension costs as well as the timing and collection of property tax 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 2022, ROT revenue was approximately \$2.11 million compared to approximately \$1.82 million in 2021. Home-rule sales tax revenue was approximately \$1.71 million in 2022 compared to approximately \$1.36 million in 2021. Sales tax increase can be attributed to the diminishing impact of the COVID-19 pandemic.

Income taxes are also shared by the state, but on a per-capita basis. In fiscal year 2022, state income tax revenue was approximately \$1,410,276, an increase of approximately \$365,000 from the previous year.

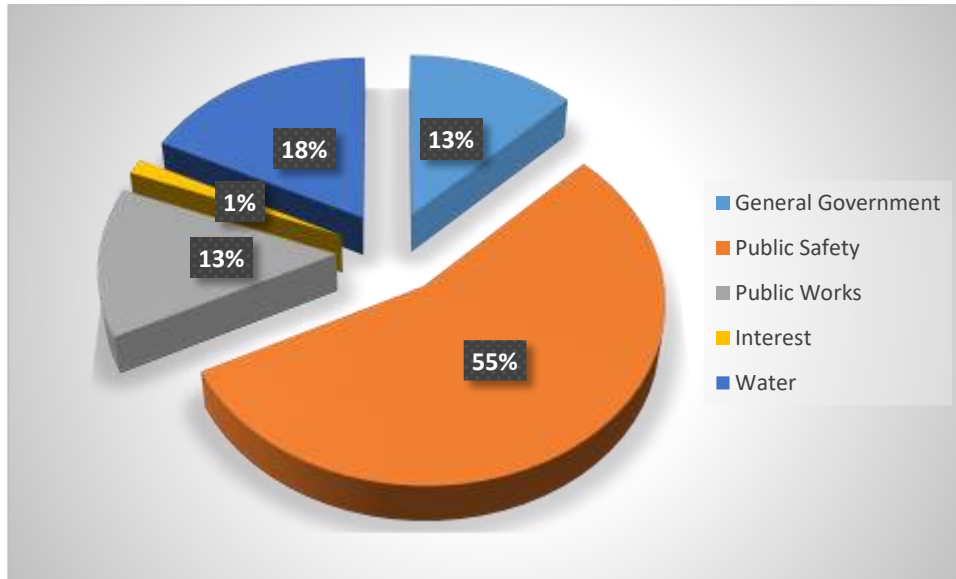
Real Estate Transfer Tax has been consistent within the last few years. In both fiscal years 2021 and 2022 there were no large commercial real-estate purchases, as compared to years prior, where the tax raised was in excess of \$1M. In 2022 the Village recognized \$529,685 in Real Estate Transfer Tax, which is still substantive and reflects a solid real-estate market.

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 2022 totaled approximately \$2.66 million, an increase of 1.75% from the prior year. The increase can be attributed to an increase in rates to cover rising expenses.

**Village of Harwood Heights, Illinois
Management’s Discussion and Analysis (Unaudited)
April 30, 2022**

GOVERNMENT-WIDE STATEMENTS (Continued)

Total Fiscal Year 2022 Expenses



The Village of Harwood Heights expenses totaled approximately \$12.88 million in fiscal year 2022. This represents an increase of \$617,914 or 5.00% from the prior year.

Public safety costs comprise the greatest portion of the Village’s total expenses. Public safety costs increased by 12.82%, from approximately \$6.29 million in 2021 to approximately \$7.09 million in 2022. The increase is related to higher personnel-related costs associated with the Village’s police department in fiscal year 2022 and an increase in the police pension liability compared to the prior year.

In the business-type activities, the expenses of the water and sewer function commodities and operating expenses totaled approximately \$2.27 million in 2022. This includes \$1,152,231 for water purchased in 2022 which decreased by 5.23% compared to the previous year, and \$365,261 for sewer fees in 2022 which increased by 1.49% compared to the previous year. Water consumption was down in 2022, but revenue slightly increased due to increase in rates. Personnel services in the amount of \$425,341 in 2022 were provided by public works and administration employees.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

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 2022, the Village amended its appropriation ordinance.

General Fund Revenues

| | FY2022 Amended Appropriation | FY 2022 Actual | Dollar Variance | Percent Variance |
|------------------------|---|---------------------------|----------------------------|-----------------------------|
| Revenues | | | | |
| Taxes | \$4,804,376 | \$5,038,220 | (\$233,844) | -4.87% |
| Intergovernmental | 4,122,604 | 3,716,317 | \$406,287 | 9.86% |
| Licenses and Permits | 410,680 | 482,997 | (\$72,317) | -17.61% |
| Fines | 691,850 | 726,916 | (\$35,066) | -5.07% |
| Charges for Services | 344,276 | 339,434 | \$4,842 | 1.41% |
| Investment Income | 3,372 | 11,043 | (\$7,671) | -227.49% |
| Miscellaneous Revenues | 202,025 | 209,940 | (\$7,915) | -3.92% |
| Total Revenues | \$10,579,183 | \$10,524,867 | \$54,316 | 0.51% |

Total General Fund revenue came in under the appropriation by \$54,316, or 0.51%.

General Fund Expenditures

| | FY2022 Amended Appropriation | FY 2022 Actual | Dollar Variance | Percent Variance |
|---------------------------|---|---------------------------|----------------------------|-----------------------------|
| Expenditures | | | | |
| General Government | \$1,633,484 | \$1,638,855 | \$5,371 | 0.33% |
| Public Safety | 5,354,414 | 5,770,473 | \$416,059 | 7.77% |
| Public Works | 1,299,537 | 1,310,419 | \$10,882 | 0.84% |
| Debt Service | 233,706 | 457,037 | \$223,331 | 95.56% |
| Capital Outlay | 168,254 | 176,154 | \$7,900 | 4.70% |
| Total Expenditures | \$8,689,395 | \$9,352,938 | \$663,543 | 7.64% |

Total General Fund expenditures came in over the appropriation by \$663,543, or 7.64% mostly due to capital infrastructure projects beginning earlier in the season.

As of April 30, 2022, the General Fund reported an ending fund balance of \$15,092,277.

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (Continued)

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2022 and 2021, net of accumulated depreciation of \$17,077,336 and \$16,119,585, respectively.

| Asset Type | Governmental Activities | | Business-Type Activity | | Total Government | |
|-----------------------------|-------------------------|---------------------|------------------------|--------------------|---------------------|---------------------|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| | Construction In Process | \$242,964 | \$1,332,025 | \$0 | \$0 | \$242,964 |
| Land | 629,428 | 629,428 | 0 | 0 | 629,428 | 629,428 |
| Buildings | 6,316,974 | 6,159,668 | 0 | 0 | 6,316,974 | 6,159,668 |
| Machinery and Equipment | 481,857 | 376,842 | 106,400 | 166,817 | 588,257 | 543,659 |
| Land Improvements | 3,209 | 1,069 | 0 | 0 | 3,209 | 1,069 |
| Infrastructure | 8,100,493 | 8,116,172 | 6,683,539 | 6,515,983 | 14,784,032 | 14,632,155 |
| Total Capital Assets | \$15,774,925 | \$16,615,204 | \$6,789,939 | \$6,682,800 | \$22,564,864 | \$23,298,004 |

At the end of the fiscal year 2022, the Village had a combined total government net capital asset of approximately \$23.3 million invested in a broad range of capital assets including land, buildings, vehicles, streets, water mains, and sewer lines. For more detailed information on capital asset activity, see Note E in the notes to the financial statements.

Long-Term Liabilities

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

| | Long-Term Debt | | | | | |
|--|-------------------------|---------------------|------------------------|--------------------|---------------------|---------------------|
| | Governmental Activities | | Business-Type Activity | | Total Government | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| General Obligation Bonds, Net of Premium/Discount | \$4,499,834 | \$15,210,483 | \$0 | \$0 | \$4,499,834 | \$15,210,483 |
| Capital Leases | 156,713 | 62,423 | 80,560 | 37,207 | 237,273 | 99,630 |
| Notes Payable | 528,875 | 396,656 | 2,778,683 | 2,623,985 | 3,307,558 | 3,020,641 |
| Compensated Absences | 1,239,806 | 1,218,627 | - | - | 1,239,806 | 1,218,627 |
| Net Pension Liabilities | 14,553,308 | 20,302,939 | - | - | 14,553,308 | 20,302,939 |
| Net Other Post-Employment Benefit Obligations | 1,640,822 | 1,487,418 | 182,313 | 147,107 | 1,823,135 | 1,634,525 |
| Total | \$22,619,358 | \$38,678,546 | \$3,041,556 | \$2,808,299 | \$25,660,914 | \$41,486,845 |

Village of Harwood Heights, Illinois
Management's Discussion and Analysis (Unaudited)
April 30, 2022

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (Continued)

Long-Term Liabilities (Continued)

As of April 30, 2022, the Village had a total of approximately \$41.49 million of long-term debt outstanding. Of this amount, approximately \$15.21 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 A+ Negative 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.

Factors Bearing on the Village's Future

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 rebounded back from the direct and indirect impact of the COVID-19 pandemic. Economic development is once again on the rise after the initial slowdown from COVID-19. Key vacant commercial parcels are beginning to fill back up, which should lead an increase in economic activity. Long-range goals continue to be the revitalization of the Village's commercial areas and attracting new businesses.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Village of Harwood Heights, Illinois
STATEMENT OF NET POSITION (DEFICIT)
April 30, 2022

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Current | | | |
| Cash, cash equivalents, and investments | \$ 16,134,169 | \$ 562,823 | \$ 16,696,992 |
| Receivables (net of allowance for uncollectibles) | 2,120,058 | 334,188 | 2,454,246 |
| Prepaid items | 23,800 | 64,034 | 87,834 |
| Net pension asset | 1,066,662 | 300,854 | 1,367,516 |
| Noncurrent assets | | | |
| Capital assets not being depreciated | 1,961,453 | - | 1,961,453 |
| Capital assets, net of accumulated depreciation | 14,653,751 | 6,682,800 | 21,336,551 |
| Total assets | 35,959,893 | 7,944,699 | 43,904,592 |
| DEFERRED OUTFLOWS | | | |
| Deferred outflows related to pensions | 5,523,740 | 80,395 | 5,604,135 |
| Total deferred outflows | 5,523,740 | 80,395 | 5,604,135 |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF NET POSITION (DEFICIT)
April 30, 2022

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| LIABILITIES | | | |
| Current | | | |
| Current portion of long-term liabilities | \$ 957,247 | \$ 194,796 | \$ 1,152,043 |
| Accounts payable | 257,075 | 130,247 | 387,322 |
| Accrued payroll liabilities | 84,408 | - | 84,408 |
| Deposits payable | 212,564 | - | 212,564 |
| Pledged sales taxes payable | 48,051 | - | 48,051 |
| Interest payable | 149,803 | 10,360 | 160,163 |
| Unearned revenue | 647,479 | - | 647,479 |
| Long-term liabilities | | | |
| Due in more than one year | <u>37,721,299</u> | <u>2,613,503</u> | <u>40,334,802</u> |
| Total liabilities | <u>40,077,926</u> | <u>2,948,906</u> | <u>43,026,832</u> |
| DEFERRED INFLOWS | | | |
| Property taxes levied for a future period | 982,672 | - | 982,672 |
| Deferred inflows related to pensions | <u>1,957,129</u> | <u>298,352</u> | <u>2,255,481</u> |
| Total deferred inflows | <u>2,939,801</u> | <u>298,352</u> | <u>3,238,153</u> |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets | 12,464,204 | 4,021,607 | 16,485,811 |
| Restricted by enabling legislation | 11,734,561 | - | 11,734,561 |
| Unrestricted | <u>(25,732,859)</u> | <u>756,229</u> | <u>(24,976,630)</u> |
| Total net position (deficit) | <u>\$ (1,534,094)</u> | <u>\$ 4,777,836</u> | <u>\$ 3,243,742</u> |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
STATEMENT OF ACTIVITIES
Year Ended April 30, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|-------------------------------|----------------------|---------------------------------|-----------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants</u> |
| Governmental activities | | | |
| General government | \$ 1,617,785 | \$ 812,492 | \$ 86,844 |
| Public safety | 7,090,399 | 726,867 | - |
| Public works | 1,728,979 | 190,069 | - |
| Interest | 177,106 | - | - |
| | <u>10,614,269</u> | <u>1,729,428</u> | <u>86,844</u> |
| Total governmental activities | | | |
| Business-type activities | | | |
| Water and sewer | 2,268,798 | 2,662,291 | - |
| | <u>2,268,798</u> | <u>2,662,291</u> | <u>-</u> |
| Total | <u>\$ 12,883,067</u> | <u>\$ 4,391,719</u> | <u>\$ 86,844</u> |

General revenues

Taxes
Intergovernmental
Investment earnings
Other
Transfers

Total general revenues and transfers

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> |
|------------------------------------|-------------------------------------|---------------------|
| \$ (718,449) | \$ - | \$ (718,449) |
| (6,363,532) | - | (6,363,532) |
| (1,538,910) | - | (1,538,910) |
| (177,106) | - | (177,106) |
| <u>(8,797,997)</u> | <u>-</u> | <u>(8,797,997)</u> |
| - | 393,493 | 393,493 |
| <u>(8,797,997)</u> | <u>393,493</u> | <u>(8,404,504)</u> |
| 5,876,802 | - | 5,876,802 |
| 4,426,032 | - | 4,426,032 |
| 12,947 | 70 | 13,017 |
| 31,539 | 38,249 | 69,788 |
| (205,667) | 205,667 | - |
| <u>10,141,653</u> | <u>243,986</u> | <u>10,385,639</u> |
| 1,343,656 | 637,479 | 1,981,135 |
| <u>(2,877,750)</u> | <u>4,140,357</u> | <u>1,262,607</u> |
| <u>\$ (1,534,094)</u> | <u>\$ 4,777,836</u> | <u>\$ 3,243,742</u> |

Village of Harwood Heights, Illinois

Governmental Funds
BALANCE SHEET
April 30, 2022

| | <u>General</u> | <u>General Obligation Bonds</u> | <u>Capital Projects</u> | <u>Motor Fuel Tax</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|-----------------------------|---------------------------|--|---|
| ASSETS | | | | | | |
| Cash, cash equivalents, and investments | \$ 14,677,478 | \$ 543,775 | \$ - | \$ 613,242 | \$ 299,674 | \$ 16,134,169 |
| Receivables, net of allowances | | | | | | |
| Property taxes | 818,323 | 161,349 | - | - | - | 979,672 |
| Intergovernmental | 980,341 | - | - | 28,899 | - | 1,009,240 |
| Other | 131,146 | - | - | - | - | 131,146 |
| Prepays | 23,800 | - | - | - | - | 23,800 |
| Due from other funds | 445,011 | 185,718 | - | - | - | 630,729 |
| | <u>17,076,099</u> | <u>890,842</u> | <u>-</u> | <u>642,141</u> | <u>299,674</u> | <u>18,908,756</u> |
| Total assets | \$ 17,076,099 | \$ 890,842 | \$ - | \$ 642,141 | \$ 299,674 | \$ 18,908,756 |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES (DEFICITS) | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 169,997 | \$ - | \$ 86,389 | \$ 389 | \$ 300 | \$ 257,075 |
| Accrued payroll liabilities | 84,408 | - | - | - | - | 84,408 |
| Deposits payable | 212,564 | - | - | - | - | 212,564 |
| Pledged sales taxes payable | 48,051 | - | - | - | - | 48,051 |
| Due to other funds | - | - | 185,718 | 19,216 | 425,795 | 630,729 |
| Unearned revenue | 647,479 | - | - | - | - | 647,479 |
| | <u>1,162,499</u> | <u>-</u> | <u>272,107</u> | <u>19,605</u> | <u>426,095</u> | <u>1,880,306</u> |
| Total liabilities | 1,162,499 | - | 272,107 | 19,605 | 426,095 | 1,880,306 |
| Deferred inflows | | | | | | |
| Property taxes levied for a future period | 821,323 | 161,349 | - | - | - | 982,672 |
| | <u>821,323</u> | <u>161,349</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>982,672</u> |
| Total deferred inflows | 821,323 | 161,349 | - | - | - | 982,672 |
| Fund balances (deficits) | | | | | | |
| Nonspendable | 468,811 | - | - | - | - | 468,811 |
| Assigned | 20,079 | - | - | - | - | 20,079 |
| Restricted | | | | | | |
| Special revenue funds | - | - | - | 622,536 | 23,478 | 646,014 |
| Debt service | - | 729,493 | - | - | - | 729,493 |
| Committed | | | | | | |
| Unspent bond proceeds - Police Pension | 10,335,254 | - | - | - | - | 10,335,254 |
| Unassigned | 4,268,133 | - | (272,107) | - | (149,899) | 3,846,127 |
| | <u>15,092,277</u> | <u>729,493</u> | <u>(272,107)</u> | <u>622,536</u> | <u>(126,421)</u> | <u>16,045,778</u> |
| Total fund balance (deficit) | 15,092,277 | 729,493 | (272,107) | 622,536 | (126,421) | 16,045,778 |
| Total liabilities, deferred inflows and fund balance (deficit) | \$ 17,076,099 | \$ 890,842 | \$ - | \$ 642,141 | \$ 299,674 | \$ 18,908,756 |

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, 2022

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 | | \$ 16,045,778 |
|---|--|---------------|

| | | |
|--|--|-----------|
| The IMRF net pension asset resulting from contributions in excess of the annual required contribution is not a financial resource and, therefore, is not reported in the governmental funds balance sheet. | | 1,066,662 |
|--|--|-----------|

| | | |
|--|--|------------|
| 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. | | 16,615,204 |
|--|--|------------|

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 | \$ (772,758) | |
| Police pension | <u>4,339,369</u> | 3,566,611 |

| | | |
|---|--|-----------|
| 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. | | (149,803) |
|---|--|-----------|

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 | \$ (15,080,000) | |
| Unamortized bond premium and discount | (130,483) | |
| Note payable | (396,656) | |
| Compensated absences payable | (1,218,627) | |
| Capital lease payable | (62,423) | |
| Police net pension liability | (20,302,939) | |
| OPEB liability | <u>(1,487,418)</u> | <u>(38,678,546)</u> |
| Net deficit - governmental activities | | <u>\$ (1,534,094)</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, 2022

| | General | General Obligation Bonds | Capital Projects | Motor Fuel Tax | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|---------------------|-------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | | |
| Taxes | \$ 5,038,220 | \$ 340,280 | \$ - | \$ 343,315 | \$ 154,987 | \$ 5,876,802 |
| Intergovernmental | 3,716,317 | - | 607,371 | 189,188 | - | 4,512,876 |
| Licenses and permits | 482,997 | - | - | - | - | 482,997 |
| Fines | 726,916 | - | - | - | 1,680 | 728,596 |
| Charges for services | 339,434 | - | - | - | - | 339,434 |
| Investment income | 11,043 | - | - | 395 | 1,509 | 12,947 |
| Miscellaneous | 209,940 | - | - | - | - | 209,940 |
| Total revenues | <u>10,524,867</u> | <u>340,280</u> | <u>607,371</u> | <u>532,898</u> | <u>158,176</u> | <u>12,163,592</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 1,638,855 | - | - | - | - | 1,638,855 |
| Public safety | 5,770,473 | - | - | - | - | 5,770,473 |
| Public works | 1,310,419 | - | - | 44,826 | - | 1,355,245 |
| Miscellaneous | - | - | - | - | 6,385 | 6,385 |
| Capital outlay | 176,154 | - | 1,345,471 | 126,968 | - | 1,648,593 |
| Debt service | | | | | | |
| Principal | 449,839 | 85,000 | - | - | 310,000 | 844,839 |
| Interest and other | 7,198 | 139,738 | - | - | 6,200 | 153,136 |
| Total expenditures | <u>9,352,938</u> | <u>224,738</u> | <u>1,345,471</u> | <u>171,794</u> | <u>322,585</u> | <u>11,417,526</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,171,929</u> | <u>115,542</u> | <u>(738,100)</u> | <u>361,104</u> | <u>(164,409)</u> | <u>746,066</u> |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | 1,000,000 | - | - | 1,000,000 |
| Transfers out | (500,000) | (205,667) | - | (500,000) | - | (1,205,667) |
| Debt issuance | 11,170,000 | - | - | - | - | 11,170,000 |
| Discount on debt issuance | (48,912) | - | - | - | - | (48,912) |
| Total other financing sources (uses) | <u>10,621,088</u> | <u>(205,667)</u> | <u>1,000,000</u> | <u>(500,000)</u> | <u>-</u> | <u>10,915,421</u> |
| Net change in fund balances (deficit) | 11,793,017 | (90,125) | 261,900 | (138,896) | (164,409) | 11,661,487 |
| Fund balance (deficit) | | | | | | |
| Beginning of year | <u>3,299,260</u> | <u>819,618</u> | <u>(534,007)</u> | <u>761,432</u> | <u>37,988</u> | <u>4,384,291</u> |
| End of year | <u>\$ 15,092,277</u> | <u>\$ 729,493</u> | <u>\$ (272,107)</u> | <u>\$ 622,536</u> | <u>\$ (126,421)</u> | <u>\$ 16,045,778</u> |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2022

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

Net change in fund balances (deficit) - total governmental funds \$ 11,661,487

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.

| | | |
|----------------------|------------------|---------|
| Capital outlay | \$ 1,611,739 | |
| Depreciation expense | <u>(771,460)</u> | 840,279 |

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

| | | |
|---------------------|------------------|-----------|
| IMRF pension fund | \$ 111,087 | |
| Police pension fund | <u>4,445,478</u> | 4,556,565 |

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. (88,321)

The IMRF net pension asset resulting from contributions in excess of the annual required contribution is not a financial resource and, therefore, is not reported in the governmental funds balance sheet. 432,834

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 | 395,000 | |
| Proceeds from bond issuance | (11,170,000) | |
| Discount on bonds sold | 48,912 | |
| Amortization of bond premiums and discounts | 15,439 | |
| Police pension liability, net | (5,749,631) | |
| OPEB liability, net | 153,404 | |
| Compensated absences, net | 21,179 | |
| Principal payments on capital leases | <u>94,290</u> | <u>(16,059,188)</u> |

Change in net position (deficit) - governmental activities \$ 1,343,656

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, 2022

ASSETS

Current

| | |
|--|----------------|
| Cash and cash equivalents | \$ 562,823 |
| Customer receivables (net of allowance for uncollectibles) | 334,188 |
| Prepaid items | 64,034 |
| Net pension asset | <u>300,854</u> |

Total current assets 1,261,899

Capital assets, net of accumulated depreciation 6,682,800

Total assets 7,944,699

DEFERRED OUTFLOWS

Deferred outflows related to pensions 80,395

Total deferred outflows 80,395

LIABILITIES

Current

| | |
|--|---------|
| Current portion of long-term liabilities | 194,796 |
| Accounts payable | 130,247 |
| Accrued interest payable | 10,360 |

Long-term

Due in more than one year 2,613,503

Total liabilities 2,948,906

DEFERRED INFLOWS

Deferred inflows related to pensions 298,352

Total deferred inflows 298,352

NET POSITION

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 4,021,607 |
| Unrestricted | <u>756,229</u> |

Total net position \$ 4,777,836

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, 2022

| | |
|--|---------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 2,603,703 |
| Penalties | <u>58,588</u> |
| Total operating revenues | <u>2,662,291</u> |
| OPERATING EXPENSES | |
| Current | |
| Personal services | 425,341 |
| Commodities | 1,189,722 |
| Other services | 402,830 |
| Depreciation | <u>198,293</u> |
| Total operating expenses | <u>2,216,186</u> |
| OPERATING INCOME | <u>446,105</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Other | 38,249 |
| Interest income | 70 |
| Interest expense | <u>(52,612)</u> |
| Total nonoperating revenues (expenses) | <u>(14,293)</u> |
| Other financing sources | |
| Transfers in | <u>205,667</u> |
| CHANGE IN NET POSITION | 637,479 |
| NET POSITION | |
| Beginning of year | <u>4,140,357</u> |
| End of year | <u>\$ 4,777,836</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, 2022

| | |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 2,660,205 |
| Cash paid to suppliers for goods and services | (1,696,879) |
| Cash paid to employees for services | (618,127) |
| Net cash provided by operating activities | <u>345,199</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 205,667 |
| Change in due from/to other funds | (545) |
| Net cash provided by noncapital financing activities | <u>205,122</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Loan repayments | (154,698) |
| Capital asset purchases | (91,154) |
| Principal payments on capital leases | (43,353) |
| Interest paid | (53,316) |
| Net cash used in capital financing activities | <u>(342,521)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 70 |
| Antenna leasing | 38,249 |
| Net cash provided by investing activities | <u>38,319</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | |
| | 246,119 |
| CASH AND CASH EQUIVALENTS | |
| Beginning of year | <u>316,704</u> |
| End of year | <u>\$ 562,823</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating income | \$ 446,105 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 198,293 |
| Changes in assets and liabilities | |
| Customer receivables | (2,086) |
| Accounts payable | (42,712) |
| Prepaid items | (61,615) |
| Deferred outflows related to pensions and OPEB | (24,243) |
| Deferred inflows related to pensions | (21,808) |
| Net IMRF pension asset | (111,529) |
| Net OPEB liability | (35,206) |
| Net cash provided by operating activities | <u>\$ 345,199</u> |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
Police Pension Trust Fund
STATEMENT OF FIDUCIARY NET POSITION
April 30, 2022

| | <u>Pension Trust Fund</u> |
|--|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 612,807 |
| Investments | 20,212,161 |
| Accrued interest receivable | 59,568 |
| Prepays | <u>4,989</u> |
| Total assets | <u>20,889,525</u> |
| LIABILITIES | |
| Accounts payable | <u>6,767</u> |
| Total liabilities | <u>6,767</u> |
| NET POSITION | |
| Restricted for pensions benefits held in trust | <u>\$ 20,882,758</u> |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois
 Police Pension Trust Fund
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended April 30, 2022

ADDITIONS

| | | |
|---|--|--------------------|
| Investment income (expense) | | |
| Investment earnings | | \$ 853,829 |
| Net depreciation in fair value of investments | | (2,309,624) |
| Investment expense | | <u>(67,800)</u> |
| Total investment income | | <u>(1,523,595)</u> |
| Contributions | | |
| Employer | | 1,246,054 |
| Members | | <u>253,042</u> |
| Total contributions | | <u>1,499,096</u> |
| Total additions | | <u>(24,499)</u> |

DEDUCTIONS

| | | |
|------------------------------|--|------------------|
| Pension benefits and refunds | | 1,909,046 |
| Administrative expense | | <u>56,703</u> |
| Total deductions | | <u>1,965,749</u> |

CHANGE IN NET POSITION (1,990,248)

NET POSITION RESTRICTED
FOR PENSIONS

| | | |
|-------------------|--|----------------------|
| Beginning of Year | | <u>22,873,006</u> |
| End of Year | | <u>\$ 20,882,758</u> |

The accompanying notes are an integral part of this statement.

Village of Harwood Heights, Illinois

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April 30, 2022

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Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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. 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, 2022

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, 2022

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.

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, 2022

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.

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, inventories, or balances due from other funds.
- 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, debt service, and capital project funds are by definition restricted for those specified purposes.
- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's highest level of decision making authority (the Village Board). The Village Board commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Village removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022.

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.

The nonspendable fund balance in the General Fund consists of \$468,811 for prepaid items and due from other funds. The assigned fund balance in the General Fund consists of \$20,079 to be spent on public works projects for certain property owners. The committed fund balance in the General Fund consists of \$10,335,254 for police pension contributions from unspent bond proceeds (see Note H). The remaining restricted fund balances are for the purposes of the restricted funds as described in Note A-3.

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.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. A six-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

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

The Village reports the following major governmental funds:

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

The *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 primary revenue source is property taxes.

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. The primary revenue sources is motor fuel tax proceeds.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major proprietary fund:

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

Additionally, the Village reports the following fiduciary fund:

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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 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, 2022

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 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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022.

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.

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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fair Value Measurements (Continued)

Corporate 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. 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.

Interfund transactions 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, 2022

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, material and labor, and design costs incurred for planned construction. No provision for depreciation is made on construction in progress until the asset is completed and placed in service.

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. Employees accumulate hours per contractual agreements with cash out limits in place. 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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability (asset) 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. Investments are stated at fair value.

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. Bond premiums, discounts, and gains/losses on the refunding of bonds 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 (deficit) and the governmental funds balance sheet may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets / fund balance that applies to future periods. At April 30, 2022, 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, 2022, the Village reported deferred inflows of resources related to property taxes levied for a future period and pensions.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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

| <u>Net position restricted for:</u> | <u>Amount</u> |
|---|-----------------------------|
| Unspent bond proceeds - police pension contribution | \$ 10,335,254 |
| Debt service | 729,493 |
| Motor fuel tax | 622,536 |
| Employee benefits | 23,800 |
| Crime investigation | 18,827 |
| DUI | <u>4,651</u> |
| Total net position restricted by enabling legislation | \$ <u><u>11,734,561</u></u> |

18. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows 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, 2022

NOTE B - DEPOSITS AND INVESTMENTS

For disclosure purposes, the amounts are segregated as follows:

| | Government- Wide | Police Pension Trust Fund | Total |
|---|---------------------|------------------------------|-------------------|
| Deposits with financial institutions* | \$ 3,299,907 | \$ 612,807 | \$ 3,912,714 |
| Cash on hand | 1,750 | - | 1,750 |
| Investments | - | 20,212,161 | 20,212,161 |
| Illinois Funds | 13,395,335 | - | 13,395,335 |
| Total cash, cash equivalents and investments | \$ 16,696,992 | \$ 20,824,968 | \$ 37,521,960 |

*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 AAAM, 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, 2022

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, 2022, the Village had approximately \$465,000 of uncollateralized deposits. The bank balance of the Village's deposits with financial institutions was \$3,441,975 at April 30, 2022.

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 Credit 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, 2022

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, 2022, the Village did not have greater than ten percent of its overall portfolio invested in any single investment type.

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, 2022

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 with financial institutions. The bank balance of the Pension Fund's deposited with financial institutions was \$588,527 at April 30, 2022. At year-end, the carrying amount of the Pension Fund's deposits and related bank balances totaled \$612,807.

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, 2022:

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 | \$ - | \$ 1,283,484 | \$ - | \$ 1,283,484 |
| U.S. Agencies | - | 1,891,305 | - | 1,891,305 |
| U.S. Mortgage Backed Security | - | 8,123 | - | 8,123 |
| Corporate Bonds | - | 4,406,089 | - | 4,406,089 |
| Equity Securities | | | | |
| Mutual Funds | 11,049,156 | - | - | 11,049,156 |
| Exchange-Traded Funds | 1,574,004 | - | - | 1,574,004 |
| Total | <u>\$ 12,623,160</u> | <u>\$ 7,589,001</u> | <u>\$ -</u> | <u>\$ 20,212,161</u> |

At April 30, 2022, 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 | \$ 3,182,912 | \$ 223,936 | \$ 2,543,775 | \$ 415,201 | \$ - |
| Corporate Obligations | 4,406,089 | 438,413 | 3,943,158 | 24,518 | - |
| | 7,589,001 | <u>\$ 662,349</u> | <u>\$ 6,486,933</u> | <u>\$ 439,719</u> | <u>\$ -</u> |
| Equity Securities | <u>12,623,160</u> | | | | |
| | <u>\$ 20,212,161</u> | | | | |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022, 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, 2022, 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, 2022

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, 2022, 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.

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

| <u>Equity Mutual Funds</u> | <u>Fair Value</u> |
|---|----------------------|
| Brown Advisory Sustainable Growth Fund | \$ 1,470,201 |
| Cohen & Steers Realty Shares I Fund | 449,953 |
| Grandeur Peak International Stalwarts Fund | 480,705 |
| Invesco Oppenheimer Developing Markets Fund | 991,755 |
| Invesco Oppenheimer International Growth Fund | 874,109 |
| JP Morgan Equity Income Fund | 1,599,656 |
| MFS International Value Fund | 1,023,705 |
| Vanguard 500 Index Fund | <u>4,159,072</u> |
| Total equity mutual funds | <u>\$ 11,049,156</u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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:

| Asset Class | Portfolio Target Percentage | Long-Term Expected Real Rate of Return |
|-------------------------------|-----------------------------------|--|
| US large | 23.00 % | 4.15 % |
| US small | 5.00 | 4.54 |
| International developed | 18.00 | 4.64 |
| International developed small | 5.00 | (0.25) |
| Emerging markets | 7.00 | 5.31 |
| Private equity (direct) | 7.00 | 7.15 |
| Bank loans | 3.00 | 2.48 |
| High yield corp. credit | 3.00 | 2.48 |
| Emerging market debt | 3.00 | 2.82 |
| Private credit | 5.00 | 4.37 |
| US TIPS | 3.00 | (0.12) |
| Real estate/infrastructure | 8.00 | 4.00 |
| Cash | 1.00 | (0.27) |
| Short-term gov't/credit | 3.00 | 0.73 |
| US treasury | 3.00 | (0.60) |
| Core plus fixed income | 3.00 | 0.73 |
| Total | 100.00 % | |

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 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, 2022 are listed in the table on the previous page.

b. Rate of Return

For the year ended April 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (6.72)%. 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 2021 tax year attach as an enforceable lien on January 1, 2021 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, 2022 and August 1, 2022. The tentative equalization factor for Cook County for 2021 is 2.7297. The final equalization factor for Cook County has not yet been determined for 2021 as Cook County is experiencing a delay in assessing and billing the second installment of 2021 property taxes due in 2022. The County collects such taxes and remits them periodically. The portion of the 2021 property tax levy not received by April 30 is recorded as a receivable, net of an allowance for uncollectible 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, 2023, net taxes receivable is reflected as property taxes levied for a future period. The 2022 levy, which attached as an enforceable lien on property as of January 1, 2022, has not been recorded as a receivable as of April 30, 2022, as the tax has not yet been levied by the Village and will not be levied until December 2022; therefore, the levy is not measurable at April 30, 2022. 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, 2022

NOTE D - INTERFUND TRANSACTIONS

| 1. <u>Due from/Advances to/Due to/Advances from</u> | <u>Due from/ Advances to</u> | <u>Due to/ Advances from</u> |
|---|--------------------------------------|--------------------------------------|
| General Fund | | |
| SSA Debt Service Fund | \$ 425,795 | \$ - |
| Motor Fuel Tax Fund | 19,216 | - |
| Total General Fund | <u>445,011</u> | <u>-</u> |
| General Obligation Bonds | | |
| Capital Projects Fund | 185,718 | - |
| Total General Obligation Bonds Fund | <u>185,718</u> | <u>-</u> |
| Capital Projects | | |
| General Obligation Bonds Fund | - | 185,718 |
| Total General Obligation Bond Fund | <u>-</u> | <u>185,718</u> |
| Motor Fuel Tax Fund | | |
| General Fund | - | 19,216 |
| Total Motor Fuel Tax Fund | <u>-</u> | <u>19,216</u> |
| Nonmajor governmental funds | | |
| SSA Debt Service Fund - General Fund | - | 425,795 |
| Total nonmajor governmental funds | <u>-</u> | <u>425,795</u> |
| Total governmental funds | <u>630,729</u> | <u>630,729</u> |
| Less amounts eliminated during GASB 34 conversion | <u>(630,729)</u> | <u>(630,729)</u> |
| Total Village internal balances | <u>\$ -</u> | <u>\$ -</u> |

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

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE D - INTERFUND TRANSACTIONS (Continue)

2. Interfund Transfers

During the year ended April 30, 2022, the General Obligation Bonds Fund transferred \$205,667 to the Water and Sewer Fund for debt service on the Illinois EPA loans (Note H). Additionally, the General Fund and Motor Fuel Tax funds each transferred \$500,000 to the Capital Project Funds to fund various capital projects.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2022 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 | 242,964 | 1,483,956 | 394,895 | 1,332,025 |
| Total capital assets, not being depreciated | 872,392 | 1,483,956 | 394,895 | 1,961,453 |
| Capital assets, being depreciated | | | | |
| Buildings | 9,221,043 | 115,999 | 12,002 | 9,325,040 |
| Machinery and equipment | 3,540,107 | 11,784 | - | 3,551,891 |
| Land improvements | 121,499 | - | - | 121,499 |
| Infrastructure | 14,616,195 | 394,895 | - | 15,011,090 |
| Total capital assets, being | 27,498,844 | 522,678 | 12,002 | 28,009,520 |
| Less accumulated depreciation for | | | | |
| Buildings | 2,904,069 | 273,305 | 12,002 | 3,165,372 |
| Machinery and equipment | 3,058,250 | 116,799 | - | 3,175,049 |
| Land improvements | 118,290 | 2,140 | - | 120,430 |
| Infrastructure | 6,515,702 | 379,216 | - | 6,894,918 |
| Total accumulated depreciation | 12,596,311 | 771,460 | 12,002 | 13,355,769 |
| Total capital assets, being depreciated, net | 14,902,533 | (693,370) | - | 14,653,751 |
| Governmental activities capital assets, net | \$ 15,774,925 | \$ 790,586 | \$ 394,895 | \$ 16,615,204 |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE E - CAPITAL ASSETS (Continued)

2. Business-Type Activities

| | Beginning Balance | Additions / Transfers | Disposals / Transfers | Ending Balance |
|--|----------------------|--------------------------|--------------------------|-------------------|
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 556,238 | \$ 91,154 | \$ - | \$ 647,392 |
| Land improvements | 34,700 | - | - | 34,700 |
| Infrastructure | 9,722,275 | - | - | 9,722,275 |
| Total capital assets, being depreciated | 10,313,213 | 91,154 | - | 10,404,367 |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 449,838 | 30,737 | - | 480,575 |
| Land improvements | 34,700 | - | - | 34,700 |
| Infrastructure | 3,038,736 | 167,556 | - | 3,206,292 |
| Total accumulated depreciation | 3,523,274 | 198,293 | - | 3,721,567 |
| Business-type activities, capital assets, net | \$ 6,789,939 | \$ (107,139) | \$ - | \$ 6,682,800 |

3. Depreciation Expense

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

Governmental activities:

| | |
|-------------------------------------|------------|
| General government | \$ 274,857 |
| Public safety | 66,330 |
| Public works, streets, and lighting | 430,273 |
| | \$ 771,460 |

Business – type activities:

| | |
|-----------------|------------|
| Water and sewer | \$ 198,293 |
|-----------------|------------|

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 3.22%. The agreement matured in July 2022 and was renewed at that time with a maturity date of July 22, 2023. The renewed agreement allows for borrowings of up to \$1,000,000, and interest charged at 3.81%. There were no outstanding borrowings at April 30, 2022.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|----------------------|---------------------|---------------------------|--------------------------------|
| General obligation bonds | | | | | |
| Series 2015 | \$ 1,805,000 | \$ - | \$ 395,000 | \$ 1,410,000 | \$ 90,000 |
| Series 2017 | 2,500,000 | - | - | 2,500,000 | 190,000 |
| Series 2021 | - | 11,170,000 | - | 11,170,000 | 485,000 |
| Total general obligation bonds | <u>4,305,000</u> | <u>11,170,000</u> | <u>395,000</u> | <u>15,080,000</u> | <u>765,000</u> |
| Bond discount | - | (48,912) | (862) | (48,050) | (2,586) |
| Bond premium | 194,834 | - | 16,301 | 178,533 | 16,301 |
| Capital lease obligation | 156,713 | - | 94,290 | 62,423 | 46,313 |
| Note payable | 528,875 | - | 132,219 | 396,656 | 132,219 |
| Police net pension liability | 14,553,308 | 8,041,784 | 2,292,153 | 20,302,939 | - |
| OPEB liability | 1,640,822 | 62,703 | 216,107 | 1,487,418 | - |
| Compensated absences | <u>1,239,806</u> | <u>535,221</u> | <u>556,400</u> | <u>1,218,627</u> | <u>-</u> |
| Total governmental activities | <u>\$ 22,619,358</u> | <u>\$ 19,760,796</u> | <u>\$ 3,701,608</u> | <u>\$ 38,678,546</u> | <u>\$ 957,247</u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022:

| | Beginning Balance | Additions | Retirements | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|-----------|-------------|-------------------|------------------------|
| Illinois EPA loans | \$ 2,778,683 | \$ - | \$ 154,698 | \$ 2,623,985 | \$ 157,589 |
| Capital lease obligations | 80,560 | - | 43,353 | 37,207 | 37,207 |
| OPEB liability | 182,313 | 6,201 | 41,407 | 147,107 | - |
| Total business-type activities | \$ 3,041,556 | \$ 6,201 | \$ 239,458 | \$ 2,808,299 | \$ 194,796 |

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% | \$ 1,410,000 |
| Series 2017 General Obligation Bonds | 3.00 - 4.00% | 2,500,000 |
| Series 2021 General Obligation Bonds | 0.60 - 3.25% | 11,170,000 |
| | | \$ 15,080,000 |

During the fiscal year ended April 30, 2022 the Village issued and received proceeds of \$11,170,000 of Series 2021 General Obligation Bonds. The proceeds of the general obligation bonds will be used primarily to fund the Police Pension Trust Fund, amounting to \$10,335,254 (see Note A-4 and Note N). The remaining proceeds were designated for the Village's general operations.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 <u>April 30,</u> | <u>General Obligation Bonds Payable</u> | | |
|------------------------------------|---|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2023 | \$ 765,000 | \$ 378,763 | \$ 1,143,763 |
| 2024 | 755,000 | 387,048 | 1,142,048 |
| 2025 | 805,000 | 374,880 | 1,179,880 |
| 2026 | 820,000 | 360,062 | 1,180,062 |
| 2027 | 840,000 | 340,984 | 1,180,984 |
| 2028 - 2032 | 4,530,000 | 1,374,704 | 5,904,704 |
| 2033 - 2037 | 3,745,000 | 766,828 | 4,511,828 |
| 2038 - 2041 | <u>2,820,000</u> | <u>232,864</u> | <u>3,052,864</u> |
| | <u>\$ 15,080,000</u> | <u>\$ 4,216,133</u> | <u>\$ 19,296,133</u> |

3. Capital Lease Obligations

At April 30, 2022, the Village is obligated for future payments under various noncancelable lease for equipment as follows:

| Year Ending <u>April 30,</u> | Capital Leases | | Capital Leases | |
|------------------------------------|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 46,313 | \$ 1,176 | \$ 37,207 | \$ 790 |
| 2024 | <u>16,110</u> | <u>168</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 62,423</u> | <u>\$ 1,344</u> | <u>\$ 37,207</u> | <u>\$ 790</u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 \$344,024, with accumulated depreciation and depreciation expense of \$151,373 and \$27,523 respectively, at April 30, 2022. 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 \$150,547 and \$13,763, respectively, at April 30, 2022.

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, 2022 was \$396,656.

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

| Year ending April 30, | Principal |
|-----------------------------|-------------------|
| 2023 | \$ 132,219 |
| 2024 | 132,219 |
| 2025 | <u>132,218</u> |
| | <u>\$ 396,656</u> |

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE H - LONG-TERM LIABILITIES (Continued)

5. Illinois EPA Loans

The details of the Illinois EPA loans payable as of April 30, 2022 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. | \$ 923,179 |
| IEPA Public Water Supply Loans, payable in semiannual installments of \$65,231, including interest at 1.86% through March 2037. | <u>1,700,806</u> |
| | <u>\$ 2,623,985</u> |

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

| Year Ending <u>April 30,</u> | IEPA Loans Payable | | |
|------------------------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2023 | \$ 157,589 | \$ 48,076 | \$ 205,665 |
| 2024 | 160,534 | 45,132 | 205,666 |
| 2025 | 163,534 | 42,132 | 205,666 |
| 2026 | 166,589 | 39,076 | 205,665 |
| 2027 | 169,703 | 35,964 | 205,667 |
| 2028 - 2032 | 897,281 | 124,717 | 1,021,998 |
| 2032 - 2037 | <u>908,755</u> | <u>50,700</u> | <u>959,455</u> |
| | <u>\$ 2,623,985</u> | <u>\$ 385,797</u> | <u>\$ 3,009,782</u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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, 2022

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.

Employees Covered by Benefit Term

As of December 31, 2021, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Retirees and beneficiaries currently receiving benefits | 28 |
| Inactive plan members entitled to but not yet receiving benefits | 23 |
| Active plan members | <u>19</u> |
| Total | <u><u>70</u></u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

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 2021 was 10.00%. For the fiscal year ended April 30, 2022 the Village contributed \$109,159 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 (Asset)

The Village's IMRF net pension liability (asset) was measured as of December 31, 2021. The total pension liability (asset) 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, 2021:

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Market Value of Assets |
| Price Inflation | 2.25% |
| Salary Increases | 2.85% to 13.75% |
| Investment Rate of Return | 7.25% |
| Retirement Age | Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019. |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

Mortality

For non-disabled retirees, the Pub-2010, amount-weighted, below-median income, general, retiree, male (adjusted 106%) and female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, amount-weighted, below-median income, general, disabled retiree, male and female (unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, amount-weighted, below-median income, general, employee, male and female (unadjusted) tables, and future mortality improvements projected using scale MP-2020.

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, 2022

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

Long-term Expected Rate of Return (Continued)

| <u>Asset Class</u> | <u>Portfolio Target Percentage</u> | <u>Long-Term Expected Rate of Return</u> |
|-------------------------|--|--|
| Domestic equities | 39% | 1.90% |
| International equities | 15% | 3.15% |
| Fixed income | 25% | (0.60%) |
| Real estate | 10% | 3.30% |
| Alternative investments | 10% | 1.70% - 5.5% |
| Cash equivalents | 1% | (0.90%) |
| Total | <u>100%</u> | |

Other Information

There were no benefit changes during the year.

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability as of December 31, 2021. 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).

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

Single Discount Rate (Continued)

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 1.84% (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%.

Changes in Net Pension Liability (Asset)

The following table shows the components of the change in the Village's net pension liability (asset) for the calendar year ended December 31, 2021:

| | Total Pension Liability <u>(A)</u> | Plan Fiduciary Net Position <u>(B)</u> | Net Pension Liability (Asset) <u>(A) - (B)</u> |
|---|--|--|--|
| Balances at December 31, 2020 | \$ 8,502,505 | \$ 9,325,658 | \$ (823,153) |
| Changes for the year: | | | |
| Service cost | 117,093 | - | 117,093 |
| Interest on the total pension liability | 604,372 | - | 604,372 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience of the total pension liability | 554,416 | - | 554,416 |
| Changes of assumptions | - | - | - |
| Contributions - Employer | - | 128,822 | (128,822) |
| Contributions - Employees | - | 58,137 | (58,137) |
| Net Investment Income | - | 1,477,654 | (1,477,654) |
| Benefit payments, including refunds of employee contributions | (449,778) | (449,778) | - |
| Other (net transfer) | - | 155,631 | (155,631) |
| Net changes | <u>826,103</u> | <u>1,370,466</u> | <u>(544,363)</u> |
| Balances at December 31, 2021 | <u>\$ 9,328,608</u> | <u>\$ 10,696,124</u> | <u>\$ (1,367,516)</u> |

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

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

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

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

| | <u>1% Lower (6.25%)</u> | <u>Current Discount Rate (7.25%)</u> | <u>1% Higher (8.25%)</u> |
|-------------------------------|-----------------------------|--|------------------------------|
| Net pension liability (asset) | \$ <u>(284,926)</u> | \$ <u>(1,367,516)</u> | \$ <u>(2,202,069)</u> |

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

For the year ended April 30, 2022, the Village recognized pension income of \$592,203. At April 30, 2022, the Village reported deferred inflows of resources and deferred outflows 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 | | |
| Differences between expected and actual experience | \$ 339,767 | \$ 206,070 |
| Change of assumptions | - | 37,602 |
| Net difference between projected and actual earnings on pension plan investments | <u>-</u> | <u>1,112,478</u> |
| Total deferred amounts to be recognized in pension expense in the future periods | <u>339,767</u> | <u>1,356,150</u> |
| Pension contributions made subsequent to the measurement date | <u>25,669</u> | <u>-</u> |
| Total deferred amounts related to pensions | <u>\$ 365,436</u> | <u>\$ 1,356,150</u> |

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

1. Illinois Municipal Retirement Fund (Continued)

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

The Village reported \$25,669 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, 2023. Other amounts reported as net deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended April, 30 | Net Deferred Inflows of Resources |
|-------------------------|---|
| 2023 | \$ 262,697 |
| 2024 | 318,999 |
| 2025 | 273,602 |
| 2026 | 161,085 |
| 2027 | - |
| Thereafter | - |
| Total | \$ <u><u>1,016,383</u></u> |

2. Police Pension Trust Fund

Plan Description

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

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Basis of Accounting

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

Benefits Provided

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

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

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 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).

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Benefits Provided (Continued)

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

Employees Covered by Benefit Term

As of April 30, 2022, 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>24</u> |
| Total plan membership | <u><u>50</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, 2022, the Village's contribution was 49.53% of covered payroll.

Net Pension Liability

The Village's police fund net pension liability was measured as of April 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed as of May 1, 2021, using the following actuarial methods and assumptions.

| | |
|----------------------------|--|
| Actuarial valuation date | May 1, 2021 |
| Actuarial measurement date | April 30, 2022 |
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | Investment gains and losses are smoothed over a 5-year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets. |
| Assumptions | |
| Investment rate of return | 6.75% |
| Discount rate | 6.15% |
| Salary increases | 3.75% - 12.61% |
| Inflation | 2.25% |
| Marital status | Active Members: 80% of active members are assumed to be married and males are assumed to be three years older than females. Retiree and Disabled Members: Actual spousal data was utilized for retiree and disabled members. |
| Mortality | Active mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) study. Mortality improvements uses MP-2019 Improvement Rates applied on a fully generational basis. 50% of active member deaths are assumed to be in the line of duty. |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

Actuarial Assumptions (Continued)

Assumptions (Continued)

Mortality (Continued)

Retiree mortality follows the L&A assumption study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

the PubS-2010 Study for disabled participants. Mortality improvements uses MP-2019 Improvement Rates applied on a fully generational basis.

Spouse mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) study for contingent survivors. For all rates not provided there, (aged 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvements uses MP-2019 Improvement Rates applied on a fully generational basis.

Discount Rate

The discount rate used to measure the total pension liability was 6.15%, a change from the prior evaluation of 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

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.

Changes in Net Pension Liability

| | Total Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability (A) - (B) |
|---|---------------------------|--|---------------------------------------|
| | (A) | (B) | (A) - (B) |
| Balances at April 30, 2021 | \$ 37,426,312 | \$ 22,873,004 | \$ 14,553,308 |
| Changes for the year: | | | |
| Service cost | 638,279 | - | 638,279 |
| Interest on the total pension liability | 2,408,124 | - | 2,408,124 |
| Difference between expected and actual experience of the total pension liability | (793,057) | - | (793,057) |
| Change in assumptions | 3,415,084 | - | 3,415,084 |
| Changes of benefit terms | - | - | - |
| Contributions - employer | - | 1,246,054 | (1,246,054) |
| Contributions - employees | - | 252,882 | (252,882) |
| Contributions - other | - | 160 | (160) |
| Net investment income (loss) | - | (1,524,117) | 1,524,117 |
| Benefit payment, including refunds of employee contributions | (1,909,045) | (1,909,045) | - |
| Administrative expense | - | (56,180) | 56,180 |
| Net changes | 3,759,385 | (1,990,246) | 5,749,631 |
| Balances at April 30, 2022 | \$ 41,185,697 | \$ 20,882,758 | \$ 20,302,939 |

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

2. Police Pension Plan (Continued)

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 6.15% 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:

| | <u>1% Decrease</u> <u>(5.15%)</u> | <u>Current</u> <u>Discount</u> <u>(6.15%)</u> | <u>1% Increase</u> <u>(7.15%)</u> |
|-----------------------|--------------------------------------|---|--------------------------------------|
| Net pension liability | \$ <u>26,178,347</u> | \$ <u>20,302,939</u> | \$ <u>15,514,888</u> |

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

For the year ended April 30, 2022 the Village recognized pension expense of \$2,550,207. At April 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred</u> <u>Outflows of</u> <u>Resources</u> | <u>Deferred</u> <u>Inflows of</u> <u>Resources</u> |
|--|---|--|
| Deferred Amounts to be Recognized in Pension Expense in Future Periods | | |
| Difference between expected and actual experience | \$ 1,168,028 | \$ 899,331 |
| Change in assumptions | 3,172,501 | - |
| Net difference between projected and actual earnings on pension plan investments | <u>898,170</u> | <u>-</u> |
| Total deferred amounts related to Police Pension | <u>\$ 5,238,699</u> | <u>\$ 899,331</u> |

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

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 (Continued)

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

| Year Ended April 30, | Net Deferred Outflows of Resources |
|-----------------------------|--|
| <u> </u> | <u> </u> |
| 2023 | \$ 1,099,313 |
| 2024 | 1,073,693 |
| 2025 | 848,141 |
| 2026 | 1,033,120 |
| 2027 | 285,101 |
| Thereafter | <u> -</u> |
| Total | <u><u> \$ 4,339,368</u></u> |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE I - PENSION LIABILITIES (Continued)

3. Summary of Pension Items

Below is a summary of the various pension items:

| | <u>IMRF</u> | <u>Police</u> | <u>Total</u> |
|---------------------------------|-----------------------|----------------------|----------------------|
| Deferred outflows of resources: | | | |
| Employer contributions | \$ 25,669 | \$ - | \$ 25,669 |
| Experience | 339,767 | 1,168,028 | 1,507,795 |
| Assumptions | - | 3,172,501 | 3,172,501 |
| Investments | - | 898,170 | 898,170 |
| | <u>\$ 365,436</u> | <u>\$ 5,238,699</u> | <u>\$ 5,604,135</u> |
| Net pension liability (asset) | <u>\$ (1,367,516)</u> | <u>\$ 20,302,939</u> | <u>\$ 18,935,423</u> |
| Pension (income) expense | <u>\$ (592,203)</u> | <u>\$ 2,550,207</u> | <u>\$ 1,958,004</u> |
| Deferred inflows of resources: | | | |
| Experience | \$ 206,070 | \$ 899,331 | \$ 1,105,401 |
| Assumptions | 37,602 | - | 37,602 |
| Investments | <u>1,112,478</u> | <u>-</u> | <u>1,112,478</u> |
| | <u>\$ 1,356,150</u> | <u>\$ 899,331</u> | <u>\$ 2,255,481</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, 2022

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided

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, 2022, membership in the Plan consisted of the following:

| | |
|--|-------------|
| Active plan members | 42 |
| Inactive plan members currently receiving benefits | 1 |
| Inactive plan members entitled to but not receiving benefits | - |
| | <hr/> |
| | 43 |
| | <hr/> <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 2022, the Village contributed \$49,715 toward the cost of the postemployment benefits for retirees, which was 1.14% of covered payroll.

OPEB Expense (Income)

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/income. For the year ended April, 30, 2022, the Village recognized OPEB income of \$138,895.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation performed as of May 1, 2021 using the following actuarial methods and assumptions:

| | |
|----------------------------|---|
| Actuarial valuation date | May 1, 2021 |
| Measurement date | April 30, 2022 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Inflation | 2.25% |
| Discount rate | 3.21% |
| Salary increase rate | 3.00% |
| Healthcare cost trend rate | |
| HSA | 7.20% initial; 5.00% ultimate |
| Dental | 2.60% all years |
| Mortality rates | IMRF are based on Pub G - 2010(B) improved generationally using MP-2020 improvement rates. Active Police are based on sex distinct raw rates as developed in the Pub2-2010(A) Study improved to 2017 improved generationally using MP-2019 improvement rates. Retiree Police are based on the L&A Assumption Study for Police 2020 weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) improved generationally to 2017 using MP-2019 improvement rates. Disabled Police are based on the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants improved generationally to 2017 using MP-2019 improvement rates. Spousal Police are based on the Sex Distinct Raw Rates as developed in PubS-2010(A) Study for contingent survivors. For all rates not provided there, the PubG-2010 Study was used, improved generationally using the MP-2019 improvement rates. |
| Election at retirement | 30% |
| 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. |

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 3.21% is used, which is the Bond Buyer 20-Bond GO Index as of April 30, 2022. Discount rate increased from 2.27% for the fiscal year ended April 30, 2021 to 3.21% for the fiscal year ended April 30, 2022.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability (A)</u> | <u>Plan Fiduciary Net Position (B)</u> | <u>Net OPEB Liability * (A) - (B)</u> |
|--|---|--|---|
| Balances at May 1, 2021 | \$ 1,823,135 | \$ - | \$ 1,823,135 |
| Changes for the year: | | | |
| Service cost | 28,083 | - | 28,083 |
| Interest on the total OPEB liability | 40,821 | - | 40,821 |
| Difference between expected and actual experience of the total OPEB liability | - | - | - |
| Changes of assumptions | (207,799) | - | (207,799) |
| Contributions - employer | - | 49,715 | (49,715) |
| Contributions - active and inactive employees | - | - | - |
| Net investment income (loss) | - | - | - |
| Benefit payment, including the implicit rate subsidy | (49,715) | (49,715) | - |
| Other changes | - | - | - |
| Net changes | <u>(188,610)</u> | <u>-</u> | <u>(188,610)</u> |
| Balances at April 30, 2022 | <u>\$ 1,634,525</u> | <u>\$ -</u> | <u>\$ 1,634,525</u> |

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

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 3.21%, 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 <u>(2.21%)</u> | Current Discount Rate <u>(3.21%)</u> | 1% Higher <u>(4.21%)</u> |
|----------------------|----------------------------|--|-----------------------------|
| Total OPEB liability | \$ <u>1,821,088</u> | \$ <u>1,634,525</u> | \$ <u>1,474,797</u> |

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 2.60% - 7.20%, 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 <u>(Varies)</u> | Current Healthcare Rate <u>(Varies)</u> | 1% Higher <u>(Varies)</u> |
|----------------------|-----------------------------|---|------------------------------|
| Total OPEB liability | \$ <u>1,452,449</u> | \$ <u>1,634,525</u> | \$ <u>1,847,286</u> |

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

For the year ended April 30, 2022, the Village recognized OPEB income of \$138,895. At April 30, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE J - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Income and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Continued)

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 <u>April 30,</u> | Deferred Outflows (Inflows) <u>of Resources</u> |
|--------------------------------|---|
| 2023 | \$ - |
| 2024 | - |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| Thereafter | - |
| | \$ - |
| | - |

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, 2022. Future commitments under these contracts were approximately \$176,000 at April 30, 2022.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE K - CONTINGENCIES AND COMMITMENTS (Continued)

4. Intergovernmental Agreement and Debt Guarantee

Effective January 1, 2017, the Village entered into an intergovernmental agreement together with the Village of Schiller Park, Illinois and the Village of Norridge, Illinois (each referred to as a “Participating Municipality” or “Party”), to establish a joint emergency telephone system board, referred to as the Municipal Consolidated Dispatch (“MCD”). The MCD is governed by a board consisting of the Village President, Mayor, or his or her designee of each Party, two public safety representatives from each Party, and one public representative from each Party. The MCD’s fiscal year shall be from May 1 to April 30 of the next year.

The 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, 2022 is 21.89%. The charges are payable to MCD on a quarterly basis.

5. COVID-19

The future 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, as is the duration and severity of any impacts that the Village may experience. While the Village's monitoring of potential impacts 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.

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.

Village of Harwood Heights, Illinois

NOTES TO FINANCIAL STATEMENTS

April 30, 2022

NOTE L - TAX ABATEMENTS (Continued)

The Village has entered into the following abatement agreements:

In April 2012, the Village entered into an agreement with a business developer related to land to be developed in the Village. Under the agreement, the Village agreed to reimburse the developer up to \$3,850,000 of the costs to develop the land, to be paid over a period of 40 years. The Village will make the reimbursement payments from 50% of the sales tax revenue generated from the business developed on the land. The monthly payments commenced in May 2013. Each monthly payment is applied first to interest at the prime rate plus 2.25%, with any remaining amount applied to the \$3,850,000 principal. The Village's pledge is limited to 50% of the related sales tax revenue, and the obligation will terminate at the end of the 40 year period, regardless of whether a principal balance remains. In 2022, total rebates were approximately \$311,000, approximately \$50,000 of which was due and outstanding at April 30, 2022. Cumulative payments paid or accrued under this arrangement amount to approximately \$2,699,000 through April 30, 2022.

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, 2022.

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 2022, total rebates were approximately \$27,000, approximately \$2,000 of which was due and outstanding at April 30, 2022. Cumulative payments paid or accrued under this arrangement amount to approximately \$152,000 through April 30, 2022.

Village of Harwood Heights, Illinois
NOTES TO FINANCIAL STATEMENTS
April 30, 2022

NOTE M - DEFICIT FUND BALANCE

As of April 30, 2022, the Capital Projects Fund and the Special Service Area Debt Service Fund have a deficit fund balance of \$272,107 and \$149,889, respectively. The Village expects to fund this deficit through future interfund transfers.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2022, the date that these financial statements were available to be issued. Management has determined that no events or transactions, other than below and in Note G, have occurred subsequent to the statement of net position date that require disclosure in the financial statements.

In September 2022, the Village transferred approximately \$20,300,000 of Police Pension Fund assets to the state consolidated Police Pension Investment fund per state statute.

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
Seven Most Recent Fiscal Years

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|---------------------|
| Total pension liability | | |
| Service cost | \$ 117,093 | \$ 139,782 |
| Interest on the total pension liability | 604,372 | 631,202 |
| Difference between expected and actual experience of the total pension liability | 554,416 | (601,482) |
| Assumption changes | - | (109,754) |
| Benefit payments and refunds | (449,778) | (387,185) |
| Net change in total pension liability | <u>826,103</u> | <u>(327,437)</u> |
| Total pension liability, beginning | 8,502,505 | 8,829,942 |
| Total pension liability, ending | <u>\$ 9,328,608</u> | <u>\$ 8,502,505</u> |
| Plan fiduciary net position | | |
| Contributions, employer | \$ 128,822 | \$ 143,257 |
| Contributions, employee | 58,137 | 55,479 |
| Net investment income (loss) | 1,477,654 | 1,167,728 |
| Benefit payments, including refunds of employee contributions | (449,778) | (387,185) |
| Other (net transfer) | 155,631 | (189,548) |
| Net change in plan fiduciary net position | <u>1,370,466</u> | <u>789,731</u> |
| Plan fiduciary net position, beginning | 9,325,658 | 8,535,927 |
| Plan fiduciary net position, ending | <u>\$ 10,696,124</u> | <u>\$ 9,325,658</u> |
| Net pension liability (asset) | <u>\$ (1,367,516)</u> | <u>\$ (823,153)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 114.66 % | 109.68 % |
| Covered Valuation Payroll | \$ 1,286,829 | \$ 1,232,851 |
| Net pension liability (asset) as a percentage of covered valuation payroll | (106.27) % | (66.77) % |

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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ | 128,553 | \$ 103,642 | \$ 158,956 | \$ 150,233 | \$ 140,878 |
| | 613,566 | 545,121 | 561,127 | 537,444 | 513,793 |
| | (133,450) | 635,991 | (295,493) | (12,743) | 23,725 |
| | - | 250,608 | (264,115) | (9,337) | 8,942 |
| | (354,869) | (351,364) | (341,089) | (386,422) | (347,789) |
| | <u>253,800</u> | <u>1,183,998</u> | <u>(180,614)</u> | <u>279,175</u> | <u>339,549</u> |
| | 8,576,142 | 7,392,144 | 7,572,758 | 7,293,583 | 6,954,034 |
| \$ | <u><u>8,829,942</u></u> | <u><u>8,576,142</u></u> | <u><u>7,392,144</u></u> | <u><u>7,572,758</u></u> | <u><u>7,293,583</u></u> |
| | | | | | |
| \$ | 78,252 | \$ 119,692 | \$ 131,231 | \$ 152,104 | \$ 141,104 |
| | 59,683 | 55,073 | 61,943 | 71,319 | 63,185 |
| | 1,331,889 | (368,715) | 1,190,092 | 461,866 | 32,819 |
| | (354,869) | (351,364) | (341,089) | (386,422) | (347,789) |
| | 38,784 | 89,010 | (78,267) | (23,927) | 74,699 |
| | <u>1,153,739</u> | <u>(456,304)</u> | <u>963,910</u> | <u>274,940</u> | <u>(35,982)</u> |
| | 7,382,188 | 7,838,492 | 6,874,582 | 6,599,642 | 6,635,624 |
| \$ | <u><u>8,535,927</u></u> | <u><u>7,382,188</u></u> | <u><u>7,838,492</u></u> | <u><u>6,874,582</u></u> | <u><u>6,599,642</u></u> |
| | | | | | |
| \$ | <u><u>294,015</u></u> | <u><u>1,193,954</u></u> | <u><u>(446,348)</u></u> | <u><u>698,176</u></u> | <u><u>693,941</u></u> |
| | 96.67 % | 86.08 % | 106.04 % | 90.78 % | 90.49 % |
| | | | | | |
| \$ | 1,326,296 | \$ 1,223,839 | \$ 1,329,591 | \$ 1,439,017 | \$ 1,338,389 |
| | 22.17 % | 97.56 % | (33.57) % | 48.52 % | 51.85 % |

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

| Year | Actuarially Determined Contribution | Actual Contribution | Contribution Excess (Deficiency) | Covered Valuation Payroll | Actual Contribution as a % of Covered Valuation Payroll |
|------|---|------------------------|--|---------------------------------|---|
| 2022 | \$ 128,683 * | \$ 128,822 | \$ 139 | \$ 1,286,829 | 10.01 % |
| 2021 | 143,257 | 143,257 | - | 1,232,851 | 11.62 |
| 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 10.00% and covered valuation payroll of \$1,286,829

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

Eight Most Recent Fiscal Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 638,279 | \$ 598,760 | \$ 651,594 |
| Interest on the total pension liability | 2,408,124 | 2,440,686 | 2,221,579 |
| Difference between expected and actual experience of the total pension liability | (793,057) | (268,357) | 2,012,860 |
| Assumption changes | 3,415,084 | - | - |
| Change of benefit terms | - | - | 170,664 |
| Benefit payments and refunds | (1,909,045) | (1,808,648) | (1,707,030) |
| Net change in total pension liability | <u>3,759,385</u> | <u>962,441</u> | <u>3,349,667</u> |
| Total pension liability, beginning | 37,426,312 | 36,463,871 | 33,114,204 |
| Total pension liability, ending | <u>\$ 41,185,697</u> | <u>\$ 37,426,312</u> | <u>\$ 36,463,871</u> |
| Plan fiduciary net position | | | |
| Contributions, employer | \$ 1,246,054 | \$ 1,336,155 | \$ 963,830 |
| Contributions, employee | 252,882 | 239,316 | 258,041 |
| Contributions, other | 160 | - | - |
| Net investment income (loss) | (1,524,117) | 4,575,906 | 134,920 |
| Benefit payments, including refunds of employee contributions | (1,909,045) | (1,808,648) | (1,707,030) |
| Transfers to other pensions | - | - | - |
| Administrative expense | (56,180) | (43,477) | (49,959) |
| Net change in plan fiduciary net position | <u>(1,990,246)</u> | <u>4,299,252</u> | <u>(400,198)</u> |
| Plan fiduciary net position, beginning | 22,873,004 | 18,573,752 | 18,973,950 |
| Plan fiduciary net position, ending | <u>\$ 20,882,758</u> | <u>\$ 22,873,004</u> | <u>\$ 18,573,752</u> |
| Net pension liability | <u>\$ 20,302,939</u> | <u>\$ 14,553,308</u> | <u>\$ 17,890,119</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 50.70 % | 61.11 % | 50.94 % |
| Covered Valuation Payroll | \$ 2,515,771 | \$ 2,429,804 | \$ 2,479,425 |
| Net pension liability as a percentage of covered valuation payroll | 807.03 % | 598.95 % | 721.54 % |

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

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| \$ | 610,705 | \$ 594,196 | \$ 559,532 | \$ 516,498 | \$ 495,347 |
| | 2,073,104 | 2,046,568 | 1,915,734 | 1,798,675 | 1,651,615 |
| | 377,061 | (412,409) | 556,388 | (551,725) | 1,096,887 |
| | 643,854 | 541,378 | - | 1,091,793 | - |
| | - | - | - | - | - |
| | <u>(1,384,945)</u> | <u>(1,235,590)</u> | <u>(1,225,559)</u> | <u>(1,159,820)</u> | <u>(1,168,464)</u> |
| | 2,319,779 | 1,534,143 | 1,806,095 | 1,695,421 | 2,075,385 |
| | 30,794,425 | 29,260,282 | 27,454,187 | 25,758,766 | 23,683,381 |
| \$ | <u><u>33,114,204</u></u> | <u><u>30,794,425</u></u> | <u><u>29,260,282</u></u> | <u><u>27,454,187</u></u> | <u><u>25,758,766</u></u> |
| \$ | 901,461 | \$ 838,466 | \$ 820,142 | \$ 668,617 | \$ 545,245 |
| | 255,098 | 252,680 | 283,346 | 224,805 | 189,713 |
| | - | - | - | - | - |
| | 1,189,028 | 1,015,454 | 1,079,805 | (93,153) | 922,870 |
| | (1,384,945) | (1,235,590) | (1,225,559) | (1,159,820) | (1,115,751) |
| | - | - | - | - | (52,895) |
| | <u>(43,278)</u> | <u>(45,956)</u> | <u>(46,967)</u> | <u>(45,779)</u> | <u>(40,152)</u> |
| | 917,364 | 825,054 | 910,767 | (405,330) | 449,030 |
| | 18,056,586 | 17,231,532 | 16,320,765 | 16,726,095 | 16,277,065 |
| \$ | <u><u>18,973,950</u></u> | <u><u>18,056,586</u></u> | <u><u>17,231,532</u></u> | <u><u>16,320,765</u></u> | <u><u>16,726,095</u></u> |
| \$ | <u><u>14,140,254</u></u> | <u><u>12,737,839</u></u> | <u><u>12,028,750</u></u> | <u><u>11,133,422</u></u> | <u><u>9,032,671</u></u> |
| | 57.30 % | 58.64 % | 58.89 % | 59.45 % | 64.93 % |
| \$ | 2,783,628 | \$ 2,568,420 | \$ 2,423,667 | \$ 2,115,352 | \$ 2,133,608 |
| | 507.98 % | 495.94 % | 496.30 % | 526.32 % | 423.35 % |

Village of Harwood Heights, Illinois
 Police Pension Fund
 MULTIYEAR SCHEDULE OF CONTRIBUTIONS
Eight 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> |
|--------------------|--|--------------------------------|---|--|--|
| 2022 | \$ 1,393,037 | \$ 1,246,054 | \$ (146,983) | \$ 2,515,771 | 49.53 % |
| 2021 | 2,016,827 | 1,336,155 | (680,672) | 2,429,804 | 54.99 |
| 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
Eight Most Recent Fiscal Years

| <u>Fiscal Year</u> | <u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u> |
|------------------------|---|
| 2022 | (6.72)% |
| 2021 | 24.91% |
| 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
MULTIYEAR SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS
(OPEB) LIABILITY AND RELATED RATIOS
Four Most Recent Fiscal Years

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 28,083 | \$ 37,939 | \$ 28,204 | \$ 26,413 |
| Interest on the total OPEB liability | 40,821 | 47,708 | 51,751 | 52,084 |
| Change in benefit terms | - | - | - | - |
| Difference between expected and actual experience of the total OPEB liability | - | (212,020) | - | - |
| Assumption changes | (207,799) | 114,329 | 469,724 | 20,402 |
| Benefit payments and refunds | (49,715) | (56,780) | (46,655) | (43,847) |
| Other changes | - | - | - | - |
| Net change in total OPEB liability | <u>(188,610)</u> | <u>(68,824)</u> | <u>503,024</u> | <u>55,052</u> |
| Total OPEB liability, beginning | <u>1,823,135</u> | <u>1,891,959</u> | <u>1,388,935</u> | <u>1,333,883</u> |
| Total OPEB liability, ending | <u>\$ 1,634,525</u> | <u>\$ 1,823,135</u> | <u>\$ 1,891,959</u> | <u>\$ 1,388,935</u> |
| Plan fiduciary net position | | | | |
| Contributions, employer | \$ 49,715 | 56,780 | \$ 46,655 | \$ 43,847 |
| Contributions, employee | - | - | - | - |
| Net investment income | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (49,715) | (56,780) | (46,655) | (43,847) |
| Other (net transfer) | - | - | - | - |
| Net change in plan fiduciary net position | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Plan fiduciary net position, beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Plan fiduciary net position, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net OPEB liability | <u>\$ 1,634,525</u> | <u>1,823,135</u> | <u>\$ 1,891,959</u> | <u>\$ 1,388,935</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | - % | - % | - % | - % |
| Covered valuation payroll | \$ 4,374,237 | 3,991,671 | \$ 3,875,409 | \$ 4,081,786 |
| Net OPEB liability as a percentage of covered valuation payroll | 37.37 % | 45.67 % | 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, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|---|-----------------------------------|--|----------------------|--|
| Revenues | | | | |
| Taxes | \$ 4,399,805 | \$ 4,804,376 | \$ 5,038,220 | \$ 233,844 |
| Intergovernmental | 3,506,033 | 4,122,604 | 3,716,317 | (406,287) |
| Licenses and permits | 529,350 | 410,680 | 482,997 | 72,317 |
| Fines | 766,000 | 691,850 | 726,916 | 35,066 |
| Charges for services | 345,505 | 344,276 | 339,434 | (4,842) |
| Investment income | 2,650 | 3,372 | 11,043 | 7,671 |
| Miscellaneous | 64,485 | 202,025 | 209,940 | 7,915 |
| Total revenues | <u>9,613,828</u> | <u>10,579,183</u> | <u>10,524,867</u> | <u>(54,316)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 1,709,144 | 1,633,484 | 1,638,855 | 5,371 |
| Public safety | 5,812,573 | 5,354,414 | 5,770,473 | 416,059 |
| Public works | 1,418,804 | 1,299,537 | 1,310,419 | 10,882 |
| Debt service | | | | |
| Principal | 226,509 | 226,508 | 449,839 | 223,331 |
| Interest and other | 7,199 | 7,198 | 7,198 | - |
| Capital outlay | 186,000 | 168,254 | 176,154 | 7,900 |
| Total expenditures | <u>9,360,229</u> | <u>8,689,395</u> | <u>9,352,938</u> | <u>663,543</u> |
| Excess (deficiency) of revenues over expenditures | <u>253,599</u> | <u>1,889,788</u> | <u>1,171,929</u> | <u>(717,859)</u> |
| Other financing sources (uses) | | | | |
| Capital lease proceeds | 181,000 | - | - | - |
| Debt issuance | - | 10,897,758 | 11,170,000 | 272,242 |
| Discount on debt issuance | - | - | (48,912) | (48,912) |
| Transfers out | (500,000) | (1,000,000) | (500,000) | 500,000 |
| Total other financing sources (uses) | <u>(319,000)</u> | <u>9,897,758</u> | <u>10,621,088</u> | <u>723,330</u> |
| Net change in fund balance | <u>\$ (65,401)</u> | <u>\$ 11,787,546</u> | 11,793,017 | <u>\$ 5,471</u> |
| Fund balance | | | | |
| Beginning of year | | | <u>3,299,260</u> | |
| End of year | | | <u>\$ 15,092,277</u> | |

Village of Harwood Heights, Illinois
 Motor Fuel Tax Fund
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|--------------------------------------|-----------------------------------|--|-------------------|--|
| Revenues | | | | |
| Taxes | \$ 320,507 | \$ 342,000 | \$ 343,315 | \$ 1,315 |
| Intergovernmental | - | - | 189,188 | 189,188 |
| Interest | 600 | 180 | 395 | 215 |
| | <u>321,107</u> | <u>342,180</u> | <u>532,898</u> | <u>190,718</u> |
| Total revenues | | | | |
| Expenditures | | | | |
| Public works | 68,508 | 196,445 | 44,826 | (151,619) |
| Capital outlay | | | | |
| Site improvements | - | - | 126,968 | 126,968 |
| | <u>68,508</u> | <u>196,445</u> | <u>171,794</u> | <u>(24,651)</u> |
| Total expenditures | | | | |
| Excess of expenditures over revenues | <u>252,599</u> | <u>145,735</u> | <u>361,104</u> | <u>215,369</u> |
| Other financing uses | | | | |
| Transfers out | (500,000) | (500,000) | (500,000) | - |
| | <u>(500,000)</u> | <u>(500,000)</u> | <u>(500,000)</u> | <u>-</u> |
| Total other financing uses | | | | |
| Net change in fund balance | <u>\$ (247,401)</u> | <u>\$ (354,265)</u> | (138,896) | <u>\$ (215,369)</u> |
| Fund balance | | | | |
| Beginning of year | | | <u>761,432</u> | |
| End of year | | | <u>\$ 622,536</u> | |

Village of Harwood Heights, Illinois
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2022

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, 2022 is taken by the Village Board before July 31, 2021. The original appropriation ordinance was adopted by the Village Board on May 27, 2021 and the amended and final appropriation ordinance was adopted by the Village Board on April 28, 2022.
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, 2022:

| Fund | Variance |
|-----------------|------------|
| General | \$ 663,543 |
| Water and Sewer | 5,180 |

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2022

NOTE C - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2021 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 2021 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): 22-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 17 years for most employers (five employers were financed over 18 years; one employer was financed over 19 years; two employers were financed over 20 years; three employers were financed over 26 years; four employers were financed over 27 years and one employer was financed over 28 years). |
| Asset Valuation Method | 5-year smoothed market; 20% corridor |
| Wage Growth | 3.25% |
| Price Inflation | 2.50% |
| Salary Increases | 3.35% to 14.25%, including inflation |
| Investment Rate of Return | 7.25% |
| 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. |

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2022

NOTE C - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2021 IMRF CONTRIBUTION RATE (Continued) *

Methods and Assumptions Used to Determine 2021 Contribution Rates: (Continued)

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.

Other Information:

There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2019 actuarial valuation.

Change in Assumptions:

For the 2021, 2020, 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.

Village of Harwood Heights, Illinois
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2022

NOTE D - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE CALCULATION OF THE 2022 POLICE PENSION CONTRIBUTION RATE

| | |
|---------------------------------------|--|
| Actuarial Cost Method | Projected unit credit |
| Amortization Method | Level % pay (closed) |
| Equivalent Single Amortization Period | 90% funded over 20 years |
| Asset valuation method | 5-year smoothed fair value |
| Mortality | RP-2014 Healthy Annuitant with Blue Collar Adjustment |
| Investment Rate of Return | 6.50% |
| Retirement Age | Based on the L&A Assumption Study for Police 2020 Cap Age 65. |
| Disability Rate | 0.00% - 0.48% based on the L&A Assumption Study for Police 2020. 65% of active members who become disabled are assumed to be in the line of duty. |
| Termination Rate | 0.46% - 8.00%, based on L&A Assumption Study for Police 2020. |
| Total Payroll Increases | 3.50% |
| Individual Salary Increases | 3.50% - 11.00% |
| Inflation | 2.50% |
| Marital Status | 80% of active members are assumed to be married, with males assumed to be three years older than females. Actual spousal data was utilized for retiree and disabled members. |
| 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: 3.00% per year after the later of attainment of age 60 or first anniversary of retirement. |

The following actuarial assumption changes were made:

2022 - The Bond Rate was changed to 3.21% from 1.83%. The Discount rate was changed to 6.15% from 6.75%. Certain rates were updated using the L&A Assumption Study for Police 2020.

2021 and 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%.

Village of Harwood Heights, Illinois
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
April 30, 2022

NOTE D - SUMMARY OF ACTUARIAL METHODS AND CONTRIBUTIONS USED IN THE
CALCULATION OF THE 2022 POLICE PENSION CONTRIBUTION RATE (Continued)

2017 - There were no assumption or method changes since the prior valuation.

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.

SUPPLEMENTARY FINANCIAL INFORMATION

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|-----------------------------------|-----------------------------------|--|------------------|--|
| Revenues | | | | |
| Taxes | | | | |
| Property | | | | |
| General | \$ - | \$ 576,694 | \$ 650,633 | \$ 73,939 |
| Police protection | 263,500 | 250,000 | - | (250,000) |
| Police pension | 1,413,194 | 850,000 | 1,246,054 | 396,054 |
| Total property taxes | <u>1,676,694</u> | <u>1,676,694</u> | <u>1,896,687</u> | <u>219,993</u> |
| Other taxes | | | | |
| Home rule sales tax | 1,425,000 | 1,695,000 | 1,706,660 | 11,660 |
| Video rental tax | 500 | 320 | 320 | - |
| Utility | 490,000 | 552,000 | 558,375 | 6,375 |
| Telecommunications | 90,000 | 84,000 | 72,046 | (11,954) |
| Real estate transfer tax | 480,000 | 518,000 | 529,685 | 11,685 |
| Long term storage tax | 52,000 | 55,546 | 57,538 | 1,992 |
| Motor fuel tax | 90,000 | 105,000 | 101,139 | (3,861) |
| Video Gaming | 50,000 | 60,000 | 52,933 | (7,067) |
| Cannabis use tax | 9,111 | 13,816 | 13,816 | - |
| Car wash tax | 36,500 | 44,000 | 49,021 | 5,021 |
| Total other taxes | <u>2,723,111</u> | <u>3,127,682</u> | <u>3,141,533</u> | <u>13,851</u> |
| Total taxes | <u>4,399,805</u> | <u>4,804,376</u> | <u>5,038,220</u> | <u>233,844</u> |
| Intergovernmental revenues | | | | |
| Taxes | | | | |
| Sales tax | 1,524,000 | 1,777,800 | 1,774,282 | (3,518) |
| State income tax | 975,000 | 1,250,000 | 1,410,276 | 160,276 |
| State local use tax | 414,750 | 339,000 | 343,020 | 4,020 |
| Roads and bridges | 25,500 | 26,000 | 27,043 | 1,043 |
| Rent | 31,395 | 31,395 | 23,547 | (7,848) |
| Personal property replacement tax | 6,750 | 17,515 | 22,667 | 5,152 |
| Total intergovernmental taxes | <u>2,977,395</u> | <u>3,441,710</u> | <u>3,600,835</u> | <u>159,125</u> |

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL

Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|----------------------------------|-----------------------------------|--|---------------|--|
| Revenues (continued) | | | | |
| Grants | | | | |
| IPRF grant | \$ 28,638 | \$ 28,638 | \$ 28,638 | \$ - |
| Intergovernmental grants | 500,000 | 85,844 | 86,844 | 1,000 |
| ARPA relief grant | - | 566,412 | - | (566,412) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total intergovernmental grants | 528,638 | 680,894 | 115,482 | (565,412) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total intergovernmental revenues | 3,506,033 | 4,122,604 | 3,716,317 | (406,287) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Licenses and permits | | | | |
| Business licenses | 80,000 | 55,000 | 92,130 | 37,130 |
| Liquor licenses | 62,500 | 65,000 | 88,325 | 23,325 |
| Overweight truck permits | 500 | - | - | - |
| Building permits | 115,000 | 75,500 | 76,588 | 1,088 |
| Sewer permits | 3,500 | - | - | - |
| Plumbing permits | 2,000 | 2,475 | 2,570 | 95 |
| Electrical permits | 4,000 | 3,000 | 3,025 | 25 |
| Elevator inspections | 1,500 | 2,307 | 2,307 | - |
| Building inspections | 8,500 | 8,000 | 8,200 | 200 |
| Fence permits | 700 | 600 | 600 | - |
| Franchise fees | 90,000 | 95,500 | 95,884 | 384 |
| Dog tags | 150 | 208 | 228 | 20 |
| Vehicle licenses | 118,000 | 100,000 | 109,938 | 9,938 |
| Video gaming | 40,000 | - | - | - |
| Parking permit | 3,000 | 3,090 | 3,202 | 112 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total licenses and permits | 529,350 | 410,680 | 482,997 | 72,317 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

(Continued)

Village of Harwood Heights, Illinois

General Fund

SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL Year Ended April 30, 2022

| Revenues (continued) | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|-----------------------------------|-----------------------------------|--|----------------|--|
| Fines | | | | |
| Code enforcement fines | \$ 6,000 | \$ 2,985 | \$ 3,035 | \$ 50 |
| 6B fine | 5,000 | 18,805 | 18,805 | - |
| Traffic | 70,000 | 10,500 | 13,874 | 3,374 |
| Overweight trucks | 10,000 | 360 | 360 | - |
| Safe speed | 315,000 | 283,000 | 290,970 | 7,970 |
| Red speed | 125,000 | 200,000 | 210,014 | 10,014 |
| Parking tickets | 180,000 | 142,500 | 158,773 | 16,273 |
| Vehicle impound fees | 45,000 | 10,200 | 10,200 | - |
| Illinois debt recovery | 10,000 | 23,500 | 20,885 | (2,615) |
| Total fines | <u>766,000</u> | <u>691,850</u> | <u>726,916</u> | <u>35,066</u> |
| Charges for services | | | | |
| Youth program fees | 10,000 | 6,960 | 6,960 | - |
| Garbage fees | 293,750 | 302,500 | 298,360 | (4,140) |
| Hearing fees | 500 | - | - | - |
| Hearing officer fees | 100 | - | - | - |
| Escrow bond forfeiture | 500 | - | - | - |
| Police reports | 1,500 | 1,330 | 1,306 | (24) |
| Rental | 28,605 | 21,500 | 20,903 | (597) |
| Credit card processing | 550 | 178 | 178 | - |
| Recreation center - activities | 4,000 | 9,500 | 9,419 | (81) |
| Recreation center - memberships | 6,000 | 2,308 | 2,308 | - |
| Total charges for services | <u>345,505</u> | <u>344,276</u> | <u>339,434</u> | <u>(4,842)</u> |
| Investment income | | | | |
| Interest | 2,650 | 3,372 | 11,043 | 7,671 |
| Total investment income | <u>2,650</u> | <u>3,372</u> | <u>11,043</u> | <u>7,671</u> |

(Continued)

Village of Harwood Heights, Illinois
 General Fund
 SCHEDULE OF DETAILED REVENUES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <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 | \$ 10,000 | \$ 22,188 | \$ 19,354 | \$ (2,834) |
| Insurance | 8,500 | 149,726 | 150,874 | 1,148 |
| Personnel (guards) | 12,485 | - | 7,963 | 7,963 |
| Police | 5,000 | 210 | 210 | - |
| Vacant properties | 1,000 | 500 | 500 | - |
| Special events revenue | 2,000 | - | - | - |
| Other miscellaneous | 25,500 | 29,401 | 31,039 | 1,638 |
| Total miscellaneous revenues | <u>64,485</u> | <u>202,025</u> | <u>209,940</u> | <u>7,915</u> |
| Total revenues | <u>\$ 9,613,828</u> | <u>\$ 10,579,183</u> | <u>\$ 10,524,867</u> | <u>\$ (54,316)</u> |

(Concluded)

Village of Harwood Heights, Illinois
 General Fund
 SCHEDULE OF DETAILED EXPENDITURES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <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 | \$ 412,442 | \$ 411,546 | \$ 411,939 | \$ 393 |
| Legal | 159,500 | 116,014 | 116,119 | 105 |
| Finance | 459,752 | 471,054 | 473,298 | 2,244 |
| Building | 149,235 | 118,062 | 118,472 | 410 |
| | <u>1,180,929</u> | <u>1,116,676</u> | <u>1,119,828</u> | <u>3,152</u> |
| Total General Management and Support | | | | |
| Recreation and cultural opportunities | <u>281,000</u> | <u>260,363</u> | <u>259,040</u> | <u>(1,323)</u> |
| Health | <u>36,065</u> | <u>32,784</u> | <u>33,026</u> | <u>242</u> |
| Miscellaneous | <u>211,150</u> | <u>223,661</u> | <u>226,961</u> | <u>3,300</u> |
| Total General Government | <u>1,709,144</u> | <u>1,633,484</u> | <u>1,638,855</u> | <u>5,371</u> |
| Public Safety | | | | |
| Police | <u>5,812,573</u> | <u>5,354,414</u> | <u>5,770,473</u> | <u>416,059</u> |
| Public Works | | | | |
| Forestry | 40,000 | 36,026 | 36,026 | - |
| Streets and lights | 731,706 | 615,529 | 619,547 | 4,018 |
| Refuse disposal | 647,098 | 647,982 | 654,846 | 6,864 |
| Total Public Works | <u>1,418,804</u> | <u>1,299,537</u> | <u>1,310,419</u> | <u>10,882</u> |
| Debt Service | | | | |
| Principal | 226,509 | 226,508 | 449,839 | 223,331 |
| Interest and other | 7,199 | 7,198 | 7,198 | - |
| Total Debt Service | <u>233,708</u> | <u>233,706</u> | <u>457,037</u> | <u>223,331</u> |
| Capital outlay | <u>186,000</u> | <u>168,254</u> | <u>176,154</u> | <u>7,900</u> |
| Total expenditures | <u>\$ 9,360,229</u> | <u>\$ 8,689,395</u> | <u>\$ 9,352,938</u> | <u>\$ 663,543</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, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|--------------------------------------|-----------------------------------|--|-------------------|--|
| Revenues | | | | |
| Taxes | \$ 351,901 | \$ 351,901 | \$ 340,280 | \$ (11,621) |
| Total revenues | <u>351,901</u> | <u>351,901</u> | <u>340,280</u> | <u>(11,621)</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 85,000 | 85,000 | 85,000 | - |
| Interest and other | 139,788 | 139,738 | 139,738 | - |
| Total debt service | <u>224,788</u> | <u>224,738</u> | <u>224,738</u> | <u>-</u> |
| Total expenditures | <u>224,788</u> | <u>224,738</u> | <u>224,738</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>127,113</u> | <u>127,163</u> | <u>115,542</u> | <u>(11,621)</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>\$ (78,554)</u> | <u>\$ (78,504)</u> | (90,125) | <u>\$ (11,621)</u> |
| Fund balance | | | | |
| Beginning of year | | | <u>819,618</u> | |
| End of year | | | <u>\$ 729,493</u> | |

Village of Harwood Heights, Illinois
 Capital Projects Fund
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND DEFICIT - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|--------------------------------------|-----------------------------------|--|---------------------|--|
| Revenues | | | | |
| Intergovernmental | \$ 577,188 | \$ 618,913 | \$ 607,371 | \$ (11,542) |
| Total revenues | <u>577,188</u> | <u>618,913</u> | <u>607,371</u> | <u>(11,542)</u> |
| Expenditures | | | | |
| Capital outlay | | | | |
| Other | <u>1,290,844</u> | <u>1,680,492</u> | <u>1,345,471</u> | <u>(335,021)</u> |
| Total expenditures | <u>1,290,844</u> | <u>1,680,492</u> | <u>1,345,471</u> | <u>(335,021)</u> |
| Excess of revenues over expenditures | (713,656) | (1,061,579) | (738,100) | 323,479 |
| Other financing sources | | | | |
| Transfers in | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> |
| Total other financing sources | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> |
| Net change in fund deficit | <u>\$ 286,344</u> | <u>\$ (61,579)</u> | 261,900 | <u>\$ 323,479</u> |
| Fund deficit | | | | |
| Beginning of year | | | <u>(534,007)</u> | |
| End of year | | | <u>\$ (272,107)</u> | |

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 SHEET
April 30, 2022

| | Special Revenue Funds | | Debt Service Fund | Total Nonmajor Governmental Funds |
|-------------------------------------|------------------------|-----------------|-------------------|-----------------------------------|
| | Criminal Investigation | DUI | SSA Debt Service | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 18,827 | \$ 4,651 | \$ 276,196 | \$ 299,674 |
| Total assets | <u>\$ 18,827</u> | <u>\$ 4,651</u> | <u>\$ 276,196</u> | <u>\$ 299,674</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 300 | \$ 300 |
| Due to other funds | <u>-</u> | <u>-</u> | <u>425,795</u> | <u>425,795</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>426,095</u> | <u>426,095</u> |
| FUND BALANCE | | | | |
| Restricted for | | | | |
| Special revenue funds | 18,827 | 4,651 | - | 23,478 |
| Unassigned | <u>-</u> | <u>-</u> | <u>(149,899)</u> | <u>(149,899)</u> |
| Total fund balance | <u>18,827</u> | <u>4,651</u> | <u>(149,899)</u> | <u>(126,421)</u> |
| Total liabilities and fund balances | <u>\$ 18,827</u> | <u>\$ 4,651</u> | <u>\$ 276,196</u> | <u>\$ 299,674</u> |

Village of Harwood Heights, Illinois
 Nonmajor Governmental Funds
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
Year Ended April 30, 2022

| | Special Revenue Funds | | Debt Service Fund | Total Nonmajor Governmental Funds |
|---|------------------------|----------|-------------------|-----------------------------------|
| | Criminal Investigation | DUI | SSA Debt Service | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 154,987 | \$ 154,987 |
| Fines | - | 1,680 | - | 1,680 |
| Investment income | - | - | 1,509 | 1,509 |
| Total revenues | - | 1,680 | 156,496 | 158,176 |
| Expenditures | | | | |
| Miscellaneous | - | - | 6,385 | 6,385 |
| Debt service | | | | |
| Principal | - | - | 310,000 | 310,000 |
| Interest and other | - | - | 6,200 | 6,200 |
| Total expenditures | - | - | 322,585 | 322,585 |
| Excess (deficiency) of revenues over expenditures | - | 1,680 | (166,089) | (164,409) |
| Fund balance | | | | |
| Beginning of year | 18,827 | 2,971 | 16,190 | 37,988 |
| End of year | \$ 18,827 | \$ 4,651 | \$ (149,899) | \$ (126,421) |

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, 2022

| | <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 | \$ 2,245,035 | \$ 2,300,000 | \$ 2,264,645 | \$ (35,355) |
| Sewer fees | 323,500 | 331,000 | 329,076 | (1,924) |
| Water taps | 2,500 | 7,800 | 7,800 | - |
| Sewer taps | 1,000 | - | - | - |
| Meter sales | 3,500 | 1,500 | 1,500 | - |
| Miscellaneous | - | 760 | 682 | (78) |
| | | | | |
| Total charges for sales and services | 2,575,535 | 2,641,060 | 2,603,703 | (37,357) |
| Penalties | 25,000 | 50,000 | 58,588 | 8,588 |
| | | | | |
| Total operating revenues | 2,600,535 | 2,691,060 | 2,662,291 | (28,769) |
| Non operating revenues | | | | |
| Antenna leasing | 38,249 | 38,249 | 38,249 | - |
| Interest income | 25 | 51 | 70 | 19 |
| | | | | |
| Total non operating revenues | 38,274 | 38,300 | 38,319 | 19 |
| | | | | |
| Total revenues | \$ <u>2,638,809</u> | \$ <u>2,729,360</u> | \$ <u>2,700,610</u> | \$ <u>(28,750)</u> |

Village of Harwood Heights, Illinois
Water and Sewer Fund
SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|--------------------------------|-----------------------------------|--|------------------|--|
| Operating expenses | | | | |
| Personal services | | | | |
| Salary - water commissioner | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Unused sick buyback | 10,000 | 10,046 | 10,046 | - |
| Office clerks | 50,520 | 53,846 | 53,486 | (360) |
| Part-time clerks | 11,901 | 12,260 | 12,260 | - |
| Public works superintendent | 53,959 | 31,999 | 31,999 | - |
| Public works foremen | 49,502 | 50,841 | 50,841 | - |
| Public works full-time laborer | 249,115 | 191,015 | 191,015 | - |
| Overtime | 30,000 | 31,250 | 31,470 | 220 |
| Unused sick | 3,000 | 2,015 | 2,015 | - |
| On call | 3,250 | 3,199 | 3,199 | - |
| Office supplies | 500 | 185 | 185 | - |
| Taxes - FICA | 25,994 | 28,825 | 28,825 | - |
| Total personal services | <u>497,741</u> | <u>425,481</u> | <u>425,341</u> | <u>(140)</u> |
| Commodities | | | | |
| Vehicle gas and oil | 8,000 | 10,000 | 8,612 | (1,388) |
| Purchase of water | 1,339,575 | 1,150,000 | 1,152,231 | 2,231 |
| Supplies - chlorine | 1,200 | 523 | 523 | - |
| Supplies - pump room | 4,500 | 5,615 | 5,615 | - |
| Supplies maintenance | 12,000 | 11,500 | 11,603 | 103 |
| Hydrant parts | 2,500 | - | - | - |
| Meter purchases | 12,000 | 12,000 | 11,138 | (862) |
| Total commodities | <u>1,379,775</u> | <u>1,189,638</u> | <u>1,189,722</u> | <u>84</u> |

(Continued)

Village of Harwood Heights, Illinois
Water and Sewer Fund
SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <u>Original Appropriation</u> | <u>Amended and Final Appropriation</u> | <u>Actual</u> | <u>Variance Over / (Under)</u> |
|---|-----------------------------------|--|---------------|--|
| Operating expenses (continued) | | | | |
| Other services | | | | |
| City of Chicago sewer fees | \$ 365,200 | \$ 364,537 | \$ 365,261 | \$ 724 |
| Telephone | 4,500 | 984 | 984 | - |
| Postage | 8,100 | 6,400 | 7,494 | 1,094 |
| Printing | 5,300 | 4,900 | 5,470 | 570 |
| Water testing | 6,000 | 2,735 | 2,735 | - |
| Dues, lectures, and conference fees | 2,000 | 385 | 385 | - |
| Uniform allowance | 1,000 | 630 | 630 | - |
| Street, sidewalk, and parkway repair | 15,000 | 17,375 | 17,375 | - |
| Maintenance - equipment | 16,000 | 16,000 | 15,072 | (928) |
| Main testing and maintenance | 1,500 | - | - | - |
| Buildings and grounds maintenance | 3,000 | 900 | 647 | (253) |
| Box truck lease | 40,000 | - | - | - |
| Maintenance - vehicles | 8,500 | 6,500 | 6,218 | (282) |
| Legal | 1,000 | - | - | - |
| Outside service - breaks | 7,500 | 19,819 | 19,819 | - |
| Water service - miscellaneous | 1,000 | 806 | 805 | (1) |
| Supplies - building | 1,000 | 400 | 338 | (62) |
| Sewer repair | 2,500 | 249 | 2,710 | 2,461 |
| Dump fees | 9,000 | 20,000 | 18,158 | (1,842) |
| Permits - sewer fee | 1,000 | 1,000 | 1,000 | - |
| Single family flood relief grant | 4,500 | 4,500 | 4,500 | - |
| GIS | 10,000 | - | - | - |
| Insurance-property, liability, and auto | 54,760 | 52,107 | 52,107 | - |
| IMRF net pension asset | | | | |
| liability adjustment | 5,000 | - | (157,580) | (157,580) |
| RHP OPEB liability adjustment | 2,500 | - | (35,206) | (35,206) |
| Contractual services - BSA software | 2,500 | 2,449 | 2,449 | - |
| Contractual services - census | 1,950 | 1,950 | 1,950 | - |
| Contractual services - generator | 2,500 | 3,775 | 3,775 | - |
| Contractual services - water | | | | |
| tower maintenance | 30,500 | 29,725 | 29,725 | - |

(Continued)

Village of Harwood Heights, Illinois
Water and Sewer Fund
SCHEDULE OF DETAILED EXPENSES - APPROPRIATION AND ACTUAL
Year Ended April 30, 2022

| | <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 | \$ 9,000 | 8,460 | \$ 8,460 | \$ - |
| Professional services - engineering | 7,500 | \$ 12,000 | 10,953 | (1,047) |
| Professional services - general | 8,400 | 8,400 | 8,400 | - |
| Contractual services - backflow | 8,300 | 8,196 | 8,196 | - |
| Total other services | <u>646,510</u> | <u>595,182</u> | <u>402,830</u> | <u>(192,352)</u> |
| Capital outlay | | | | |
| Other equipment purchases | 70,000 | - | - | - |
| Total capital outlay | <u>70,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Depreciation | 170,000 | - | 198,293 | 198,293 |
| Total operating expenses | <u>2,764,026</u> | <u>2,210,301</u> | <u>2,216,186</u> | <u>5,885</u> |
| Non operating expenses | | | | |
| Interest expense | 53,317 | 53,316 | 52,612 | (705) |
| Total non operating expenses | <u>53,317</u> | <u>53,316</u> | <u>52,612</u> | <u>(705)</u> |
| Total expenses | <u>\$ 2,817,343</u> | <u>\$ 2,263,617</u> | <u>\$ 2,268,798</u> | <u>\$ 5,180</u> |

(Concluded)

OTHER SUPPLEMENTAL INFORMATION (Unaudited)

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

| | 2022 | 2021* | 2020 | 2019 | 2018 |
|--------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | |
| Taxes | \$ 5,876,802 | \$ 5,165,436 | \$ 5,649,900 | \$ 4,907,152 | \$ 4,869,610 |
| Intergovernmental | 4,512,876 | 4,706,282 | 2,880,155 | 3,777,854 | 2,767,353 |
| Licenses and Permits | 482,997 | 452,837 | 513,490 | 488,338 | 561,007 |
| Fines | 728,596 | 623,090 | 997,033 | 875,628 | 901,852 |
| Charges for Services | 339,434 | 250,859 | 275,140 | 315,696 | 297,626 |
| Investment Income | 12,947 | 4,334 | 27,262 | 36,399 | 27,562 |
| Miscellaneous | 209,940 | 75,823 | 147,615 | 155,123 | 138,115 |
| Total Revenues | <u>12,163,592</u> | <u>11,278,661</u> | <u>10,490,595</u> | <u>10,556,190</u> | <u>9,563,125</u> |
| Expenditures | | | | | |
| General Government | 1,638,855 | 1,615,063 | 1,794,446 | 1,682,533 | 1,580,502 |
| Public Safety | 5,770,473 | 5,668,947 | 5,714,695 | 5,817,727 | 5,794,347 |
| Public Works | 1,355,245 | 1,361,591 | 1,407,196 | 1,499,117 | 1,065,654 |
| Grant | - | - | - | - | 308,198 |
| Miscellaneous | 6,385 | 9,842 | 13,703 | 13,000 | 11,679 |
| Capital Outlay | 1,648,593 | 219,362 | 916,253 | 3,229,035 | 867,500 |
| Debt Service | | | | | |
| Principal | 844,839 | 620,215 | 627,474 | 571,749 | 553,083 |
| Interest and Other | 153,136 | 166,172 | 174,909 | 191,163 | 188,257 |
| Total Expenditures | <u>11,417,526</u> | <u>9,661,192</u> | <u>10,648,676</u> | <u>13,004,324</u> | <u>10,369,220</u> |
| Other Financing Sources (Uses) | | | | | |
| Capital Lease Proceeds | - | - | 138,860 | - | 216,319 |
| Transfer out | (1,205,667) | (205,667) | (205,667) | (598,840) | (1,000,000) |
| Transfer in | 1,000,000 | - | - | 393,174 | 1,000,000 |
| Issuance of Debt | 11,170,000 | - | - | - | 2,500,000 |
| Premium/(Discount) on Debt Issuance | (48,912) | - | - | - | 194,530 |
| Total Other Financing Sources (Uses) | <u>10,915,421</u> | <u>(205,667)</u> | <u>(66,807)</u> | <u>(205,666)</u> | <u>2,910,849</u> |
| Net Change in Fund Balance | 11,661,487 | 1,411,802 | (224,888) | (2,653,800) | 2,104,754 |
| Fund Balance | | | | | |
| Beginning of Year | 4,384,291 | 2,972,489 | 3,177,415 | 5,831,215 | 3,726,461 |
| End of Year | <u>\$ 16,045,778</u> | <u>\$ 4,384,291</u> | <u>\$ 2,952,527</u> | <u>\$ 3,177,415</u> | <u>\$ 5,831,215</u> |

* Note: The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, Fiduciary Funds which was adopted by the Village which was implemented by the Village for the year ended April 30, 2021. This Statement established guidance for identifying fiduciary activities and resulted in a change to accounting and financial reporting requirements. As a result of this implementation, as of May 1, 2020, cash and investments increased by \$81,879, other liabilities increased by \$61,917, and fund balance increased by \$19,962.

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

| | <u>2022</u> | <u>2021**</u> | <u>2020</u> | <u>2019 *</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$12,464,204 | \$11,118,377 | \$11,127,383 | \$10,860,947 | \$ 8,222,453 |
| Restricted | 11,734,561 | 1,638,198 | 1,423,385 | 1,526,045 | 1,978,335 |
| Unrestricted | <u>(25,732,859)</u> | <u>(15,634,325)</u> | <u>(15,606,549)</u> | <u>(13,535,879)</u> | <u>(10,606,406)</u> |
| Total governmental activities | <u>(1,534,094)</u> | <u>(2,877,750)</u> | <u>(3,055,781)</u> | <u>(1,148,887)</u> | <u>(405,618)</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | 4,021,607 | 3,930,696 | 3,924,199 | 3,923,382 | 3,805,506 |
| Unrestricted | <u>756,229</u> | <u>209,661</u> | <u>(202,228)</u> | <u>(467,703)</u> | <u>(1,078,700)</u> |
| Total business-type activities | <u>4,777,836</u> | <u>4,140,357</u> | <u>3,721,971</u> | <u>3,455,679</u> | <u>2,726,806</u> |
| Total | <u>\$ 3,243,742</u> | <u>\$ 1,262,607</u> | <u>\$ 666,190</u> | <u>\$ 2,306,792</u> | <u>\$ 2,321,188</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.

** Note: The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Funds* which was adopted by the Village which was implemented by the Village for the year ended April 30, 2021. This Statement established guidance for identifying fiduciary activities and resulted in a change to accounting and financial reporting requirements. As a result of this implementation, as of May 1, 2020, cash and investments increased by \$81,879, other liabilities increased by \$61,917, and fund balance increased by \$19,962.