

**CITY OF HARVARD, ILLINOIS**

---

**ANNUAL FINANCIAL REPORT**

**April 30, 2010**

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CITY OF HARVARD, ILLINOIS

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CITY OF HARVARD, ILLINOIS

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor  
Members of the City Council  
City of Harvard, Illinois

We have audited the accompanying financial statements of the governmental activities, business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Harvard, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note L to the financial statements, the City did not adopt the provisions of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended April 30, 2010. The effects of that departure on the financial statements are not reasonably determinable

In our opinion, except for the matter discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of April 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not included a management's discussion and analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board.

In accordance with Government Auditing Standards, we have also issued a report dated September 7, 2010 on our consideration of City of Harvard, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Schedule of Funding Progress for the Illinois Municipal Retirement Fund, Actuarial Valuations for Police Pension System, and the Schedule of Revenues and Expenditures/Expenses Compared with Budget, all of which are listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of City of Harvard, Illinois taken as a whole. The schedules listed in the table of contents as "Other Supplementary Information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Seidgen, Callihan, Van Osdol, Co., P.C.*

Rockford, Illinois  
September 7, 2010



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor  
Members of the City Council  
City of Harvard, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the City of Harvard as of and for the year ended April 30, 2010, which collectively comprise the City of Harvard's basic financial statements and have issued our report thereon dated September 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Harvard's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Harvard's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Harvard's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Harvard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Harvard's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Harvard's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Sindgen, Callihan, Van Osdel & Co, Ltd.*

Rockford, Illinois  
September 7, 2010

## **BASIC FINANCIAL STATEMENTS**

CITY OF HARVARD, ILLINOIS  
STATEMENT OF NET ASSETS  
April 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 743,956	\$ 315,504	\$ 1,059,460
Investments	968,374	-	968,374
Receivables:			
Taxes	3,125,706	-	3,125,706
Accounts	72,286	299,578	371,864
Due from other governments	400,606	-	400,606
Internal balances	536,602	(536,602)	-
Total current assets	5,847,530	78,480	5,926,010
Bond issuance costs	9,500	42,979	52,479
Capital Assets (net of accumulated depreciation):			
Land (non-depreciable)	8,119,072	128,000	8,247,072
Infrastructure	4,742,454	1,415,136	6,157,590
Buildings and improvements	4,258,440	7,977,342	12,235,782
Machinery and equipment	163,601	196,488	360,089
Furniture and office equipment	10,720	5,680	16,400
Vehicles	145,154	4,904	150,058
Total noncurrent assets	17,448,941	9,770,529	27,219,470
Total assets	23,296,471	9,849,009	33,145,480

See Notes to Financial Statements.

## LIABILITIES

### Current liabilities:

Accounts payable	64,231	48,425	112,656
Accrued payroll	47,465	9,081	56,546
Due to other funds	26,337	-	26,337
Deferred revenues	1,557,615	-	1,557,615
Net pension obligation	705,061	-	705,061
Notes payable	1,042,359	-	1,042,359
Current portion long term debt	451,864	245,000	696,864
	<u>3,894,932</u>	<u>302,506</u>	<u>4,197,438</u>

### Noncurrent liabilities:

Compensated absences	319,909	69,173	389,082
Notes payable	612,769	-	612,769
Bonds payable	8,420,456	3,300,000	11,720,456
	<u>9,353,134</u>	<u>3,369,173</u>	<u>12,722,307</u>
Total noncurrent liabilities			
	<u>9,353,134</u>	<u>3,369,173</u>	<u>12,722,307</u>
Total liabilities	<u>13,248,066</u>	<u>3,671,679</u>	<u>16,919,745</u>

## NET ASSETS

Invested in capital assets, net of related debt	8,567,121	6,182,550	14,749,671
Restricted for highways and streets	39,598	-	39,598
Restricted for debt service	502,317	604,520	1,106,837
Restricted for capital projects	122,741	-	122,741
Unrestricted	816,628	(609,740)	206,888
	<u>816,628</u>	<u>(609,740)</u>	<u>206,888</u>
Total net assets	<u>\$ 10,048,405</u>	<u>\$ 6,177,330</u>	<u>\$ 16,225,735</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF ACTIVITIES  
Year ended April 30, 2010

<b><u>Functions/Programs</u></b>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General Government	\$ 2,423,354	\$ 825,035	\$ 44,482	\$ -
Public Safety	3,040,732	248,313	-	-
Public Works	889,323	114,412	224,781	-
Culture and Recreation	536,257	60,948	38,757	-
Interest expense	504,458	-	-	-
Total governmental activities	<u>\$ 7,394,124</u>	<u>\$ 1,248,708</u>	<u>\$ 308,020</u>	<u>\$ -</u>
Business-type activities:				
Swimming Pool	\$ 136,741	\$ 56,820	\$ -	\$ -
Waterworks and Sewerage	2,213,621	1,915,864	210,000	-
Total business-type activities	<u>\$ 2,350,362</u>	<u>\$ 1,972,684</u>	<u>\$ 210,000</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

State taxes

Miscellaneous taxes

Interest and investment income (losses)

Miscellaneous

    Total general revenues

Transfers

    Change in net assets

Net assets - beginning

    Prior period adjustment

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,553,837)	\$ -	\$ (1,553,837)
(2,792,419)	-	(2,792,419)
(550,130)	-	(550,130)
(436,552)	-	(436,552)
(504,458)	-	(504,458)
<u>(5,837,396)</u>	<u>-</u>	<u>(5,837,396)</u>
-	(79,921)	(79,921)
<u>-</u>	<u>(87,757)</u>	<u>(87,757)</u>
<u>-</u>	<u>(167,678)</u>	<u>(167,678)</u>
3,045,740	-	3,045,740
1,676,483	-	1,676,483
691,939	-	691,939
209,888	3,451	213,339
95,437	46,202	141,639
<u>5,719,487</u>	<u>49,653</u>	<u>5,769,140</u>
<u>(40,800)</u>	<u>40,800</u>	<u>-</u>
(158,709)	(77,225)	(235,934)
10,121,429	6,254,555	16,375,984
85,685	-	85,685
<u>\$ 10,048,405</u>	<u>\$ 6,177,330</u>	<u>\$ 16,225,735</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
April 30, 2010

	General Fund	Harvard Diggins Library	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 235,226	\$ 508,730	\$ 743,956
Investments	-	870,790	97,584	968,374
Receivables, net of allowances				
Property tax	922,791	232,923	1,969,992	3,125,706
Accounts	465,955	-	6,937	472,892
Due from other funds	1,359,204	-	563,997	1,923,201
Total assets	\$ 2,747,950	\$ 1,338,939	\$ 3,147,240	\$ 7,234,129
 <b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities				
Accounts payable	\$ 40,531	\$ -	\$ 23,700	\$ 64,231
Accrued payroll	42,059	2,842	2,564	47,465
Due to other funds	23,717	-	1,389,219	1,412,936
Notes payable	1,042,359	-	-	1,042,359
Deferred revenue	457,028	115,584	985,003	1,557,615
Total liabilities	1,605,694	118,426	2,400,486	4,124,606
Fund balances:				
Unreserved, reported in:				
General funds	1,142,256	25,391	-	1,167,647
Special revenue funds	-	1,195,122	121,696	1,316,818
Debt service funds	-	-	502,317	502,317
Capital projects funds	-	-	122,741	122,741
Total fund balances	1,142,256	1,220,513	746,754	3,109,523
Total liabilities and fund balances	\$ 2,747,950	\$ 1,338,939	\$ 3,147,240	\$ 7,234,129

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
April 30, 2010

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Total fund balances - governmental funds	\$ 3,109,523
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$19,663,925 and the accumulated depreciation is \$2,224,484.	17,439,441
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. The net pension obligation is also not accrued in the fund financial statements.	<u>(10,500,559)</u>
Total net assets - governmental activities	<u>\$ 10,048,405</u>

CITY OF HARVARD, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended April 30, 2010

	General Fund	Harvard Diggins Library	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,092,184	\$ 240,604	\$ 1,933,148	\$ 5,265,936
Licenses and fees	752,085	23,259	11,847	787,191
Intergovernmental	-	-	30,824	30,824
Investment income	-	176,477	-	176,477
Interest	4,418	-	6,973	11,391
Other	622,117	24,021	358,256	1,004,394
Total revenues	4,470,804	464,361	2,341,048	7,276,213
<b>EXPENDITURES</b>				
General government	1,092,682	41,220	988,389	2,122,291
Public safety	2,839,231	-	-	2,839,231
Public works	618,672	-	329,267	947,939
Culture and recreation	-	297,518	175,296	472,814
Debt service	16,271	-	1,080,053	1,096,324
Total expenditures	4,566,856	338,738	2,573,005	7,478,599
Excess (deficiency) of revenues over expenditures	(96,052)	125,623	(231,957)	(202,386)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	662,183	-	60,800	722,983
Proceeds from long term debt	-	-	300,000	300,000
Transfers out	(226,600)	-	(537,183)	(763,783)
Total other financing sources and uses	435,583	-	(176,383)	259,200
Net change in fund balances	339,531	125,623	(408,340)	56,814
Fund balances - beginning	802,725	1,009,205	1,155,094	2,967,024
Prior period adjustment	-	85,685	-	85,685
Fund balances - ending	\$ 1,142,256	\$ 1,220,513	\$ 746,754	\$ 3,109,523

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the year ended April 30, 2010

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Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 56,814
Amounts reported for governmental activities in the statement of activities are different because:	
Compensated absences are reported in the government wide statement. This is the amount of change in the liability from the prior year	(149,851)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense \$370,050 exceeds capitalized fixed assets of \$305,737 in the period.	(64,313)
The increase in the net pension obligation recorded on the government-wide statements is not recorded in the governmental funds because it does not affect current expenditures. This is the increase in the net pension obligation in the period.	(166,389)
Debt payments are reported in governmental funds as expenditures. However, the issuance of long-term debt (e.g., bonds, leases) 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. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>165,030</u>
Change in net assets of governmental activities	<u>\$ (158,709)</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
April 30, 2010

<b><u>ASSETS</u></b>	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Current assets:</b>			
Cash	\$ 314,687	\$ 817	\$ 315,504
Receivables, net of allowance for uncollectible:			
Accounts	299,578	-	299,578
Due from other funds	1,237	-	1,237
Total current assets	615,502	817	616,319
Bond issuance costs	42,979	-	42,979
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,944,589	1,654,960	9,599,549
Total noncurrent assets	8,115,568	1,654,960	9,770,528
Total assets	8,731,070	1,655,777	10,386,847
 <b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Due to other funds	-	537,839	537,839
Accounts payable	48,425	-	48,425
Accrued payroll	9,081	-	9,081
Current portion long term debt	245,000	-	245,000
Total current liabilities	302,506	537,839	840,345
 <b>Noncurrent liabilities:</b>			
Compensated absences payable	69,173	-	69,173
General obligation bonds payable	3,300,000	-	3,300,000
Total noncurrent liabilities	3,369,173	-	3,369,173
Total liabilities	3,671,679	537,839	4,209,518
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	4,527,589	1,654,960	6,182,549
Restricted for debt service	604,520	-	604,520
Unrestricted	(72,718)	(537,022)	(609,740)
Total net assets	\$ 5,059,391	\$ 1,117,938	\$ 6,177,329

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended April 30, 2010

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 1,873,749	\$ 56,820	\$ 1,930,569
<b>Operating expenses:</b>			
Operating	1,584,290	79,709	1,663,999
Depreciation	419,964	57,032	476,996
 Total operating expenses	 2,004,254	 136,741	 2,140,995
 Operating income (loss)	 (130,505)	 (79,921)	 (210,426)
<b>Nonoperating revenues (expenses):</b>			
Utility tax receipts (payments), net	42	-	42
Grant for capital improvement	210,000	-	210,000
Rent receipts	23,420	-	23,420
Miscellaneous income	22,048	733	22,781
Interest income	3,451	-	3,451
Interest expense	(167,294)	-	(167,294)
 Total nonoperating revenues	 91,667	 733	 92,400
<b>Other financing sources (uses)</b>			
Operating transfers in (out)	-	40,800	40,800
 Net income (loss)	 (38,838)	 (38,388)	 (77,226)
Net assets - May 1, 2009	5,098,229	1,156,326	6,254,555
Net assets - April 30, 2010	\$ 5,059,391	\$ 1,117,938	\$ 6,177,329

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended April 30, 2010

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,871,705	\$ 56,820	\$ 1,928,525
Payments to suppliers	(1,367,887)	(49,950)	(1,417,837)
Payments to employees	(210,704)	(29,769)	(240,473)
Net cash used in operations	293,114	(22,899)	270,215
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	3,451	-	3,451
Net cash provided by investing activities	3,451	-	3,451
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	(167,294)	-	(167,294)
Miscellaneous receipts	255,510	733	256,243
Transfers in (out)	555,656	22,983	578,639
Bond issuance costs	2,618	-	2,618
Principal payments on general obligation bonds	(230,000)	-	(230,000)
Purchase of property and equipment	(434,706)	-	(434,706)
Net cash provided by (used in) capital and related financing activities	(18,216)	23,716	5,500
Net increase (decrease) in cash and cash equivalents	278,349	817	279,166
Beginning cash and cash equivalents	36,338	-	36,338
Ending cash and cash equivalents	\$ 314,687	\$ 817	\$ 315,504

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year ended April 30, 2010

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	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (130,505)	\$ (79,921)	\$ (210,426)
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	419,964	57,032	476,996
Changes in assets and liabilities:			
Accounts receivable	(2,044)	-	(2,044)
Accounts payable	(30,998)	-	(30,998)
Accrued payroll	(20,166)	(10)	(20,176)
Compensated absences	56,863	-	56,863
	<u>\$ 293,114</u>	<u>\$ (22,899)</u>	<u>\$ 270,215</u>
Net cash provided by (used in) operations	<u>\$ 293,114</u>	<u>\$ (22,899)</u>	<u>\$ 270,215</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
April 30, 2010

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<u>ASSETS</u>	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
Cash	\$ 230,239	\$ 23,515	\$ 50
Investments	5,375,774	-	20,117
Receivables, net of allowance for uncollectible:			
Note receivable	-	102,945	-
Accrued interest	11,572	-	-
Receivable from City	<u>30,239</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,647,824</u>	<u>126,460</u>	<u>20,167</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$ 5,647,824</u>	<u>\$ 126,460</u>	<u>\$ 20,167</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended April 30, 2010

	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
<b>Additions:</b>			
Contributions-employer taxes	\$ 142,006	\$ -	\$ -
Contributions-employee	268,796	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	431,679	-	-
Interest, dividends and investment income (loss)	230,805	8,089	(60)
Total additions	1,073,286	8,089	(60)
<b>Deductions:</b>			
Benefits and refunds	154,737	-	-
Other charges and services	35,008	3,480	1,000
Total deductions	189,745	3,480	1,000
Net increase	883,541	4,609	(1,060)
Net assets - beginning	4,764,283	121,851	21,227
Net assets - ending	\$ 5,647,824	\$ 126,460	\$ 20,167

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2010

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A. Summary of Significant Accounting Policies:

**REPORTING ENTITY**

The City of Harvard, Illinois was incorporated under the provisions of the State of Illinois. The City operates under a Mayor/Council form of government and provides services to the public such as health services, public safety, water and sewer system, streets, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United State of America as applicable to governmental units. City of Harvard's basic financial statements include the accounts of all City operations that are controlled by or dependent on the City. Control or dependence is determined by financial interdependency, selection of governing board, designation of management, accountability for fiscal matters and ability to significantly influence operations.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The City is considered to be a primary government pursuant to GASB Statement 14 as amended by GASB Statement 39 since it is legally separate and financially independent. This report includes all of the funds and account groups of the City. It includes all activities considered to be part of (controlled by or dependent on) the City as set forth under the GAAP criteria. Blended component units, although legally separate entities, are part of the government's operations and so data from these units are combined with data of the primary government.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**REPORTING ENTITY (CONTINUED)**

Blended Component Unit. The Library serves all the citizens of the City and is governed by the Library Board of Trustees. The budget and appropriation ordinance is approved by the Library Board and City Council, and the legal liability for any Library debt remains with the City. The Library is reported as a Special Revenue Fund. The individual financial statements of the Library may be obtained by contacting the Harvard Diggins Library located in Harvard, Illinois.

**GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING**

The government wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Earnings on investments, not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Fiduciary funds for which the City maintains a Fiduciary or Agency responsibility are not presented in the government wide financial statements.

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)**

The following fund types are used by the City:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Governmental fund financial statements are reported using the modified accrual basis method of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The following is a description of the governmental funds of the City:

1. **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a particular purpose.
3. **Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business type/proprietary funds).

**Proprietary Fund**

The focus of the proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds have selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Standards Board Statement No. 20.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**GOVERNMENT WIDE, FUND FINANCIAL STATEMENTS AND BASIS OF ACCOUNTING (CONTINUED)**

**Proprietary Fund (Continued)**

A proprietary fund is a fund in which a fee is charged to external users of goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on pricing policy designed to recover similar costs.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major funds:

**Governmental Funds:**

**General Fund**

The general fund is the general operating fund of the City. It is used to account for all the financial resources except those required to be accounted for in another fund.

**Harvard Diggins Library**

The Harvard Diggins Library fund is a blended component unit of the City. It is used to account for all the financial resources and costs related to the operations of the Library.

**Enterprise Funds:**

**Waterworks and Sewerage Fund** To account for the costs related to the operation of the City's water and sewer system. Funding is provided by user fees.

**Swimming Pool Fund** To account for the costs related to the operation of the City's swimming pool. Funding is provided by user fees.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**BUDGETS**

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2010. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. At least 15 days prior to the enactment of the budget, the committee on Finance Procurement submits to the City Council a proposed means of financing expenditure appropriations for the fiscal year commencing the following May 1.
- b. Normally on the last Wednesday in April, but no later than April 30, the budget is legally enacted through passage of the appropriation ordinance.
- c. Budgeted amounts are as originally reported or as amended by the City Council. Individual amendments were not material in relation to the original appropriations.
- d. Unexpended budgeted amounts lapse at the end of the budget year. Spending control is established by the amount of expenditures budgeted for each object and purpose, but management control is exercised at budgetary line item levels.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**CASH AND INVESTMENTS**

Cash consists of demand deposits and savings accounts, both being easily accessible and with short-term duration. Investments as of April 30, 2010 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**CASH AND INVESTMENTS (CONTINUED)**

associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts. For purposes of the statement of cash flows, cash equivalents include money market accounts and any highly liquid instruments purchased with a maturity of less than three months.

**PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> 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). Such taxes are payable by taxpayers in two installments on approximately June 1 and September 1 subsequent to the year of levy. The property tax levy passed in December 2009 was allocated fifty percent for each of the two years after the levy year.

Property taxes levied in the current year and collected in the subsequent year are not considered available and are accordingly recorded as revenues in the year following the levy.

**FUND EQUITY**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

**COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused vacation time. All vacation pay time is due in the event of termination and is accrued when incurred in the government-wide and proprietary fund financial statements, in accordance with the City's policies. Sick time accrues at the rate of one day for each 30 calendar days of employment.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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A. Summary of Significant Accounting Policies (Continued):

**COMPENSATED ABSENCES (CONTINUED)**

Upon termination, accumulated sick pay will convert into severance pay with the amounts depending on length of service. The liability for sick pay has been accrued in the government-wide and proprietary fund financial statements.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Legal Compliance and Accountability:

**BUDGETS**

All departments of the City submit requests for appropriation to the City's administrator so that a budget may be prepared. The budget is prepared by fund and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the governing body for review. The governing body holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget.

The budget may be amended by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended April 30, 2010, expenditures exceed appropriations in the General fund by \$152,061. These over expenditures were funded by greater than anticipated revenues in that fund.

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2010

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B. Legal Compliance and Accountability (Continued):

**DEFICIT FUND BALANCES/RETAINED EARNINGS OF INDIVIDUALS FUNDS**

The following funds had a deficit in fund balance/retained earnings as of the date of this report:

<u>Fund</u>	<u>Deficit Balance</u>
Park	\$(158,557)
Road & Bridge	(158,450)
Social Security	(154,992)
Illinois Municipal Retirement	(25,693)
Regional Transportation Authority	(257,200)
Audit	(26,621)
Liability Insurance	(283,984)
Capital Improvement	(610)

C. Deposits and Investments:

The City maintains a cash and investment pool that is mainly used by the Water and Sewer Fund. The deposits and investments of the pension trust funds are held separately from those of other funds.

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. The cash overdrafts have been classified as due to/from on the financial statements. As of April 30, 2010, the following funds had overdrafts:

Park Fund	\$311,752
Road & Bridge	195,150
Social Security	180,027
Illinois Municipal Retirement	47,952
RTA	259,101
Audit	33,621
Liability Insurance	274,284
Debt Service	81,555
Pool	537,839

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

C. Deposits and Investments (Continued):

**Deposits.** At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$1,864,357 and the bank balance was \$2,039,408. Of the bank balance, \$2,039,408 was covered by Federal Depository Insurance or by collateral held by pledging bank's trust department or by its agent in the City's name.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. As of April 30, 2010, \$-0- of the City's balance was exposed to custodial credit risk and was uninsured and uncollateralized. The City has no foreign currency risk for deposits at year end.

For financial statement purposes, the City shows long-term certificates of deposits, U.S. Govt. obligations, corporate bonds, common stock, equity mutual funds, and insurance contracts as investments.

**Investments.** As of April 30, 2010, the City's investments were as follows:

	<b><u>Fair Value</u></b>
Investment in State Investment Pool	\$ 10,984
Long-term Certificates of Deposit	446,245
U.S. Government Obligations	3,133,540
Corporate Bonds	151,314
Common Stock	530,128
Equity Mutual Funds	1,650,726
Insurance contracts	<u>452,312</u>
Total	<b><u>\$6,375,249</u></b>

Pension Funds own all the investments in U.S. Government Obligations, Equity Mutual Funds and Insurance Contracts.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no specific policy on the interest rate risk at year-end.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

C. Deposits and Investments (Continued):

**Interest Rate Risk (Continued):**

Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	<b><u>Remaining Maturity (in Months)</u></b>			<b><u>Total</u></b>
	<b><u>12 Months or Less</u></b>	<b><u>13-60 Months</u></b>	<b><u>60+ Months</u></b>	
External investment pool	\$ 10,984	\$ -	\$ -	\$ 10,984
Long-term Certificates of Deposit	-	103,208	-	103,208
U.S. Government obligations	-	76,142	3,057,398	3,133,540
Corporate Bonds	24,207	108,324	18,783	151,314
Insurance contracts	<u>452,312</u>	<u>-</u>	<u>-</u>	<u>452,312</u>
Total	<u>\$487,503</u>	<u>\$287,674</u>	<u>\$3,076,181</u>	<u>\$3,851,358</u>

**Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in U.S. Government obligations are not considered to be of any credit risk since they carry the full obligation and guarantee of the U.S. Government. Presented below is the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

	<b><u>Total as of April 30, 2010</u></b>	<b><u>AAAm</u></b>	<b><u>Unrated</u></b>
External investment pool	<u>\$10,984</u>	<u>\$10,984</u>	<u>\$ -</u>
Corporate bonds	<u>\$151,314</u>	<u>\$34,225</u>	<u>\$17,470</u>
	<u><u>A</u></u>	<u><u>A-</u></u>	<u><u>AA</u></u>
	<u>\$45,464</u>	<u>\$15,868</u>	<u>\$16,560</u>
	<u><u>AA+</u></u>	<u><u>AA-</u></u>	
	<u>\$16,295</u>	<u>\$5,432</u>	

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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C. Deposits and Investments (Continued):

**Concentration of Credit Risk:**

The City has no investments, other than mutual funds that are exempted from this requirement, in any one issuer that represent 5% or more of total City's investments.

**Custodial Credit Risk:**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

As of April 30, 2010 there are no investments with custodial credit risk in that all of its investments are insured.

**Foreign Currency Risk:**

The City has no foreign currency risk for investments at year end.

D. Reserved Fund Balances/Retained Earnings:

The following reservations of fund balances/retained earnings existed as of April 30, 2010:

**Enterprise:**

Water & Sewer Fund:	
Reserved due to bond ordinance	<u>\$604,520</u>

**Fiduciary:**

Non Expendable Trust Fund:	
Apartment Fund	<u>\$126,460</u>

**Pension Trust Funds:**

Police Pension Fund:	
Reserved for employees retirement system	<u>\$5,647,824</u>

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

E. Property, Plant and Equipment:

Capital assets, which include buildings and improvements, equipment and vehicles are reported in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of more than \$5,000 for equipment and vehicles, \$10,000 for building and improvements, and \$50,000 for infrastructure assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. For those assets for which historical cost is not available, the City has estimated historical cost by using current costs and adjusting for inflation. Donated assets are stated at estimated fair market value as of the date of acquisition. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend the useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, except construction in progress, are being depreciated using the straight line method over the following useful lives:

Buildings & Improvements	50 years
Infrastructure	40 years
Equipment & Vehicles	5 - 20 years

The City has elected to record infrastructure assets on a prospective basis.

Capital assets in the governmental fund financial statements are reported as expenditures when incurred.

The governmental activities capital asset activity for the year ended April 30, 2010 is as follows:

<b>Cost:</b>	<b><u>Balance</u></b> <b><u>May 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>April 30, 2010</u></b>
Land (not depr.)	\$ 8,119,072	\$ -	\$ -	\$ 8,119,072
Infrastructure	4,674,335	234,987	-	4,909,322
Buildings & improvements	4,922,862	-	-	4,922,862
Machinery & equipment	622,398	-	-	622,398
Office equipment	50,956	8,976	-	59,932
Vehicles	825,006	61,774	-	886,780
Harvard Diggins				
Library Fixed Assets	<u>143,559</u>	<u>-</u>	<u>-</u>	<u>143,559</u>
	<b><u>\$19,358,188</u></b>	<b><u>\$305,737</u></b>	<b><u>\$ -</u></b>	<b><u>\$19,663,925</u></b>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

E. Property, Plant and Equipment (Continued):

	<b><u>Balance</u></b> <b><u>May 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>April 30, 2010</u></b>
<b>Accumulated Depreciation:</b>				
Infrastructure	\$ 44,135	\$122,733	\$ -	\$ 166,868
Buildings & improvements	571,565	92,857	-	664,422
Machinery & equipment	401,334	75,514	-	476,848
Office equipment	45,226	3,986	-	49,212
Vehicles	675,125	66,501	-	741,626
Harvard Diggins				
Library Fixed Assets	<u>117,050</u>	<u>8,458</u>	<u>-</u>	<u>125,508</u>
	<u>\$1,854,435</u>	<u>\$370,049</u>	<u>\$ -</u>	<u>\$2,224,484</u>
<b>Total Capital Assets, Net:</b>				
Land	\$ 8,119,072	\$ -	\$ -	\$ 8,119,072
Infrastructure	4,630,200	112,254	-	4,742,454
Buildings & improvements	4,351,297	(92,857)	-	4,258,440
Machinery & equipment	221,064	(75,514)	-	145,550
Office equipment	5,730	4,990	-	10,720
Vehicles	149,881	(4,727)	-	145,154
Harvard Diggins				
Library Fixed Assets	<u>26,509</u>	<u>(8,458)</u>	<u>-</u>	<u>18,051</u>
	<u>\$17,503,753</u>	<u>\$(64,312)</u>	<u>\$ -</u>	<u>\$17,439,441</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

E. Property, Plant and Equipment (Continued):

The business-type activities capital asset activity for the year ended April 30, 2010 is as follows:

<b>Cost:</b>	<b><u>Balance</u></b> <b><u>May 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>April 30, 2010</u></b>
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,052,709	434,707	-	1,487,416
Buildings & improvements	9,852,596	-	-	9,852,596
Swimming pool	2,094,816	-	-	2,094,816
Machinery & equipment	1,256,907	-	-	1,256,907
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$14,569,884</u>	<u>\$434,707</u>	<u>\$ -</u>	<u>\$15,004,591</u>

**Accumulated Depreciation:**

Infrastructure	\$ 39,907	\$ 32,373	\$ -	\$ 72,280
Buildings & improvements	3,318,088	197,052	-	3,515,140
Swimming pool	382,824	57,032	-	439,856
Machinery & equipment	891,956	183,538	-	1,075,494
Furniture & office equipment	33,880	4,545	-	38,425
Vehicles	<u>133,390</u>	<u>2,456</u>	<u>-</u>	<u>135,846</u>
	<u>\$4,800,045</u>	<u>\$476,996</u>	<u>\$ -</u>	<u>\$5,277,041</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2010</u>
<b>Total Capital Assets, Net:</b>				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,012,802	402,334	-	1,415,136
Buildings & improvements	6,534,508	(197,052)	-	6,337,456
Swimming pool	1,711,992	(57,032)	-	1,654,960
Machinery & equipment	364,951	(183,538)	-	181,413
Furniture & office Equipment	10,226	(4,545)	-	5,681
Vehicles	<u>7,360</u>	<u>(2,456)</u>	<u>-</u>	<u>4,904</u>
	<u>\$9,769,839</u>	<u>\$ (42,289)</u>	<u>\$ -</u>	<u>\$9,727,550</u>

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

**Governmental activities:**

General government	\$200,303
Public safety	101,135
Public works	60,653
Culture and recreation	<u>7,958</u>
Total depreciation expense, governmental activities	<u>\$370,049</u>

**Business-type activities:**

Waterworks and Sewerage Department	\$419,964
Swimming Pool	<u>57,032</u>
Total depreciation expense, business-type activities	<u>\$476,996</u>

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2010

F. Risk Management:

The City participates in the Illinois Municipal League Risk Management Association (IMLRMA). IMLRMA is a proprietary agency whose members are Illinois municipalities. IMLRMA manages and funds first party property losses, third party liability claims, Worker's compensation claims, and Public Officials Liability claims of its members. Each member assumes the first \$1,000 of each occurrence, and has self-insurance retention at various amounts. IMLRMA is financed, owned and operated by its participants.

Initial contributions are determined based on the municipality's exposures in areas defined by IMLRMA. Second year and future contributions are determined by utilizing a formula in conjunction with individual municipalities' risk exposure. The Board of Directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year.

Members have a contractual obligation to fund any deficit of IMLRMA attributable to a membership year during which they were a member.

Settled claims have not exceeded insurance coverage for the past three fiscal years.

G. Short-Term Debt:

The City has a revolving loan with a local bank. The following is the activity for the year ended April 30, 2010:

Short-term Debt <u>Issue</u>	<u>Balances</u> <u>Retired By</u>	<u>May 1</u>	<u>Balances</u> <u>Additions</u>	<u>Reductions</u>	<u>April 30</u>
\$1,050,000 Line of Credit with a local bank with a variable interest rate at 1.25% above prime. Principal and interest due February 22, 2011. Prime rate at 3.25% on April 30, 2010.	General	<u>\$751,858</u>	<u>\$782,501</u>	<u>\$532,000</u>	<u>\$1,002,359</u>

H. Long-Term Debt:

**GENERAL OBLIGATION BONDS**

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
<b><u>Governmental Activities</u></b>					
\$2,000,000 General Obligation Bond Library Bonds, dated March 1, 1999 due in annual installments of \$80,000 to \$150,000 plus interest at 4.375% to 5.750% through March 1, 2019.	Debt Service	\$1,235,000	\$ -	\$100,000	\$1,135,000
\$1,900,000 General Obligation Bond Recreation Bonds, dated July 15, 1999 due in annual installments of \$85,000 to \$150,000 plus interest at 5.00% through March 15, 2019.	Debt Service	1,210,000	-	95,000	1,115,000
\$3,400,000 Debt Certificates Series 2008, interest at 4.25% principal and interest paid semi-annually in January and July through January 15, 2019.	TIF	3,400,000	-	110,710	3,289,290
\$2,500,000 Debt Certificates Series 2008A, interest at 5.00% principal and interest paid semi-annually in January and July through January 15, 2019.	TIF	2,500,000	-	75,095	2,424,905
\$600,000 Debt Certificates Series 2008B, interest at 5.00% principal and interest paid semi-annually in January and July through January 15, 2019.	TIF	600,000	-	18,023	581,977
\$650,000 Bank loan dated December, 2008, interest at 6.65%. Principal and interest paid quarterly through December 30, 2013.	General	645,945	-	16,271	629,674

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
<b><u>Governmental Activities (Continued)</u></b>					
\$300,000 Bank loan dated May, 2003, interest at 3.99%. Principal and interest paid quarterly through May 10, 2010.	MFT	59,671	-	48,190	11,481
\$300,000 Bank loan dated May, 2003, interest at 3.99%. Principal and interest paid quarterly through February 22, 2011.	TIF	-	300,000	2,238	297,762
		<u>\$9,650,616</u>	<u>\$300,000</u>	<u>\$465,527</u>	<u>\$9,485,089</u>

**Business-Type Activities**

\$3,000,000 W&S Revenue Bonds Series 2000, due in annual installments of \$55,000 to \$135,000 plus interest at 5.50% to 6.00% through May 1, 2019	W&S	\$ 875,000	\$ -	\$ 60,000	\$ 815,000
\$1,475,000 W&S Revenue Bonds Series 2004, due in annual installments of \$15,000 to \$160,000 plus interest at 3.00% to 4.40% through May 1, 2019	W&S	1,320,000	-	105,000	1,215,000
\$1,700,000 W&S Alternate Source Series 2006, dated September 12, 2006 due in annual installments of \$60,000 to \$130,000 plus interest at 3.90% to 4.50% through May 1, 2026.	W&S	1,580,000	-	65,000	1,515,000
		<u>\$3,775,000</u>	<u>\$ -</u>	<u>\$230,000</u>	<u>\$3,545,000</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

Annual debt service requirements to maturity for the City’s long-term debt are as follows:

<b>Year Ending April 30</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 451,865	\$ 403,225	\$ 230,000	\$ 149,788
2012	457,408	385,343	245,000	139,020
2013	479,341	362,992	250,000	127,748
2014	501,576	340,305	260,000	115,865
2015	1,062,225	301,431	275,000	103,223
2016 - 2019	1,960,434	977,603	1,005,000	268,281
2020 - 2023	4,572,240	3,600	800,000	104,488
2024 - 2026	_____ -	_____ -	<u>480,000</u>	<u>2,925</u>
Total	<u>\$9,485,089</u>	<u>\$2,774,499</u>	<u>\$3,545,000</u>	<u>\$1,011,338</u>

**CHANGES IN LONG-TERM LIABILITIES**

During the fiscal year the following changes occurred in long-term debt:

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>
Bonds payable	\$12,779,671	\$ -	\$688,499	\$12,091,172
Notes payable	645,945	300,000	7,028	938,917
Compensated absences	<u>182,368</u>	<u>206,714</u>	_____ -	<u>389,082</u>
Total	<u>\$13,607,984</u>	<u>\$506,714</u>	<u>\$695,527</u>	<u>\$13,419,171</u>

I. Noncommitment Debt:

Special service area bonds outstanding are not an obligation of the government and are secured by the levy of an annual tax on the real property within the special service area. The government is in no way liable for repayment but is only acting as agent for the property owners in levying and collecting the tax, and forwarding the collections to bondholders.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

J. Interfund Assets/Liabilities:

**DUE FROM/(TO) OTHER FUNDS**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental:</b>		
General		\$1,383,442
	Debt service	(81,555)
	RTA	(259,101)
	Motor Fuel Tax	(5,167)
Welfare		1,920
	Capital improvement	(610)
Police Pension	General	(23,717)
	Park	(311,752)
	Road & Bridge	(195,150)
	Social Security	(180,027)
	Illinois Municipal Retirement	(47,952)
	Audit	(33,621)
	Liability Insurance	(274,284)
<b>Fiduciary:</b>		
Police Pension	General and other	26,337
<b>Proprietary:</b>		
Water		1,237

The purpose of the interfund loan is to fund temporary cash deficits in each of the borrowing funds. The loans will be paid back when sufficient cash amounts exist in those funds.

**TRANSFERS**

Below are the interfund transfers as of April 30, 2010:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
<b>General Fund:</b>		
Non Major Governmental Funds	\$662,183	\$(226,600)
Total General Fund	<u>662,183</u>	<u>(226,600)</u>
<b>Park Fund:</b>		
General Fund	<u>7,000</u>	<u>-</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

J. Interfund Assets/Liabilities (Continued):

**TRANSFERS (CONTINUED)**

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
<b>Road and Bridge Fund:</b>		
General Fund	_____ -	_____(81,055)
<b>Police Protection Fund:</b>		
General Fund	_____ -	_____(446,229)
<b>RTA Fund:</b>		
General Fund	____14,800	_____ -
<b>Audit Fund:</b>		
General Fund	_____ -	_____(9,899)
<b>RTA Fund:</b>		
General Fund	____39,000	_____ -
Total Non Major Governmental Funds	____60,800	_____(537,183)
<b>Water &amp; Sewer Fund:</b>		
Water Fund	____125,000	_____(125,000)
<b>Pool Fund:</b>		
General Fund	____40,800	_____ -
Total Proprietary Funds	____165,800	_____(125,000)
Total all funds	<u>\$888,783</u>	<u>\$(888,783)</u>

The purpose of these transfers was to pay for certain fees incurred by the non major governmental funds that were paid out of the general fund.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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K. Pension Plan:

***PLAN DESCRIPTION***

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

***FUNDING POLICY***

As set by statute, the City's Regular plan members are required to contribute 4.5 percent 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 City's contribution rate for calendar year 2009 was 12.20 percent of annual covered payroll. The City 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

***ANNUAL PENSION COST***

For fiscal year ending December 31, 2009, the City's annual pension cost of \$192,964 for the Regular plan was equal to the City's required and actual contributions.

**THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/09	\$192,964	100%	\$-0-
12/31/08	179,554	100%	-0-
12/31/07	176,200	100%	-0-

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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K. Pension Plan (Continued):

***ANNUAL PENSION COST (CONTINUED)***

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The City's Regular plan's underfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2007 valuation, was 23 years.

***FUNDED STATUS AND FUNDING PROGRESS***

As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 68.03 percent funded. The actuarial accrued liability for benefits was \$4,612,263 and the actuarial value of assets was \$3,137,756, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,474,507. The covered payroll (annual payroll of active employees covered by the plan) was \$1,581,674 and the ratio of the UAAL to the covered payroll was 93 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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

**Police Pension**

Police sworn personnel are covered by the Police Pension Plan which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40-Article 5/3) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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K. Pension Plan (Continued):

**Police Pension**

At April 30, 2010, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	4
Current employees	<u>20</u>
Total	<u>24</u>

The following is a summary of the Police Pension Plan as provided for in the Illinois Compiled Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half 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 pension 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 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension 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 of the amount of pension payable at the time of the increase annually thereafter.

Covered employees are required to contribute 9.91 percent 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 City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded by the year 2034.

The Statutes also contain a Portability Ruling that may impact the police pension fund. If a police officer transfers to another fund, that officer's former fund may be required to transfer monies to the officer's current fund if one of two requirements are met. The police officer must have either actively served in the police department for two years or the officer was

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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K. Pension Plan (Continued):

**Police Pension (Continued)**

involuntarily terminated for reasons other than fault of the officer. In these cases, the former fund will be required to transfer to the current fund amounts equal to twice the amounts of employee contributions to the plan plus interest at the rate of 6% per year, compounded annually.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

**Basis of Accounting** - The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

**Method Used to Value Investments** - Investments are reported at fair value. Investment income is recognized as earned.

Gains and losses on sales and exchanges of fixed-income securities are recognized on the trade date.

**Significant Investments** - There are no investments (other than U.S. government and U.S. government – guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits.

**Related Party Transactions** - There were no securities of the employer or any other related parties included in plan assets, including any loans.

**FUNDING STATUS AND ANNUAL PENSION COST**

The City's net pension obligation to the Police Pension Plan for the current year were as follows:

Annual required contribution	\$407,245
Adjustments to annual required contribution	<u>          -</u>
Annual pension cost	407,245
Contributions made	<u>(240,856)</u>
Increase (decrease) in net pension obligation	166,389
Net pension obligation, beginning	<u>538,672</u>
Net pension obligation, ending	<u><u>\$705,061</u></u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

K. Pension Plan (Continued):

**Police Pension (Continued)**

The annual required contribution for the current year was determined as part of the April 30, 2009 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll in accordance with section 3-127 of the Illinois Pension Code. The remaining amortization period at April 30, 2009, was 24.1699 years.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/09	\$407,245	59.14%	\$705,061
4/30/08	354,955	59.10%	538,672
4/30/07	307,376	68.25%	393,512

The funded status of the two plans as of December 31, 2009 for IMRF and as of April 30, 2010 for the Police Pension Plan based on actuarial valuations performed as of the same date is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as noted earlier above.

	<u>Illinois Municipal Retirement</u>	<u>Police Pension</u>
Actuarial accrued liability (AAL)	\$4,612,263	\$8,629,587
Actuarial value of plan assets	3,137,756	4,764,283
Unfunded actuarial accrued liability(UAAL)	1,474,507	3,865,304
Funded ratio (actuarial value of plan assets/AAL)	68.03%	55.21%
Covered payroll (active plan Members)	1,581,674	1,435,233
UAAL as a percentage of Covered payroll	93.22%	269.32%

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2010

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K. Pension Plan (Continued):

**Police Pension (Continued)**

See the schedules of funding progress in the RSI immediately following the notes to the financial statements for additional information related to the funded status of the plans.

L. Other Postemployment Benefits:

In July 2004, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires a systematic, accrual basis measurement and recognition of other postemployment benefit (OPEB) expense over a period that approximates employees' years of service. The Statement also requires the information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City elected to not adopt the new standards related to other postemployment benefits.

M. Pending GASB Statements:

*Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions"* will be effective for the fiscal year ending April 30, 2012. Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Management has not yet completed their assessment of this statement and its impact on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

CITY OF HARVARD, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 April 30, 2010

**Illinois Municipal Retirement Fund  
 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/09	\$3,137,756	\$4,612,263	\$1,474,507	68.03%	\$1,581,674	93.22%
12/31/08	2,753,448	4,258,690	1,505,242	64.65%	1,624,924	92.63%
12/31/07	3,192,393	4,109,251	916,858	77.69%	1,629,971	56.25%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$3,027,156. On a market basis, the funded ratio would be 65.63%.

CITY OF HARVARD, ILLINOIS  
Required Supplementary Information  
April 30, 2010

**ACTUARIAL VALUATIONS FOR POLICE PENSION SYSTEMS**

The required supplementary information does not include required disclosures relating to the Employee Retirement Systems for 1997 – 1998 since this information, which would have been provided by actuarial valuations, wasn't provided to the Government from the State of Illinois Department of Insurance. This information was expected, but the State has been unable to produce the actuarial valuations due to computer reporting problems.

**Police Pension Fund**

Analysis of funding progress for the year ended April 30, 2009.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
4/30/09	\$4,764,283	\$8,629,587	55.21%	\$3,865,304	\$1,435,233	269.32%
4/30/08	4,756,716	8,060,376	59.01%	3,303,660	1,317,072	250.83%
4/30/07	4,335,514	7,224,106	60.01%	2,888,592	1,166,441	247.64%
4/30/06	3,982,442	6,094,796	65.34%	2,112,354	916,999	230.36%
4/30/05	3,593,823	5,674,158	63.34%	2,080,335	872,922	238.31%
4/30/04	3,351,143	5,057,717	66.26%	1,706,574	836,808	203.94%
4/30/03	3,082,561	4,584,532	67.24%	1,501,971	838,512	179.12%
4/30/02	2,931,194	4,182,029	70.09%	1,250,835	818,290	152.86%
4/30/01	2,808,747	3,693,049	76.05%	884,302	813,456	108.71%
4/30/00	2,687,119	3,193,766	84.14%	506,641	667,959	75.85%

CITY OF HARVARD, ILLINOIS  
Required Supplementary Information  
April 30, 2010

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**ACTUARIAL VALUATIONS FOR POLICE PENSION SYSTEM**

**Police Pension Fund  
Employer Contributions**

Year Ending <u>April 30</u>	Annual Required <u>Contributions</u>	Employer <u>Contribution</u>	Percent <u>Contributed</u>
4/30/09	\$407,245	\$240,856	59.1%
4/30/08	354,955	209,705	59.1
4/30/07	307,376	209,795	68.3
4/30/06	230,930	179,940	77.9
4/30/05	198,334	171,160	86.3
4/30/04	186,526	120,033	64.4
4/30/03	171,898	118,447	68.9
4/30/02	157,244	109,512	69.6
4/30/01	123,132	105,557	85.7

CITY OF HARVARD, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 641,395	\$ 641,395	\$ 910,045	\$ 268,650
State income tax	831,000	831,000	603,045	(227,955)
Hotel/motel tax	15,000	15,000	13,191	(1,809)
State replacement tax	93,500	93,500	72,314	(21,186)
Sales tax	990,000	990,000	963,067	(26,933)
Utility tax	570,000	570,000	530,522	(39,478)
Total taxes	<u>3,140,895</u>	<u>3,140,895</u>	<u>3,092,184</u>	<u>(48,711)</u>
Licenses and fees:				
Liquor licenses	46,000	46,000	81,235	35,235
Contractors license	13,000	13,000	9,525	(3,475)
Building fees and permits	50,000	50,000	27,776	(22,224)
Parking permits	92,500	92,500	94,299	1,799
Police fines	179,000	179,000	198,029	19,029
Telephone franchise	225,000	225,000	190,299	(34,701)
Cable franchise	51,000	51,000	51,353	353
Mining fees	4,500	4,500	97,500	93,000
DUI fines	2,200	2,200	2,069	(131)
Total licenses and fees	<u>663,200</u>	<u>663,200</u>	<u>752,085</u>	<u>88,885</u>
Interest	<u>12,000</u>	<u>12,000</u>	<u>4,418</u>	<u>(7,582)</u>
Other revenues:				
Donations	-	-	500	500
Miscellaneous	151,500	151,500	93,163	(58,337)
Police reimbursement	42,000	42,000	45,215	3,215
Zoning hearings and platting fees	20,000	20,000	1,250	(18,750)
Escrow from developers	28,500	28,500	452,229	423,729
Rent	20,000	20,000	20,000	-
Health insurance reimbursement	8,300	8,300	9,760	1,460
Total other revenues	<u>270,300</u>	<u>270,300</u>	<u>622,117</u>	<u>351,817</u>
Total revenues	<u>\$ 4,086,395</u>	<u>\$ 4,086,395</u>	<u>\$ 4,470,804</u>	<u>\$ 384,409</u>

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures:</b>				
General government:				
Administration:				
Salaries - officials	\$ 117,200	\$ 117,200	\$ 9,057	\$ (108,143)
Salaries - clerical	73,500	73,500	75,780	2,280
Overtime - clerical	4,100	4,100	999	(3,101)
Health insurance	50,000	50,000	42,884	(7,116)
Mayoral expense	1,800	1,800	1,650	(150)
Attorney fees	50,000	50,000	63,822	13,822
Engineering fees	50,000	50,000	133,010	83,010
Service agreements	8,500	8,500	9,179	679
Equipment maintenance	15,000	15,000	7,014	(7,986)
Building maintenance	30,000	30,000	19,923	(10,077)
Office supplies	12,000	12,000	8,031	(3,969)
Postage	12,000	12,000	3,796	(8,204)
Dues and subscriptions	9,000	9,000	4,280	(4,720)
Public notices	5,000	5,000	4,858	(142)
ZBA notices	2,500	2,500	262	(2,238)
Printing	6,500	6,500	1,404	(5,096)
Telephone	28,000	28,000	17,006	(10,994)
Miscellaneous	11,750	11,750	70,682	58,932
Economic development	46,000	46,000	31,112	(14,888)
Professional fees	35,000	35,000	63,240	28,240
Interest expense	18,000	18,000	62,364	44,364
Contingencies	27,500	27,500	301,508	274,008
Total administration	613,350	613,350	931,861	318,511
Building services:				
Salaries	148,000	148,000	119,049	(28,951)
Health insurance	51,000	51,000	39,685	(11,315)
Training	5,000	5,000	1,641	(3,359)
Uniforms	900	900	135	(765)
Contingencies	3,000	3,000	311	(2,689)
Total building services	207,900	207,900	160,821	(47,079)
Total general government	821,250	821,250	1,092,682	271,432

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures (Continued):</b>				
Public safety (Continued):				
Police department:				
Salaries - officers	1,492,445	1,492,445	1,483,300	(9,145)
Salaries - clerical	273,500	273,500	298,353	24,853
Crossing guards	35,000	35,000	33,390	(1,610)
Overtime	230,806	230,806	234,989	4,183
Pension expense	-	-	240,856	240,856
Health insurance	309,000	309,000	256,931	(52,069)
Health examinations	2,000	2,000	944	(1,056)
Uniforms	25,000	25,000	20,845	(4,155)
Attorney fees	43,000	43,000	35,216	(7,784)
Vehicle maintenance	16,000	16,000	15,446	(554)
Equipment maintenance	15,000	15,000	6,598	(8,402)
Radio maintenance	5,000	5,000	10,501	5,501
Advertising	2,000	2,000	95	(1,905)
Ammunition	4,000	4,000	2,685	(1,315)
Material purchases	8,000	8,000	1,125	(6,875)
Office supplies	8,000	8,000	8,818	818
Investigation supplies	13,000	13,000	19,905	6,905
Dues and subscriptions	2,000	2,000	1,294	(706)
Telephone	10,000	10,000	8,535	(1,465)
Gas, oil, and grease	50,000	50,000	34,083	(15,917)
Police commission expense	2,000	2,000	2,190	190
Miscellaneous	26,000	26,000	12,883	(13,117)
Special programs	5,000	5,000	3,607	(1,393)
Data base user fees	3,400	3,400	2,400	(1,000)
New equipment	120,364	120,364	104,242	(16,122)
<b>Total public safety</b>	<u>2,700,515</u>	<u>2,700,515</u>	<u>2,839,231</u>	<u>138,716</u>

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public works:				
Highways and streets:				
Salaries	277,210	277,210	271,389	(5,821)
Overtime	23,000	23,000	11,063	(11,937)
Health insurance	70,000	70,000	51,746	(18,254)
Uniforms	5,400	5,400	2,911	(2,489)
Vehicle maintenance	45,000	45,000	37,345	(7,655)
Building maintenance	102,500	102,500	39,509	(62,991)
Radio maintenance	1,000	1,000	-	(1,000)
Tools	5,000	5,000	191	(4,809)
Material purchases	10,000	10,000	4,443	(5,557)
Telephone	5,000	5,000	5,660	660
Electricity	125,000	125,000	116,761	(8,239)
Gas, oil and grease	50,000	50,000	33,278	(16,722)
New equipment	24,920	24,920	20,039	(4,881)
Miscellaneous	105,000	105,000	24,337	(80,663)
Fuel for building	4,000	4,000	-	(4,000)
Debt payment	-	-	16,271	16,271
Total public works	853,030	853,030	634,943	(218,087)
Total expenditures	\$ 4,374,795	\$ 4,374,795	\$4,566,856	\$ 192,061
<b>Other financing sources (uses):</b>				
Operating transfers in	\$ 351,000	\$ 351,000	\$ 662,183	\$ 311,183
Operating transfers out	(62,600)	(62,600)	(226,600)	(164,000)
Total other financing sources (uses)	\$ 288,400	\$ 288,400	\$ 435,583	\$ 147,183

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF HARVARD, ILLINOIS  
WATER AND SEWERAGE FUND  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
OTHER SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>				
Charges for water and sewer services				
Water billings	\$ 1,500,000	\$ 1,500,000	\$ 1,577,722	\$ 77,722
Tap on permits	40,000	40,000	31,527	(8,473)
Penalties	37,000	37,000	35,182	(1,818)
Plumbing permits	10,000	10,000	11,166	1,166
Maintenance charges	210,000	210,000	203,723	(6,277)
Moving charges	20,000	20,000	14,029	(5,971)
Sale of material	2,000	2,000	400	(1,600)
Total operating revenues	<u>\$ 1,819,000</u>	<u>\$ 1,819,000</u>	<u>\$ 1,873,749</u>	<u>\$ 54,749</u>
<b>Operating expenses:</b>				
Utilities department:				
Salaries	\$ 298,000	\$ 298,000	\$ 337,487	\$ 39,487
Overtime	23,000	23,000	17,109	(5,891)
Compensated absences expense	-	-	-	-
Health insurance	60,000	60,000	56,885	(3,115)
Training	2,500	2,500	1,802	(698)
Travel expense	500	500	-	(500)
Uniforms	3,000	3,000	1,270	(1,730)
Professional fees	25,000	25,000	34,405	9,405
Engineering fees	5,000	5,000	16,052	11,052
Building maintenance	60,000	60,000	17,700	(42,300)
Maintenance of tower/plant	45,000	45,000	20,190	(24,810)
Equipment/water main maintenance	26,500	26,500	47,210	20,710
Lift station maintenance	25,000	25,000	10,870	(14,130)
Lab supplies	7,000	7,000	9,662	2,662
Material purchases	4,500	4,500	5,095	595
Dues and subscriptions	750	750	492	(258)
Electricity	188,000	188,000	243,398	55,398
Fuel for building	45,000	45,000	4,895	(40,105)
Gas, oil and grease	5,000	5,000	5,013	13
Chemicals	100,000	100,000	112,164	12,164
Miscellaneous	2,000	2,000	9,582	7,582
New equipment	25,000	25,000	5,196	(19,804)
Permit fees	17,500	17,500	17,500	-
Total utilities department	<u>968,250</u>	<u>968,250</u>	<u>973,977</u>	<u>5,727</u>

CITY OF HARVARD, ILLINOIS  
WATER AND SEWERAGE FUND (CONTINUED)  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
OTHER SUPPLEMENTARY INFORMATION  
Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating expenses:</b>				
Maintenance and administration department:				
Salaries	\$ 125,500	\$ 125,500	\$ 128,808	\$ 3,308
Salaries, clerical	103,000	103,000	104,308	1,308
Overtime	18,000	18,000	14,285	(3,715)
Health insurance	50,000	50,000	34,236	(15,764)
Uniforms	3,200	3,200	1,417	(1,783)
Vehicle maintenance	20,000	20,000	28,637	8,637
Storm sewer maintenance	20,000	20,000	5,234	(14,766)
Sanitary sewer maintenance	40,000	40,000	14,474	(25,526)
Water main maintenance	50,000	50,000	72,356	22,356
Office supplies	1,500	1,500	591	(909)
Material purchases	10,000	10,000	510	(9,490)
Gas, oil and grease	6,500	6,500	3,840	(2,660)
Postage	13,640	13,640	4,696	(8,944)
Miscellaneous	1,000	1,000	1,588	588
Telephone	25,000	25,000	16,097	(8,903)
Infrastructure	375,000	375,000	135,568	(239,432)
Equipment/meters sweeper	34,200	34,200	23,600	(10,600)
Rent	20,000	20,000	20,000	-
Engineering fees	-	-	68	68
	916,540	916,540	610,313	(306,227)
Total maintenance and administration department	916,540	916,540	610,313	(306,227)
Total operating expenses	\$ 1,884,790	\$ 1,884,790	\$ 1,584,290	\$ (300,500)
<b>Nonoperating revenues (expenses):</b>				
Utility tax receipts (payments), net	-	-	42	42
Grant for capital improvement	210,000	210,000	210,000	-
Rent receipts	23,350	23,350	23,420	70
Miscellaneous income	192,040	192,040	22,048	(169,992)
Interest income	20,000	20,000	3,451	(16,549)
Interest expense	(357,000)	(357,000)	(167,294)	189,706
Total nonoperating revenues (expenses)	\$ 88,390	\$ 88,390	\$ 91,667	\$ 3,277
<b>Other financing sources (uses):</b>				
Operating transfers in (out)	\$ (22,600)	\$ (22,600)	\$ -	\$ 22,600

CITY OF HARVARD, ILLINOIS  
 POOL FUND  
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
 OTHER SUPPLEMENTARY INFORMATION  
 Year ended April 30, 2010

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>				
Charges for pool services:				
Daily tickets	\$ 20,000	\$ 20,000	\$ 16,465	\$ (3,535)
Pool passes	23,000	23,000	21,315	(1,685)
Lessons	7,000	7,000	7,390	390
Pool parties	4,700	4,700	4,526	(174)
Total pool services revenue	54,700	54,700	49,696	(5,004)
Concession sales	9,500	9,500	7,124	(2,376)
Total operating revenues	\$ 64,200	\$ 64,200	\$ 56,820	\$ (7,380)
<b>Operating expenses:</b>				
Salaries	\$ 42,000	\$ 42,000	\$ 29,759	\$ (12,241)
Maintenance and repairs	5,000	5,000	7,066	2,066
Concession stand	7,500	7,500	7,444	(56)
Utilities	33,000	33,000	21,900	(11,100)
Miscellaneous	1,000	1,000	983	(17)
Chemicals	6,500	6,500	2,784	(3,716)
Water	6,500	6,500	4,691	(1,809)
New equipment	4,500	4,500	5,082	582
Total operating expenses	\$ 106,000	\$ 106,000	\$ 79,709	\$ (26,291)
<b>Nonoperating revenues (expenses):</b>				
Miscellaneous income	1,000	1,000	733	(267)
Total nonoperating revenues (expenses)	\$ 1,000	\$ 1,000	\$ 733	\$ (267)
<b>Other financing sources (uses):</b>				
Operating transfers out	\$ -	\$ -	\$ -	\$ -
Operating transfers in	40,800	40,800	40,800	-
Total other financing sources (uses)	\$ 40,800	\$ 40,800	\$ 40,800	\$ -

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
April 30, 2010

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	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
<b><u>ASSETS</u></b>			
Cash	\$ 508,730	\$ -	\$ -
Investments, at cost	97,584	97,584	-
Receivables:			
Property tax	1,969,992	115,747	73,401
Accounts	6,937	-	-
Due from other funds	563,997	-	-
 Total assets	\$ 3,147,240	\$ 213,331	\$ 73,401
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 23,700	\$ -	\$ -
Accrued payroll	2,564	2,262	-
Due to other funds	1,389,219	311,752	195,150
Deferred revenues	985,003	57,874	36,701
 Total liabilities	2,400,486	371,888	231,851
<b><u>FUND EQUITY</u></b>			
Fund equity:			
Fund balances, reserved	-	-	-
Fund balances, unreserved	746,754	(158,557)	(158,450)
 Total fund balances	746,754	(158,557)	(158,450)
 Total liabilities and fund equity	\$ 3,147,240	\$ 213,331	\$ 73,401

Revenue				
<u>Social Security</u>	<u>Police Protection</u>	<u>Illinois Municipal Retirement</u>	<u>Off Street Parking</u>	<u>Regional Transportation Authority</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
50,071	560,790	35,050	-	-
-	-	4,734	-	2,203
<u>-</u>	<u>310,403</u>	<u>-</u>	<u>223,753</u>	<u>-</u>
<u>\$ 50,071</u>	<u>\$ 871,193</u>	<u>\$ 39,784</u>	<u>\$ 223,753</u>	<u>\$ 2,203</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	302
180,027	-	47,952	-	259,101
<u>25,036</u>	<u>280,395</u>	<u>17,525</u>	<u>-</u>	<u>-</u>
<u>205,063</u>	<u>280,395</u>	<u>65,477</u>	<u>-</u>	<u>259,403</u>
-	-	-	-	-
<u>(154,992)</u>	<u>590,798</u>	<u>(25,693)</u>	<u>223,753</u>	<u>(257,200)</u>
<u>(154,992)</u>	<u>590,798</u>	<u>(25,693)</u>	<u>223,753</u>	<u>(257,200)</u>
<u>\$ 50,071</u>	<u>\$ 871,193</u>	<u>\$ 39,784</u>	<u>\$ 223,753</u>	<u>\$ 2,203</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
April 30, 2010

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
<b><u>ASSETS</u></b>				
Cash	\$ 44,765	\$ -	\$ -	\$ 71,637
Investments, at cost	-	-	-	-
Receivables:				
Property tax	-	14,001	28,001	26,479
Accounts	-	-	-	-
Due from other funds	-	-	-	27,921
 Total assets	\$ 44,765	\$ 14,001	\$ 28,001	\$ 126,037
 <b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ -	\$ 23,700	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,167	33,621	274,284	-
Deferred revenues	-	7,001	14,001	13,240
 Total liabilities	5,167	40,622	311,985	13,240
 <b><u>FUND EQUITY</u></b>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	39,598	(26,621)	(283,984)	112,797
 Total fund balances	39,598	(26,621)	(283,984)	112,797
 Total liabilities and fund equity	\$ 44,765	\$ 14,001	\$ 28,001	\$ 126,037

Revenue			Debt Service
Welfare	Economic Development	Revolving Loan	Debt Service
\$ 18,351	\$ 9,383	\$ 190,593	\$ -
-	-	-	-
-	-	-	315,691
-	-	-	-
<u>1,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,271</u>	<u>\$ 9,383</u>	<u>\$ 190,593</u>	<u>\$ 315,691</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	81,555
<u>-</u>	<u>-</u>	<u>-</u>	<u>157,846</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>239,401</u>
-	-	-	-
<u>20,271</u>	<u>9,383</u>	<u>190,593</u>	<u>76,290</u>
<u>20,271</u>	<u>9,383</u>	<u>190,593</u>	<u>76,290</u>
<u>\$ 20,271</u>	<u>\$ 9,383</u>	<u>\$ 190,593</u>	<u>\$ 315,691</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
April 30, 2010

	Debt			
	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	SSA #1 Park Pointe
<b><u>ASSETS</u></b>				
Cash	\$ 46,462	\$ 65,828	\$ 450	\$ 22,076
Investments, at cost	-	-	-	-
Receivables:				
Property tax	177,109	166,915	89,148	40,565
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	\$ 223,571	\$ 232,743	\$ 89,598	\$ 62,641
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	88,555	83,458	44,574	20,283
	88,555	83,458	44,574	20,283
<b><u>FUND EQUITY</u></b>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	135,016	149,285	45,024	42,358
	135,016	149,285	45,024	42,358
Total fund balances	135,016	149,285	45,024	42,358
Total liabilities and fund equity	\$ 223,571	\$ 232,743	\$ 89,598	\$ 62,641

Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 12,725	\$ 1,395	\$ -	\$ 3,050	\$ 22,015
-	-	-	-	-
39,675	40,775	-	70,089	126,485
-	-	-	-	-
-	-	-	-	-
<u>\$ 52,400</u>	<u>\$ 42,170</u>	<u>\$ -</u>	<u>\$ 73,139</u>	<u>\$ 148,500</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	610	-	-
<u>19,838</u>	<u>20,388</u>	<u>-</u>	<u>35,045</u>	<u>63,243</u>
<u>19,838</u>	<u>20,388</u>	<u>610</u>	<u>35,045</u>	<u>63,243</u>
-	-	-	-	-
<u>32,562</u>	<u>21,782</u>	<u>(610)</u>	<u>38,094</u>	<u>85,257</u>
<u>32,562</u>	<u>21,782</u>	<u>(610)</u>	<u>38,094</u>	<u>85,257</u>
<u>\$ 52,400</u>	<u>\$ 42,170</u>	<u>\$ -</u>	<u>\$ 73,139</u>	<u>\$ 148,500</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
Year ended April 30, 2010

	Total	Special	
	Nonmajor Governmental Funds	Park	Road and Bridge
<b>Revenues:</b>			
Taxes	\$ 1,933,148	\$ 114,547	\$ 82,032
Fees	11,847	3,687	-
Intergovernmental	30,824	18,750	-
Interest	6,973	603	-
Other	358,256	44,236	-
Total revenues	<u>2,341,048</u>	<u>181,823</u>	<u>82,032</u>
<b>Expenditures:</b>			
General government	988,389	-	-
Public safety	-	-	-
Public works	329,267	-	-
Culture and recreation	175,296	139,067	-
Debt service	1,080,053	-	-
Total expenditures	<u>2,573,005</u>	<u>139,067</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(231,957)</u>	<u>42,756</u>	<u>82,032</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	60,800	7,000	-
Proceeds on bonds issued	300,000	-	-
Operating transfers out	(537,183)	-	(81,055)
Total other financing sources (uses)	<u>(176,383)</u>	<u>7,000</u>	<u>(81,055)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(408,340)</u>	<u>49,756</u>	<u>977</u>
Fund balance - May 1, 2009	<u>1,155,094</u>	<u>(208,313)</u>	<u>(159,427)</u>
Fund balance - April 30, 2010	<u>\$ 746,754</u>	<u>\$ (158,557)</u>	<u>\$ (158,450)</u>

Revenue				
<u>Social Security</u>	<u>Police Protection</u>	<u>Illinois Municipal Retirement</u>	<u>Off Street Parking</u>	<u>Regional Transportation Authority</u>
\$ 74,006	\$ 501,187	\$ 63,682	\$ -	\$ -
-	-	-	-	3,660
-	3,000	-	-	9,074
-	-	-	-	-
-	-	-	-	251
<u>74,006</u>	<u>504,187</u>	<u>63,682</u>	<u>-</u>	<u>12,985</u>
259,368	-	207,022	-	-
-	-	-	-	-
-	-	-	-	24,283
-	-	-	-	-
-	-	-	-	-
<u>259,368</u>	<u>-</u>	<u>207,022</u>	<u>-</u>	<u>24,283</u>
<u>(185,362)</u>	<u>504,187</u>	<u>(143,340)</u>	<u>-</u>	<u>(11,298)</u>
-	-	-	-	14,800
-	-	-	-	-
-	(446,229)	-	-	-
<u>-</u>	<u>(446,229)</u>	<u>-</u>	<u>-</u>	<u>14,800</u>
(185,362)	57,958	(143,340)	-	3,502
<u>30,370</u>	<u>532,840</u>	<u>117,647</u>	<u>223,753</u>	<u>(260,702)</u>
<u>\$ (154,992)</u>	<u>\$ 590,798</u>	<u>\$ (25,693)</u>	<u>\$ 223,753</u>	<u>\$ (257,200)</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
Year ended April 30, 2010

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
<b>Revenues:</b>				
Taxes	\$ -	\$ 11,898	\$ 23,793	\$ 26,207
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	481	-	-	-
Other	257,998	-	3,987	-
Total revenues	<u>258,479</u>	<u>11,898</u>	<u>27,780</u>	<u>26,207</u>
<b>Expenditures:</b>				
General government	-	15,000	271,712	-
Public safety	-	-	-	-
Public works	237,834	-	-	-
Culture and recreation	-	-	-	24,873
Debt service	-	-	-	-
Total expenditures	<u>237,834</u>	<u>15,000</u>	<u>271,712</u>	<u>24,873</u>
Excess of revenues over (under) expenditures	<u>20,645</u>	<u>(3,102)</u>	<u>(243,932)</u>	<u>1,334</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Proceeds on long term debt	-	-	-	-
Operating transfers out	-	(9,899)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(9,899)</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	20,645	(13,001)	(243,932)	1,334
Fund balance - May 1, 2009	<u>18,953</u>	<u>(13,620)</u>	<u>(40,052)</u>	<u>111,463</u>
Fund balance - April 30, 2010	<u>\$ 39,598</u>	<u>\$ (26,621)</u>	<u>\$ (283,984)</u>	<u>\$ 112,797</u>

Revenue			Debt Service
Welfare	Economic Development	Revolving Loan	Debt Service
\$ -	\$ -	\$ -	\$ 312,682
-	-	-	-
-	-	-	-
178	83	1,684	-
4,597	-	45,726	-
<u>4,775</u>	<u>83</u>	<u>47,410</u>	<u>312,682</u>
-	-	-	300
-	-	-	-
-	-	-	-
7,139	-	-	-
-	-	-	316,340
<u>7,139</u>	<u>-</u>	<u>-</u>	<u>316,640</u>
<u>(2,364)</u>	<u>83</u>	<u>47,410</u>	<u>(3,958)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(2,364)	83	47,410	(3,958)
<u>22,635</u>	<u>9,300</u>	<u>143,183</u>	<u>80,248</u>
<u>\$ 20,271</u>	<u>\$ 9,383</u>	<u>\$ 190,593</u>	<u>\$ 76,290</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
Year ended April 30, 2010

	Debt Service			
	TIF #1	TIF #2	TIF #3	SSA #1
	Downtown Redevelopment	Industrial Park Fund	South	Park Pointe
<b>Revenues:</b>				
Taxes	\$ 178,665	\$ 179,489	\$ 49,044	\$ 40,565
Fees	4,500	-	-	-
Intergovernmental	-	-	-	-
Interest	998	1,452	33	295
Other	-	-	-	(16)
Total revenues	<u>184,163</u>	<u>180,941</u>	<u>49,077</u>	<u>40,844</u>
<b>Expenditures:</b>				
General government	-	234,987	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,217	-	-	-
Debt service	<u>254,059</u>	<u>210,680</u>	<u>47,804</u>	<u>40,565</u>
Total expenditures	<u>258,276</u>	<u>445,667</u>	<u>47,804</u>	<u>40,565</u>
Excess of revenues over (under) expenditures	<u>(74,113)</u>	<u>(264,726)</u>	<u>1,273</u>	<u>279</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	39,000	-
Proceeds on long term debt	-	300,000	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>39,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(74,113)</u>	<u>35,274</u>	<u>40,273</u>	<u>279</u>
Fund balance - May 1, 2009	<u>209,129</u>	<u>114,011</u>	<u>4,751</u>	<u>42,079</u>
Fund balance - April 30, 2010	<u>\$ 135,016</u>	<u>\$ 149,285</u>	<u>\$ 45,024</u>	<u>\$ 42,358</u>

Debt Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 38,264	\$ 40,778	\$ -	\$ 68,319	\$ 127,990
-	-	-	-	-
-	-	-	-	-
200	144	-	204	618
-	1,491	-	(1)	(13)
<u>38,464</u>	<u>42,413</u>	<u>-</u>	<u>68,522</u>	<u>128,595</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	66,750	400
-	-	-	-	-
<u>38,490</u>	<u>42,620</u>	<u>-</u>	<u>-</u>	<u>129,495</u>
<u>38,490</u>	<u>42,620</u>	<u>-</u>	<u>66,750</u>	<u>129,895</u>
<u>(26)</u>	<u>(207)</u>	<u>-</u>	<u>1,772</u>	<u>(1,300)</u>
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(26)	(207)	-	1,772	(1,300)
<u>32,588</u>	<u>21,989</u>	<u>(610)</u>	<u>36,322</u>	<u>86,557</u>
<u>\$ 32,562</u>	<u>\$ 21,782</u>	<u>\$ (610)</u>	<u>\$ 38,094</u>	<u>\$ 85,257</u>

CITY OF HARVARD, ILLINOIS  
SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS  
Year ended April 30, 2010

<b>Year ended</b> <b>April 30</b>	<b>General Obligation Library</b> <b>Bonds, Series 1999</b>		<b>General Obligation Recreation</b> <b>Bonds, Series 1999</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2011	105,000	54,940	100,000	55,750
2012	110,000	48,903	105,000	50,750
2013	115,000	43,128	110,000	45,500
2014	120,000	37,952	115,000	40,000
2015	125,000	32,433	125,000	34,250
2016	130,000	26,682	130,000	28,000
2017	135,000	20,572	135,000	21,500
2018	145,000	14,160	145,000	14,750
2019	150,000	7,200	150,000	7,500
	<u>\$ 1,135,000</u>	<u>\$ 285,970</u>	<u>\$ 1,115,000</u>	<u>\$ 298,000</u>

<b>Debt Certificates Series 2008</b>		<b>Debt Certificates Series 2008A</b>		<b>Debt Certificates Series 2008B</b>	
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
115,481	138,580	78,641	120,270	18,939	28,865
120,441	133,620	82,906	116,276	19,897	27,906
125,614	128,447	87,103	112,078	20,905	26,899
131,009	123,052	91,512	107,669	21,963	25,841
139,540	117,425	96,145	103,036	23,075	24,729
145,533	111,556	101,012	98,169	24,243	23,560
151,784	105,435	106,126	93,055	25,470	22,333
158,303	99,051	111,499	87,682	26,760	21,044
<u>2,201,585</u>	<u>92,393</u>	<u>1,669,960</u>	<u>82,038</u>	<u>400,726</u>	<u>19,689</u>
<u>\$ 3,289,290</u>	<u>\$ 1,049,559</u>	<u>\$ 2,424,905</u>	<u>\$ 920,273</u>	<u>\$ 581,977</u>	<u>\$ 220,865</u>

CITY OF HARVARD, ILLINOIS  
SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS  
Year ended April 30, 2010

<u>Year ended</u> <u>April 30</u>	<u>Waterworks and Sewerage Revenue Refunding Bonds, Series 2000</u>		<u>Waterworks and Sewerage Revenue Refunding Bonds, Series 2004</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	65,000	40,390	110,000	47,603
2012	65,000	36,750	115,000	43,240
2013	65,000	33,110	120,000	38,540
2014	70,000	29,405	130,000	33,540
2015	75,000	25,345	135,000	28,240
2016	80,000	20,920	135,000	22,671
2017	85,000	16,200	145,000	16,721
2018	90,000	11,100	150,000	10,340
2019	95,000	5,700	175,000	3,520
2020	125,000	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
	<u>\$ 815,000</u>	<u>\$ 218,920</u>	<u>\$ 1,215,000</u>	<u>\$ 244,415</u>

**Waterworks and Sewerage  
Alternative Revenue Source,  
Series 2006**

<b>Principal</b>	<b>Interest</b>
70,000	64,980
70,000	62,250
75,000	59,450
75,000	56,450
80,000	53,450
85,000	50,250
85,000	46,638
90,000	43,025
95,000	39,200
100,000	35,162
105,000	30,787
105,000	26,194
110,000	21,600
115,000	16,650
125,000	11,475
130,000	5,850
<b>\$ 1,515,000</b>	<b>\$ 623,411</b>
<b>\$ 1,515,000</b>	<b>\$ 623,411</b>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH STATE OF ILLINOIS PUBLIC ACT 85-1142**

Illinois Department of Revenue  
Springfield, Illinois

We have audited the basic financial statements of the City of Harvard, Illinois for the year ended April 30, 2010, and have issued our report thereon dated September 7, 2010. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the Downtown TIF District, Industrial Park TIF District, and South TIF District pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The City of Harvard, Illinois' management is responsible for the government's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our test indicate that for the items tested, the City of Harvard, Illinois complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

*Lindgren, Callihan, Van Osdol & Co., Ltd.*

Rockford, Illinois  
September 7, 2010

CITY OF HARVARD, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
April 30, 2010

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	Comment	Corrective Action or Other Explanation
2010 - 1	We noted that the City does not have a complete or adequate segregation of duties.	Due to limited resources the City acknowledges that there is not adequate segregation of duties. City Council will continue an active role in oversight responsibility.
2010 - 2	The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. This is a significant deficiency in the system of controls over cash.	The City will continue to improve on the preparation of the bank reconciliations.