

CITY OF HARVARD
Harvard, Illinois

ANNUAL FINANCIAL REPORT

April 30, 2011

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, 2011, 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, 2011. 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, 2011, 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 October 3, 2011 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Rockford, Illinois
October 3, 2011

**INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise the City of Harvard's basic financial statements and have issued our report thereon dated October 3, 2011. 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.

Handwritten signature of Wyafli LLP in cursive script.

Rockford, Illinois
October 3, 2011

BASIC FINANCIAL STATEMENTS

CITY OF HARVARD, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,859,106	\$ 484,062	\$ 2,343,168
Cash held in escrow	1,060,000	645,000	1,705,000
Investments	1,079,001	-	1,079,001
Receivables:			
Taxes	2,925,621	-	2,925,621
Accounts	24,254	396,832	421,086
Due from other governments	264,027	-	264,027
Internal balances	<u>540,856</u>	<u>(540,856)</u>	<u>-</u>
Total current assets	<u>7,752,865</u>	<u>985,038</u>	<u>8,737,903</u>
Bond issuance costs	54,914	56,006	110,920
Capital Assets (net of accumulated depreciation):			
Land (non-depreciable)	8,119,072	128,000	8,247,072
Infrastructure	4,959,733	1,379,514	6,339,247
Buildings and improvements	4,186,717	7,728,906	11,915,623
Machinery and equipment	97,760	85,291	183,051
Furniture and office equipment	15,885	1,136	17,021
Vehicles	<u>153,804</u>	<u>2,452</u>	<u>156,256</u>
Total noncurrent assets	<u>17,587,885</u>	<u>9,381,305</u>	<u>26,969,190</u>
Total assets	<u>25,340,750</u>	<u>10,366,343</u>	<u>35,707,093</u>

CITY OF HARVARD, ILLINOIS
STATEMENT OF ACTIVITIES
Year ended April 30, 2011

Functions/Programs	<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	\$ 1,802,476	\$ 586,825	\$ 965,015	\$ -
Public Safety	2,752,046	249,982	-	-
Public Works	1,006,415	103,044	274,410	-
Culture and Recreation	532,868	48,414	-	-
Interest expense	660,522	-	-	-
Total governmental activities	<u>\$ 6,754,327</u>	<u>\$ 988,265</u>	<u>\$ 1,239,425</u>	<u>\$ -</u>
Business-type activities:				
Swimming Pool	\$ 167,002	\$ 56,409	\$ -	\$ -
Waterworks and Sewerage	2,108,288	2,121,373	34,590	-
Total business-type activities	<u>\$ 2,275,290</u>	<u>\$ 2,177,782</u>	<u>\$ 34,590</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

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (250,636)	\$ -	\$ (250,636)
(2,502,064)	-	(2,502,064)
(628,961)	-	(628,961)
(484,454)	-	(484,454)
(660,522)	-	(660,522)
<u>(4,526,637)</u>	<u>-</u>	<u>(4,526,637)</u>
-	(110,593)	(110,593)
-	47,675	47,675
<u>-</u>	<u>(62,918)</u>	<u>(62,918)</u>
2,963,045	-	2,963,045
1,829,717	-	1,829,717
721,609	-	721,609
140,592	2,871	143,463
469,119	35,121	504,240
<u>6,124,082</u>	<u>37,992</u>	<u>6,162,074</u>
<u>(177,354)</u>	<u>42,166</u>	<u>(135,188)</u>
1,420,091	17,240	1,437,331
<u>10,048,405</u>	<u>6,177,330</u>	<u>16,225,735</u>
<u>\$ 11,468,496</u>	<u>\$ 6,194,570</u>	<u>\$ 17,663,066</u>

CITY OF HARVARD, ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
April 30, 2011

	General Fund	Harvard Diggins Library	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 791,081	\$ 188,555	\$ 879,470	\$ 1,859,106
Cash held in escrow	1,060,000	-	-	1,060,000
Investments	-	973,883	105,118	1,079,001
Receivables, net of allowances				
Property tax	617,164	209,575	2,098,891	2,925,630
Accounts	279,924	-	8,357	288,281
Due from other funds	1,506,160	-	635,593	2,141,753
Total assets	\$ 4,254,329	\$ 1,372,013	\$ 3,727,429	\$ 9,353,771
 LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable	\$ 47,251	\$ -	\$ 8,530	\$ 55,781
Accrued payroll	48,334	2,993	3,285	54,612
Due to other funds	23,238	-	1,603,526	1,626,764
Notes payable	847,322	-	-	847,322
Deferred revenue	302,332	103,657	1,049,446	1,455,435
Total liabilities	1,268,477	106,650	2,664,787	4,039,914
Fund balances:				
Unreserved, reported in:				
General funds	2,985,852	18,644	-	3,004,496
Special revenue funds	-	1,246,719	256,138	1,502,857
Debt service funds	-	-	681,467	681,467
Capital projects funds	-	-	125,037	125,037
Total fund balances	2,985,852	1,265,363	1,062,642	5,313,857
Total liabilities and fund balances	\$ 4,254,329	\$ 1,372,013	\$ 3,727,429	\$ 9,353,771

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
April 30, 2011

Total fund balances - governmental funds \$ 5,313,857

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 \$20,081,830 and the accumulated depreciation is \$2,548,859. 17,532,971

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. (11,378,332)

Total net assets - governmental activities \$ 11,468,496

CITY OF HARVARD, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended April 30, 2011

	General Fund	Harvard Diggins Library	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,002,208	\$ 231,513	\$ 2,159,922	\$ 5,393,643
Licenses and fees	768,905	20,427	6,285	795,617
Intergovernmental	-	-	4,124	4,124
Investment income	-	112,024	-	112,024
Interest	3,969	-	5,161	9,130
Other	<u>1,257,372</u>	<u>5,161</u>	<u>774,526</u>	<u>2,037,059</u>
Total revenues	<u>5,032,454</u>	<u>369,125</u>	<u>2,950,018</u>	<u>8,351,597</u>
EXPENDITURES				
General government	709,029	31,595	750,829	1,491,453
Public safety	2,689,081	-	-	2,689,081
Public works	955,491	-	238,496	1,193,987
Culture and recreation	-	292,680	171,386	464,066
Debt service	<u>17,400</u>	<u>-</u>	<u>1,359,170</u>	<u>1,376,570</u>
Total expenditures	<u>4,371,001</u>	<u>324,275</u>	<u>2,519,881</u>	<u>7,215,157</u>
Excess (deficiency) of revenues over expenditures	661,453	44,850	430,137	1,136,440
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	185,250	185,250
Proceeds of refunding bonds	2,075,000	-	-	2,075,000
Payment to refunded bond escrow agent	(1,015,000)	-	-	(1,015,000)
Transfers in	802,333	-	414,200	1,216,533
Transfers out	<u>(680,190)</u>	<u>-</u>	<u>(713,699)</u>	<u>(1,393,889)</u>
Total other financing sources and uses	<u>1,182,143</u>	<u>-</u>	<u>(114,249)</u>	<u>1,067,894</u>
Net change in fund balances	1,843,596	44,850	315,888	2,204,334
Fund balances - beginning	<u>1,142,256</u>	<u>1,220,513</u>	<u>746,754</u>	<u>3,109,523</u>
Fund balances - ending	<u>\$ 2,985,852</u>	<u>\$ 1,265,363</u>	<u>\$ 1,062,642</u>	<u>\$ 5,313,857</u>

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, 2011

Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ 2,204,334
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	18,825
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 capitalized fixed assets \$452,616 exceeds depreciation expense of \$352,144 in the period.	
	100,472
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.	
	(56,522)
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>(847,018)</u>
Change in net assets of governmental activities	<u>\$ 1,420,091</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
April 30, 2011

<u>ASSETS</u>	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Current assets:			
Cash	\$ 484,062	\$ -	\$ 484,062
Cash held in escrow	645,000	-	645,000
Receivables, net of allowance for uncollectible:			
Accounts	396,832	-	396,832
Due from other funds	1,237	-	1,237
Total current assets	1,527,131	-	1,527,131
Bond issuance costs	56,006	-	56,006
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,599,369	1,597,929	9,197,298
Total noncurrent assets	7,783,375	1,597,929	9,381,304
Total assets	9,310,506	1,597,929	10,908,435
 <u>LIABILITIES</u>			
Current liabilities:			
Due to other funds	480	542,093	542,573
Accounts payable	56,233	3,815	60,048
Accrued payroll	7,347	-	7,347
Current portion long term debt	315,000	-	315,000
Total current liabilities	379,060	545,908	924,968
 Noncurrent liabilities:			
Compensated absences payable	53,897	-	53,897
General obligation bonds payable	3,735,000	-	3,735,000
Total noncurrent liabilities	3,788,897	-	3,788,897
Total liabilities	4,167,957	545,908	4,713,865
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,677,369	1,597,929	5,275,298
Restricted for debt service	604,520	-	604,520
Unrestricted	860,660	(545,908)	314,752
Total net assets	\$ 5,142,549	\$ 1,052,021	\$ 6,194,570

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, 2011

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Operating revenues:			
Charges for services	\$ 2,031,608	\$ 56,409	\$ 2,088,017
Operating expenses:			
Operating	1,417,094	109,146	1,526,240
Depreciation	354,740	57,032	411,772
Total operating expenses	<u>1,771,834</u>	<u>166,178</u>	<u>1,938,012</u>
Operating income (loss)	<u>259,774</u>	<u>(109,769)</u>	<u>150,005</u>
Nonoperating revenues (expenses):			
Utility tax receipts (payments), net	319	-	319
Grant for capital improvement	34,590	-	34,590
Rent receipts	24,122	-	24,122
Miscellaneous income	8,497	1,686	10,183
Interest income	2,864	-	2,864
Interest expense	<u>(247,008)</u>	<u>-</u>	<u>(247,008)</u>
Total nonoperating revenues	<u>(176,616)</u>	<u>1,686</u>	<u>(174,930)</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	<u>42,166</u>	<u>42,166</u>
Net income (loss)	83,158	(65,917)	17,241
Net assets - May 1, 2010	<u>5,059,391</u>	<u>1,117,938</u>	<u>6,177,329</u>
Net assets - April 30, 2011	<u>\$ 5,142,549</u>	<u>\$ 1,052,021</u>	<u>\$ 6,194,570</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended April 30, 2011

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Waterworks and Sewerage Fund</u>	<u>Swimming Pool Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,934,354	\$ 56,409	\$ 1,990,763
Payments to suppliers	(1,409,286)	(73,208)	(1,482,494)
Payments to employees	(17,010)	(32,123)	(49,133)
Net cash provided by (used in) operations	<u>508,058</u>	<u>(48,922)</u>	<u>459,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>2,864</u>	<u>-</u>	<u>2,864</u>
Net cash provided by investing activities	<u>2,864</u>	<u>-</u>	<u>2,864</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(247,008)	-	(247,008)
Miscellaneous receipts	67,528	1,686	69,214
Transfers in (out)	480	46,419	46,899
Bond issuance costs	(13,027)	-	(13,027)
Proceeds from general obligation bonds	645,000	-	645,000
Principal payments on general obligation bonds	(140,000)	-	(140,000)
Purchase of property and equipment	(9,520)	-	(9,520)
Net cash provided by (used in) capital and related financing activities	<u>303,453</u>	<u>48,105</u>	<u>351,558</u>
Net increase (decrease) in cash and cash equivalents	814,375	(817)	813,558
Beginning cash and cash equivalents	<u>314,687</u>	<u>817</u>	<u>315,504</u>
Ending cash and cash equivalents	<u>\$ 1,129,062</u>	<u>\$ -</u>	<u>\$ 1,129,062</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year ended April 30, 2011

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 259,774	\$ (109,769)	\$ 150,005
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	354,740	57,032	411,772
Changes in assets and liabilities:			
Accounts receivable	(97,254)	-	(97,254)
Accounts payable	7,808	3,815	11,623
Accrued payroll	(1,734)	-	(1,734)
Compensated absences	(15,276)	-	(15,276)
	<u>\$ 508,058</u>	<u>\$ (48,922)</u>	<u>\$ 459,136</u>
Net cash provided by (used in) operations	<u>\$ 508,058</u>	<u>\$ (48,922)</u>	<u>\$ 459,136</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
April 30, 2011

<u>ASSETS</u>	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
Cash	\$ 131,577	\$ 24,184	\$ 19,167
Investments	6,244,851	-	-
Receivables, net of allowance for uncollectible:			
Note receivable	-	95,434	-
Accrued interest	4,239	-	-
Due from other funds	26,337	-	-
Receivable from City	<u>355,633</u>	<u>-</u>	<u>-</u>
Total assets	<u>6,762,637</u>	<u>119,618</u>	<u>19,167</u>
<u>LIABILITIES</u>			
Deferred Revenue	<u>177,107</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	<u>\$ 6,585,530</u>	<u>\$ 119,618</u>	<u>\$ 19,167</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended April 30, 2011

	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
Additions:			
Contributions-employer taxes	\$ 145,292	\$ -	\$ -
Contributions-employee	345,073	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	343,134	-	-
Interest, dividends and investment income (loss)	187,301	785	-
Total additions	1,020,800	785	-
Deductions:			
Benefits and refunds	203,254	-	-
Other charges and services	15,029	7,628	1,000
Total deductions	218,283	7,628	1,000
Net increase	802,517	(6,843)	(1,000)
Transfers In	135,189	-	-
Net assets - beginning	5,647,824	126,461	20,167
Net assets - ending	\$ 6,585,530	\$ 119,618	\$ 19,167

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2011

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, 2011

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, 2011

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, 2011

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, 2011

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, 2011. 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, 2011 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, 2011

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 1st 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 2010 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, 2011

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.

CITY OF HARVARD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2011

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	\$(137,528)
Road & Bridge	(157,710)
Social Security	(224,196)
Illinois Municipal Retirement	(63,492)
Regional Transportation Authority	(259,236)
Audit	(61,997)
Liability Insurance	(335,188)
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, 2011, the following funds had overdrafts:

Park Fund	\$292,305
Road & Bridge	195,258
Social Security	251,838
Illinois Municipal Retirement	93,832
RTA	260,324
Audit	72,121
Liability Insurance	347,238
Debt Service	84,833
Pool	542,093

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

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 \$2,581,914 and the bank balance was \$2,885,428. Of the bank balance, \$2,885,428 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, 2011, \$-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, 2011, the City's investments were as follows:

	<u>Fair Value</u>
Investment in State Investment Pool	\$ 41,240
Long-term Certificates of Deposit	264,401
U.S. Government Obligations	3,470,475
Corporate Bonds	4,966
Municipal Bonds	5,435
Equity Mutual Funds	2,954,695
Insurance contracts	<u>518,822</u>
Total	<u>\$7,260,034</u>

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, 2011

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:

	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	
External investment pool	\$ 41,240	\$ -	\$ -	\$ 41,240
Long-term Certificates of Deposit	-	264,371	-	264,371
U.S. Government obligations	-	51,760	3,418,715	3,470,475
Corporate Bonds	-	-	5,435	5,435
Municipal Bonds	-	-	4,966	4,966
Insurance contracts	-	518,822	-	518,822
Total	<u>\$ 41,240</u>	<u>\$834,953</u>	<u>\$3,429,116</u>	<u>\$4,305,309</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:

	<u>Total as of April 30, 2011</u>	<u>AAAm</u>
External investment pool	<u>\$41,240</u>	<u>\$41,240</u>
Corporate bonds	<u>\$5,435</u>	<u>A</u> <u>\$5,435</u>
Municipal bonds	<u>\$4,966</u>	<u>AA-</u> <u>\$4,966</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

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, 2011 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, 2011:

Enterprise:

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

Fiduciary:

Non Expendable Trust Fund:	
Apartment Fund	<u>\$119,618</u>

Expendable Trust Fund:	
Scholarship Fund	<u>\$19,167</u>

Pension Trust Funds:

Police Pension Fund:	
Reserved for employees retirement system	<u>\$6,585,530</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, 2011

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, 2011 is as follows:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Cost:				
Land (not depr.)	\$ 8,119,072	\$ -	\$ -	\$ 8,119,072
Infrastructure	4,909,322	350,122	-	5,259,444
Buildings & improvements	4,922,862	22,031	-	4,944,893
Machinery & equipment	622,398	-	-	622,398
Office equipment	59,932	11,110	-	71,042
Vehicles	886,780	69,352	34,710	921,422
Harvard Diggins				
Library Fixed Assets	<u>143,559</u>	<u>-</u>	<u>-</u>	<u>143,559</u>
	<u>\$19,663,925</u>	<u>\$452,615</u>	<u>\$34,710</u>	<u>\$20,081,830</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Accumulated Depreciation:				
Infrastructure	\$ 166,868	\$132,843	\$ -	\$ 299,711
Buildings & improvements	664,422	93,754	-	758,176
Machinery & equipment	476,848	57,380	-	534,228
Office equipment	49,212	5,945	-	55,157
Vehicles	741,626	53,761	27,769	767,618
Harvard Diggins				
Library Fixed Assets	<u>125,508</u>	<u>8,461</u>	<u>-</u>	<u>133,969</u>
	<u>\$2,224,484</u>	<u>\$352,144</u>	<u>\$27,769</u>	<u>\$2,548,859</u>
Total Capital Assets, Net:				
Land	\$ 8,119,072	\$ -	\$ -	\$ 8,119,072
Infrastructure	4,742,454	217,279	-	4,959,733
Buildings & improvements	4,258,440	(71,723)	-	4,186,717
Machinery & equipment	145,550	(57,380)	-	88,170
Office equipment	10,720	5,165	-	15,885
Vehicles	145,154	15,591	6,941	153,804
Harvard Diggins				
Library Fixed Assets	<u>18,051</u>	<u>(8,461)</u>	<u>-</u>	<u>9,590</u>
	<u>\$17,439,441</u>	<u>\$100,471</u>	<u>\$6,941</u>	<u>\$17,532,971</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

E. Property, Plant and Equipment (Continued):

The business-type activities capital asset activity for the year ended April 30, 2011 is as follows:

	Balance	Additions	Deletions	Balance
	<u>May 1, 2010</u>			<u>April 30, 2011</u>
Cost:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,487,416	-	-	1,487,416
Buildings & improvements	9,813,044	-	-	9,813,044
Swimming pool	2,094,816	-	-	2,094,816
Machinery & equipment	1,296,459	9,520	-	1,305,979
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$15,004,591</u>	<u>\$9,520</u>	<u>\$ -</u>	<u>\$15,014,111</u>

Accumulated Depreciation:

Infrastructure	\$ 72,280	\$ 35,622	\$ -	\$ 107,902
Buildings & improvements	3,490,663	191,403	-	3,682,066
Swimming pool	439,856	57,032	-	496,888
Machinery & equipment	1,099,971	120,717	-	1,220,688
Furniture & office equipment	38,425	4,545	-	42,970
Vehicles	<u>135,846</u>	<u>2,452</u>	<u>-</u>	<u>138,298</u>
	<u>\$5,277,041</u>	<u>\$411,771</u>	<u>\$ -</u>	<u>\$5,688,812</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

E. Property, Plant and Equipment (Continued):

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Total Capital Assets, Net:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,415,136	(35,622)	-	1,379,514
Buildings & improvements	6,322,381	(191,403)	-	6,130,978
Swimming pool	1,654,960	(57,032)	-	1,597,928
Machinery & equipment	196,488	(111,197)	-	85,291
Furniture & office Equipment	5,681	(4,545)	-	1,136
Vehicles	<u>4,904</u>	<u>(2,452)</u>	<u>-</u>	<u>2,452</u>
	<u>\$9,727,550</u>	<u>\$(402,251)</u>	<u>\$ -</u>	<u>\$9,325,299</u>

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

Governmental activities:

General government	\$202,019
Public safety	71,403
Public works	70,764
Culture and recreation	<u>7,958</u>
 Total depreciation expense, governmental activities	 <u>\$352,144</u>

Business-type activities:

Waterworks and Sewerage Department	\$354,739
Swimming Pool	<u>57,032</u>
 Total depreciation expense, business-type activities	 <u>\$411,771</u>

CITY OF HARVARD, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 April 30, 2011

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, 2011:

Short-term Debt <u>Issue</u>	Fund Debt <u>Retired By</u>	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <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, 2012. Prime rate at 3.25% on April 30, 2011.	General	\$1,002,359	\$1,083,498	\$1,278,535	\$847,322

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, 2011

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>
<u>Governmental Activities</u>					
\$2,075,000 General Obligation Bonds, dated April 1, 2011 due in annual installments of \$255,000 to \$285,000 plus interest at 2.00% to 4.00% through December 1, 2018.	Debt Service	\$ -	\$2,075,000	\$ -	\$2,075,000
\$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	1,135,000	-	105,000	1,030,000
\$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	1,115,000	-	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	3,289,290	-	116,000	3,173,290
\$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	2,424,905	-	79,536	2,345,369

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

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>
<u>Governmental Activities (Continued)</u>					
\$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	581,977	-	19,088	562,889
\$650,000 Bank loan dated December, 2008, interest at 6.65%. Principal and interest paid quarterly through December 30, 2013.	General	629,674	-	17,400	612,274
\$185,250 Bank loan dated October, 2010, interest at 4.50%. Principal and interest paid semiannually through August 1, 2015.	TIF	-	185,250	18,095	167,155
\$300,000 Bank loan dated May, 2003, interest at 3.99%. Principal and interest paid quarterly through May 10, 2010.	MFT	11,481	-	11,481	-
\$300,000 Bank loan dated July, 2009, interest at 4.50%. Principal and interest paid semiannually through July 15, 2019.	TIF	<u>297,762</u>	<u>-</u>	<u>10,959</u>	<u>286,803</u>
		<u>\$9,485,089</u>	<u>\$2,260,250</u>	<u>\$1,492,559</u>	<u>\$10,252,780</u>

Business-Type Activities

\$645,000 General Obligation Alternate Revenue Source Bonds, dated April 1, 2011 due in annual installments of \$145,000 to \$180,000 plus interest at 1.70% to 3.85% through December 1, 2018.	Debt Service	\$	-	\$645,000	\$	-	\$645,000
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CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

H. Long-Term Debt (Continued):

GENERAL OBLIGATION BONDS (CONTINUED)

Business-Type Activities (Continued)

<p>\$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</p>	W&S	815,000	-	125,000	690,000
<p>\$1,475,000 W&S Revenue Bonds Series 2004, due in annual installments of \$15,000 to \$160,000 plus interest at at 3.00% to 4.40% through May 1, 2019</p>	W&S	1,215,000	-	15,000	1,200,000
<p>\$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.</p>	W&S	<u>1,515,000</u>	-	-	<u>1,515,000</u>
		<u>\$3,545,000</u>	<u>\$645,000</u>	<u>\$140,000</u>	<u>\$4,050,000</u>

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

<u>Year Ending</u> <u>April 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 652,137	\$ 369,655	\$ 320,000	\$ 154,613
2013	650,876	369,877	335,000	148,470
2014	1,230,655	349,138	350,000	135,490
2015	681,881	326,122	370,000	121,330
2016	690,429	300,967	380,000	106,216
2017 - 2020	6,346,802	731,853	1,535,000	247,736
2021 - 2024	-	-	435,000	95,231
2025 - 2027	-	-	<u>325,000</u>	<u>17,325</u>
Total	<u>\$10,252,780</u>	<u>\$2,447,612</u>	<u>\$4,050,000</u>	<u>\$1,026,411</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

H. Long-Term Debt (Continued):

CHANGES IN LONG-TERM LIABILITIES

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

	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>
Bonds payable	\$12,091,172	\$2,720,000	\$1,574,624	\$13,236,548
Notes payable	938,917	185,250	57,935	1,066,232
Compensated absences	<u>389,082</u>	<u>-</u>	<u>34,101</u>	<u>354,981</u>
Total	<u>\$13,419,171</u>	<u>\$2,905,250</u>	<u>\$1,666,660</u>	<u>\$14,657,761</u>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$143,804,771. As of April 30, 2011, the City had \$2,150,380 of remaining legal debt margin.

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.

J. Interfund Assets/Liabilities:

DUE FROM/(TO) OTHER FUNDS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General		\$1,506,169
	Debt service	(84,833)
	RTA	(260,324)
	Motor Fuel Tax	(5,167)
Police protection		310,403
Off street parking		223,753
Special recreation		99,517
Welfare		1,920
	Capital improvement	(610)

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

J. Interfund Assets/Liabilities (Continued):

DUE FROM/(TO) OTHER FUNDS (CONTINUED)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental (Continued):		
Police Pension	General	(23,238)
	Park	(292,305)
	Road & Bridge	(195,258)
	Social Security	(251,838)
	Illinois Municipal Retirement	(93,832)
	Audit	(72,121)
	Liability Insurance	(347,238)
Fiduciary:		
Police Pension	General and other	26,337
Proprietary:		
Water		1,237
	Water	(480)
	Pool	(542,093)

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, 2011:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Non Major Governmental Funds	<u>\$ 802,333</u>	<u>\$(680,189)</u>
Total General Fund	<u>802,333</u>	<u>(680,189)</u>
Park Fund:		
General Fund	<u>-</u>	<u>(11,366)</u>
Road and Bridge Fund:		
General Fund	<u>-</u>	<u>(83,967)</u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

J. Interfund Assets/Liabilities (Continued):

TRANSFERS (CONTINUED)

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
Police Protection Fund:		
General Fund	-	<u>(555,497)</u>
Police Pension Fund:		
General Fund	<u>135,189</u>	-
IMRF Fund:		
General Fund	<u>117,200</u>	-
Insurance Liability Fund:		
General Fund	<u>125,000</u>	-
FICA:		
General Fund	<u>126,000</u>	-
TIF:		
General Fund	<u>31,000</u>	<u>(49,000)</u>
Audit Fund:		
General Fund	-	<u>(13,869)</u>
RTA Fund:		
General Fund	<u>15,000</u>	-
Total Non Major Governmental Funds	<u>1,351,722</u>	<u>(1,393,888)</u>
Water & Sewer Fund:		
Water Fund	<u>100,000</u>	<u>(100,000)</u>
Pool Fund:		
General Fund	<u>42,166</u>	-
Total Proprietary Funds	<u>142,166</u>	<u>(100,000)</u>
Total all funds	<u>\$1,493,888</u>	<u>\$(1,493,888)</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, 2011

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.

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 2010 used by the employer was 14.23 percent of annual covered payroll. The City's annual required contribution rate for calendar year 2010 was 14.74. 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 calendar year ending December 31, 2010, the City's actual contributions for pension cost for the Regular were \$223,778. Its required contribution for calendar year 2010 was \$231,798. (If you made an additional payment toward your unfunded amount, add this payment to your actual contributions and recalculate the percentage of APC contributed).

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/10	\$231,798	97%	\$-0-*
12/31/09	192,964	100%	-0-
12/31/08	179,554	100%	-0-

*If you utilized the phase-in contribution rate, the net pension obligation will have to be calculated.

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

K. Pension Plan (Continued):

ANNUAL PENSION COST (CONTINUED)

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, 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 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 66.62 percent funded. The actuarial accrued liability for benefits was \$4,762,559 and the actuarial value of assets was \$3,117,920, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,589,639. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$1,572,581 and the ratio of the UAAL to the covered payroll was 101 percent.

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, 2011

K. Pension Plan (Continued):

Police Pension (Continued)

At April 30, 2011, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	5
Current employees	<u>18</u>
Total	<u>23</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, 2011

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	\$401,595
Adjustments to annual required contribution	<u> -</u>
Annual pension cost	401,595
Contributions made	<u>(345,073)</u>
Increase (decrease) in net pension obligation	56,522
Net pension obligation, beginning	<u>705,061</u>
Net pension obligation, ending	<u><u>\$761,583</u></u>

CITY OF HARVARD, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
April 30, 2011

K. Pension Plan (Continued):

Police Pension (Continued)

The annual required contribution for the current year was determined as part of the April 30, 2010 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, 2010, 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>
4/30/10	\$401,595	85.93%	\$761,583
4/30/09	407,245	59.14%	705,061
4/30/08	354,955	59.10%	538,672

The funded status of the two plans as of December 31, 2010 for IMRF and as of April 30, 2011 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	\$9,355,613
Actuarial value of plan assets	3,137,756	5,647,824
Unfunded actuarial accrued liability (UAAL)	1,474,507	3,707,789
Funded ratio (actuarial value of plan assets/AAL)	68.03%	60.37%
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, 2011

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.

N. Current Refunding of Existing Debt:

On April 1, 2011 the City issued \$645,000 Alternate Revenue Source Bonds, Series 2011A and \$2,075,000 of General Obligation Bonds, Series 2011B. The 2011A bonds bear various fixed rates ranging from 1.70% to 3.85% with annual maturities from December 2012 through December 2018. The 2011B bonds bear various fixed rates ranging from 2.00% to 4.00% with annual maturities from December 2011 through December 2018.

The total net proceeds of \$2,670,000 (after issuance costs of \$50,000) were used to refund all of the City's outstanding General Obligation Library Bonds, Series 1999, a portion of the City's General Obligation Recreation Bonds, Series 1999, and a portion of the City's outstanding Water & Sewer Alternate Bonds, Series 2000 as well as issuance costs associated with these. Cash held in escrow totaling \$1,705,000 was used to pay off the remaining portion of the 1999 Recreation bonds and the 2000 Water & Sewer Alternate bonds on May 9, 2011.

The refunding was done in order to reduce debt payments. The refunding decreased the City's total debt service payments by \$195,572. The transaction resulted in an economic gain of \$147,463.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF HARVARD, ILLINOIS
 REQUIRED SUPPLEMENTARY INFORMATION
 April 30, 2011

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

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a)/(c)</u>
12/31/10	\$3,172,920	\$4,762,559	\$1,589,639	66.62%	\$1,572,581	101.08%
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%

On a market value basis, the actuarial value of assets as of December 31, 2010 is \$3,429,752. On a market basis, the funded ratio would be 72.01%.

CITY OF HARVARD, ILLINOIS
 Required Supplementary Information
 April 30, 2011

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, 2010.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll (4)/(5)
4/30/10	\$5,647,824	\$9,355,613	60.37%	\$3,707,789	\$1,428,249	259.60%
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%

CITY OF HARVARD, ILLINOIS
Required Supplementary Information
April 30, 2011

ACTUARIAL VALUATIONS FOR POLICE PENSION SYSTEM

**Police Pension Fund
Employer Contributions**

<u>Year Ending April 30</u>	<u>Annual Required Contributions</u>	<u>Employer Contribution</u>	<u>Percent Contributed</u>
4/30/10	\$401,595	\$345,073	85.9%
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

CITY OF HARVARD, ILLINOIS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:				
Taxes:				
Property taxes	\$ 680,000	\$ 680,000	\$ 618,095	\$ (61,905)
State income tax	702,000	702,000	699,205	(2,795)
Hotel/motel tax	9,500	9,500	13,441	3,941
State replacement tax	76,000	76,000	81,883	5,883
Sales tax	950,000	950,000	1,002,144	52,144
Utility tax	650,000	650,000	587,440	(62,560)
Total taxes	<u>3,067,500</u>	<u>3,067,500</u>	<u>3,002,208</u>	<u>(65,292)</u>
Licenses and fees:				
Liquor licenses	40,000	40,000	57,350	17,350
Contractors license	7,500	7,500	10,425	2,925
Building fees and permits	25,000	25,000	41,925	16,925
Parking permits	96,000	96,000	92,912	(3,088)
Police fines	190,000	190,000	200,048	10,048
Telephone franchise	225,000	225,000	210,174	(14,826)
Cable franchise	53,000	53,000	52,108	(892)
Mining fees	97,500	97,500	97,500	-
DUI fines	2,200	2,200	6,463	4,263
Total licenses and fees	<u>736,200</u>	<u>736,200</u>	<u>768,905</u>	<u>32,705</u>
Interest	<u>-</u>	<u>5,000</u>	<u>3,969</u>	<u>(1,031)</u>
Other revenues:				
Donations	-	775,000	957,500	182,500
Miscellaneous	46,500	46,500	44,990	(1,510)
Police reimbursement	43,000	43,000	43,471	471
Zoning hearings and platting fees	15,000	15,000	3,050	(11,950)
Escrow from developers	28,500	28,500	180,299	151,799
Rent	20,000	20,000	20,000	-
Health insurance reimbursement	5,200	5,200	8,062	2,862
Total other revenues	<u>158,200</u>	<u>933,200</u>	<u>1,257,372</u>	<u>324,172</u>
Total revenues	<u>\$ 3,961,900</u>	<u>\$ 4,741,900</u>	<u>\$ 5,032,454</u>	<u>\$ 290,554</u>

CITY OF HARVARD, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures:				
General government:				
Administration:				
Salaries - officials	\$ 103,000	\$ 103,000	\$ 62,490	\$ (40,510)
Salaries - clerical	77,500	77,500	88,156	10,656
Overtime - clerical	2,500	2,500	46	(2,454)
Health insurance	36,500	36,500	53,238	16,738
Mayoral expense	1,800	1,800	1,500	(300)
Attorney fees	68,000	68,000	85,531	17,531
Engineering fees	35,000	35,000	64,071	29,071
Service agreements	8,500	8,500	7,573	(927)
Equipment maintenance	10,000	10,000	5,161	(4,839)
Building maintenance	30,000	30,000	32,898	2,898
Office supplies	9,000	9,000	6,934	(2,066)
Postage	5,000	5,000	2,588	(2,412)
Dues and subscriptions	7,500	7,500	5,773	(1,727)
Public notices	6,500	6,500	2,100	(4,400)
ZBA notices	2,500	2,500	2,457	(43)
Printing	1,500	1,500	2,892	1,392
Telephone	20,000	20,000	16,287	(3,713)
Miscellaneous	10,500	10,500	(15,215)	(25,715)
Economic development	56,000	56,000	29,162	(26,838)
Professional fees	35,000	35,000	25,596	(9,404)
Interest expense	20,000	20,000	73,631	53,631
Contingencies	25,000	25,000	4,788	(20,212)
Total administration	<u>571,300</u>	<u>571,300</u>	<u>557,657</u>	<u>(13,643)</u>
Building services:				
Salaries	108,000	108,000	110,760	2,760
Health insurance	39,000	39,000	38,489	(511)
Training	4,000	4,000	971	(3,029)
Uniforms	900	900	-	(900)
Contingencies	1,000	1,000	1,152	152
Total building services	<u>152,900</u>	<u>152,900</u>	<u>151,372</u>	<u>(1,528)</u>
Total general government	<u>724,200</u>	<u>724,200</u>	<u>709,029</u>	<u>(15,171)</u>

CITY OF HARVARD, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public safety (Continued):				
Police department:				
Salaries - officers	1,450,000	1,450,000	1,615,720	165,720
Salaries - clerical	268,000	268,000	308,400	40,400
Crossing guards	27,525	27,525	26,631	(894)
Overtime	230,000	230,000	152,430	(77,570)
Pension expense	-	-	-	-
Health insurance	325,000	325,000	300,938	(24,062)
Health examinations	2,000	2,000	-	(2,000)
Uniforms	25,000	25,000	20,390	(4,610)
Attorney fees	43,000	43,000	36,241	(6,759)
Vehicle maintenance	16,000	16,000	11,486	(4,514)
Equipment maintenance	10,000	10,000	5,128	(4,872)
Radio maintenance	2,500	2,500	913	(1,587)
Advertising	-	-	94	94
Ammunition	7,000	7,000	5,830	(1,170)
Material purchases	3,000	3,000	2,264	(736)
Office supplies	8,500	8,500	6,573	(1,927)
Investigation supplies	14,500	14,500	10,114	(4,386)
Dues and subscriptions	2,000	2,000	1,562	(438)
Telephone	10,000	10,000	8,009	(1,991)
Gas, oil, and grease	50,000	50,000	46,338	(3,662)
Police commission expense	1,000	1,000	765	(235)
Miscellaneous	23,000	23,000	10,169	(12,831)
Special programs	14,685	14,685	13,205	(1,480)
Data base user fees	3,400	3,400	2,914	(486)
New equipment	85,500	85,500	102,967	17,467
Total public safety	2,621,610	2,621,610	2,689,081	67,471

CITY OF HARVARD, ILLINOIS
GENERAL FUND (CONTINUED)
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original Budget	Final Budget	Actual	Over (Under) Budget
Expenditures (Continued):				
Public works:				
Highways and streets:				
Salaries	241,000	241,000	242,559	1,559
Overtime	25,100	25,100	3,299	(21,801)
Health insurance	52,000	52,000	68,683	16,683
Uniforms	2,800	2,800	3,057	257
Vehicle maintenance	30,000	30,000	21,807	(8,193)
Building maintenance	116,000	116,000	18,595	(97,405)
Radio maintenance	1,000	1,000	-	(1,000)
Tools	5,000	5,000	4,412	(588)
Material purchases	8,000	8,000	4,093	(3,907)
Telephone	4,500	4,500	3,384	(1,116)
Electricity	130,000	130,000	34,749	(95,251)
Gas, oil and grease	45,000	45,000	33,461	(11,539)
New equipment	-	-	6,377	6,377
Miscellaneous	37,000	812,000	511,015	(300,985)
Fuel for building	-	-	-	-
Debt payment	-	-	17,400	17,400
Total public works	697,400	1,472,400	972,891	(499,509)
Total expenditures	\$ 4,043,210	\$ 4,818,210	\$ 4,371,001	\$ (447,209)
Other financing sources (uses):				
Operating transfers in	\$ 645,500	\$ 645,500	\$ 802,333	\$ 156,833
Operating transfers out	(414,000)	(414,000)	(680,190)	(266,190)
Total other financing sources (uses)	\$ 231,500	\$ 231,500	\$ 122,143	\$ (109,357)

CITY OF HARVARD, ILLINOIS
HARVARD DIGGINS LIBRARY
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET
REQUIRED SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	Original & Final Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	\$ 226,000	\$ 217,047	\$ (8,953)
Replacement taxes	10,000	14,466	4,466
Book sales	1,000	1,381	381
Equipment receipts	4,000	5,091	1,091
Fine receipts	5,500	5,735	235
Meeting room rent	500	380	(120)
Gifts/donations	1,500	1,725	225
Non-resident fees	9,600	7,840	(1,760)
Interest income	100	60	(40)
Gain on sale of investments	-	(316)	(316)
Unrealized gain on investments	48,000	84,662	36,662
Interest income	500	27,618	27,118
Miscellaneous income	1,900	3,436	1,536
Total revenues	\$ 308,600	\$ 369,125	\$ 60,525
Expenditures:			
Printed material	\$ 26,896	\$ 22,307	\$ (4,589)
Supplies	5,700	6,725	1,025
Program and Promotion	6,200	3,616	(2,584)
Furniture and equipment	6,300	4,526	(1,774)
Postage	800	837	37
Audio-Visual material	12,500	9,138	(3,362)
Automation charges	15,304	15,002	(302)
Staff development	1,000	172	(828)
Contract services	6,200	5,498	(702)
Memberships/dues	1,200	9,844	8,644
Salaries	175,440	168,461	(6,979)
Employment taxes	-	629	629
Insurance	30,200	29,230	(970)
Utilities	1,560	1,082	(478)
Telephone	8,000	8,462	462
Accounting & audit fees	1,200	3,750	2,550
Staff expenses	800	212	(588)
Maintenance	19,700	25,328	5,628
Electronic resources	7,400	3,695	(3,705)
Public information	600	1,640	1,040
Board expenses	600	726	126
Miscellaneous	21,900	3,395	(18,505)
Total expenditures	\$ 349,500	\$ 324,275	\$ (25,225)

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, 2011

	Final Budget	Actual	Over (Under) Budget
Operating revenues:			
Charges for water and sewer services			
Water billings	\$ 1,650,000	\$ 1,769,379	\$ 119,379
Tap on permits	20,000	12,082	(7,918)
Penalties	37,000	33,166	(3,834)
Plumbing permits	10,000	3,334	(6,666)
Maintenance charges	210,000	205,100	(4,900)
Moving charges	20,000	6,837	(13,163)
Sale of material	2,000	1,710	(290)
Total operating revenues	\$ 1,949,000	\$ 2,031,608	\$ 82,608
Operating expenses:			
Utilities department:			
Salaries	\$ 315,000	\$ 301,593	\$ (13,407)
Overtime	24,000	5,819	(18,181)
Compensated absences expense	-	-	-
Health insurance	68,000	69,553	1,553
Training	2,000	1,555	(445)
Travel expense	100	-	(100)
Uniforms	2,200	1,837	(363)
Professional fees	25,000	34,304	9,304
Engineering fees	20,000	13,255	(6,745)
Building maintenance	40,000	1,974	(38,026)
Maintenance of tower/plant	35,000	24,004	(10,996)
Equipment/water main maintenance	27,000	32,142	5,142
Lift station maintenance	35,000	15,588	(19,412)
Lab supplies	6,500	11,620	5,120
Material purchases	6,000	3,327	(2,673)
Dues and subscriptions	600	503	(97)
Telephone	4,000	13,471	9,471
Electricity	200,000	270,686	70,686
Fuel for building	15,000	12,267	(2,733)
Gas, oil and grease	6,000	7,108	1,108
Chemicals	125,000	74,182	(50,818)
Miscellaneous	3,500	(35,930)	(39,430)
New equipment	-	340	340
Permit fees	17,500	17,500	-
Total utilities department	977,400	876,698	(100,702)

CITY OF HARVARD, ILLINOIS
WATER AND SEWERAGE FUND (CONTINUED)
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
OTHER SUPPLEMENTARY INFORMATION
Year ended April 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating expenses:			
Maintenance and administration department:			
Salaries	\$ 136,000	\$ 137,046	\$ 1,046
Salaries, clerical	105,000	114,836	9,836
Overtime	22,500	4,324	(18,176)
Health insurance	56,000	55,165	(835)
Uniforms	2,200	2,087	(113)
Vehicle maintenance	25,000	20,333	(4,667)
Storm sewer maintenance	20,000	2,379	(17,621)
Sanitary sewer maintenance	25,000	10,957	(14,043)
Water main maintenance	55,000	53,962	(1,038)
Office supplies	1,500	663	(837)
Material purchases	5,000	81	(4,919)
Gas, oil and grease	5,500	2,520	(2,980)
Postage	8,000	3,692	(4,308)
Miscellaneous	1,000	1,928	928
Telephone	20,000	2,676	(17,324)
Infrastructure	82,500	74,955	(7,545)
Equipment/meters sweeper	34,000	32,792	(1,208)
Rent	20,000	20,000	-
Total maintenance and administration department	<u>624,200</u>	<u>540,396</u>	<u>(83,804)</u>
Total operating expenses	<u>\$ 1,601,600</u>	<u>\$ 1,417,094</u>	<u>\$ (184,506)</u>
Nonoperating revenues (expenses):			
Utility tax receipts (payments), net	-	319	319
Grant for capital improvement	42,500	34,590	(7,910)
Rent receipts	24,122	24,122	-
Miscellaneous income	12,330	8,497	(3,833)
Interest income	7,500	2,864	(4,636)
Interest expense	(378,780)	(247,008)	131,772
Total nonoperating revenues (expenses)	<u>\$ (292,328)</u>	<u>\$ (176,616)</u>	<u>\$ 115,712</u>
Other financing sources (uses):			
Operating transfers in (out)	<u>\$ (11,330)</u>	<u>\$ -</u>	<u>\$ 11,330</u>

CITY OF HARVARD, ILLINOIS
 POOL FUND
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET
 OTHER SUPPLEMENTARY INFORMATION
 Year ended April 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Operating revenues:			
Charges for pool services:			
Daily tickets	\$ 20,000	\$ 18,703	\$ (1,297)
Pool passes	23,000	21,460	(1,540)
Lessons	7,000	8,643	1,643
Pool parties	<u>4,700</u>	<u>5,971</u>	<u>1,271</u>
Total pool services revenue	<u>54,700</u>	<u>54,777</u>	<u>77</u>
Concession sales	<u>2,000</u>	<u>1,632</u>	<u>(368)</u>
Total operating revenues	<u>\$ 56,700</u>	<u>\$ 56,409</u>	<u>\$ (291)</u>
Operating expenses:			
Salaries	\$ 32,000	\$ 32,123	\$ 123
Maintenance and repairs	5,000	5,902	902
Concession stand	-	1,615	1,615
Utilities	33,000	33,439	439
Miscellaneous	1,000	1,983	983
Chemicals	6,500	17,384	10,884
Water	6,500	2,750	(3,750)
New equipment	<u>4,500</u>	<u>13,950</u>	<u>9,450</u>
Total operating expenses	<u>\$ 88,500</u>	<u>\$ 109,146</u>	<u>\$ 20,646</u>
Nonoperating revenues (expenses):			
Miscellaneous income	<u>1,000</u>	<u>1,686</u>	<u>686</u>
Total nonoperating revenues (expenses)	<u>\$ 1,000</u>	<u>\$ 1,686</u>	<u>\$ 686</u>
Other financing sources (uses):			
Operating transfers out	\$ -	\$ -	\$ -
Operating transfers in	<u>30,800</u>	<u>42,166</u>	<u>11,366</u>
Total other financing sources (uses)	<u>\$ 30,800</u>	<u>\$ 42,166</u>	<u>\$ 11,366</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
April 30, 2011

	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
<u>ASSETS</u>			
Cash	\$ 879,470	\$ -	\$ -
Investments, at cost	105,118	105,118	-
Receivables:			
Property tax	2,098,891	103,657	75,097
Accounts	8,357	-	-
Due from other funds	635,593	-	-
 Total assets	\$ 3,727,429	\$ 208,775	\$ 75,097
<u>LIABILITIES</u>			
Accounts payable	\$ 8,530	\$ -	\$ -
Accrued payroll	3,285	2,170	-
Due to other funds	1,603,526	292,305	195,258
Deferred revenues	1,049,446	51,828	37,549
 Total liabilities	2,664,787	346,303	232,807
<u>FUND EQUITY</u>			
Fund equity:			
Fund balances, reserved	-	-	-
Fund balances, unreserved	1,062,642	(137,528)	(157,710)
 Total fund balances	1,062,642	(137,528)	(157,710)
 Total liabilities and fund equity	\$ 3,727,429	\$ 208,775	\$ 75,097

Revenue				
<u>Social Security</u>	<u>Police Protection</u>	<u>Illinois Municipal Retirement</u>	<u>Off Street Parking</u>	<u>Regional Transportation Authority</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
55,284	574,397	48,373	-	-
-	-	6,154	-	2,203
<u>-</u>	<u>310,403</u>	<u>-</u>	<u>223,753</u>	<u>-</u>
<u>\$ 55,284</u>	<u>\$ 884,800</u>	<u>\$ 54,527</u>	<u>\$ 223,753</u>	<u>\$ 2,203</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,115
251,838	-	93,832	-	260,324
<u>27,642</u>	<u>287,198</u>	<u>24,187</u>	<u>-</u>	<u>-</u>
<u>279,480</u>	<u>287,198</u>	<u>118,019</u>	<u>-</u>	<u>261,439</u>
-	-	-	-	-
<u>(224,196)</u>	<u>597,602</u>	<u>(63,492)</u>	<u>223,753</u>	<u>(259,236)</u>
<u>(224,196)</u>	<u>597,602</u>	<u>(63,492)</u>	<u>223,753</u>	<u>(259,236)</u>
<u>\$ 55,284</u>	<u>\$ 884,800</u>	<u>\$ 54,527</u>	<u>\$ 223,753</u>	<u>\$ 2,203</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2011

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
<u>ASSETS</u>				
Cash	\$ 482,877	\$ -	\$ -	\$ -
Investments, at cost	-	-	-	-
Receivables:				
Property tax	-	20,248	41,159	35,000
Accounts	-	-	-	-
Due from other funds	-	-	-	99,517
 Total assets	\$ 482,877	\$ 20,248	\$ 41,159	\$ 134,517
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 8,530	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,167	72,121	347,238	-
Deferred revenues	-	10,124	20,579	17,500
 Total liabilities	5,167	82,245	376,347	17,500
 <u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	477,710	(61,997)	(335,188)	117,017
 Total fund balances	477,710	(61,997)	(335,188)	117,017
 Total liabilities and fund equity	\$ 482,877	\$ 20,248	\$ 41,159	\$ 134,517

<u>Revenue</u>			<u>Debt Service</u>
<u>Welfare</u>	<u>Economic Development</u>	<u>Revolving Loan</u>	<u>Debt Service</u>
\$ 20,263	\$ 9,437	\$ 47,783	\$ -
-	-	-	-
-	-	-	314,654
-	-	-	-
<u>1,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 22,183</u>	<u>\$ 9,437</u>	<u>\$ 47,783</u>	<u>\$ 314,654</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	84,833
<u>-</u>	<u>-</u>	<u>-</u>	<u>157,327</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>242,160</u>
-	-	-	-
<u>22,183</u>	<u>9,437</u>	<u>47,783</u>	<u>72,494</u>
<u>22,183</u>	<u>9,437</u>	<u>47,783</u>	<u>72,494</u>
<u>\$ 22,183</u>	<u>\$ 9,437</u>	<u>\$ 47,783</u>	<u>\$ 314,654</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
April 30, 2011

	Debt			
	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	SSA #1 Park Pointe
<u>ASSETS</u>				
Cash	\$ 754	\$ 10,951	\$ 247,465	\$ 22,229
Investments, at cost	-	-	-	-
Receivables:				
Property tax	142,585	177,149	193,531	40,565
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 143,339	\$ 188,100	\$ 440,996	\$ 62,794
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	71,293	88,575	96,765	20,283
	71,293	88,575	96,765	20,283
Total liabilities	71,293	88,575	96,765	20,283
<u>FUND EQUITY</u>				
Fund equity:				
Fund balances, reserved	-	-	-	-
Fund balances, unreserved	72,046	99,525	344,231	42,511
	72,046	99,525	344,231	42,511
Total fund balances	72,046	99,525	344,231	42,511
Total liabilities and fund equity	\$ 143,339	\$ 188,100	\$ 440,996	\$ 62,794

Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 11,994	\$ 952	\$ -	\$ 2,773	\$ 21,992
-	-	-	-	-
36,853	38,575	-	73,289	128,475
-	-	-	-	-
-	-	-	-	-
<u>\$ 48,847</u>	<u>\$ 39,527</u>	<u>\$ -</u>	<u>\$ 76,062</u>	<u>\$ 150,467</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	610	-	-
18,426	19,288	-	36,644	64,238
<u>18,426</u>	<u>19,288</u>	<u>610</u>	<u>36,644</u>	<u>64,238</u>
-	-	-	-	-
30,421	20,239	(610)	39,418	86,229
<u>30,421</u>	<u>20,239</u>	<u>(610)</u>	<u>39,418</u>	<u>86,229</u>
<u>\$ 48,847</u>	<u>\$ 39,527</u>	<u>\$ -</u>	<u>\$ 76,062</u>	<u>\$ 150,467</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year ended April 30, 2011

	Total	Special	
	Nonmajor Governmental Funds	Park	Road and Bridge
Revenues:			
Taxes	\$ 2,159,922	\$ 108,610	\$ 84,816
Fees	6,285	3,327	-
Intergovernmental	4,124	-	-
Interest	5,161	592	-
Other	774,526	26,230	-
Total revenues	<u>2,950,018</u>	<u>138,759</u>	<u>84,816</u>
Expenditures:			
General government	750,829	-	-
Public safety	-	-	-
Public works	238,496	-	109
Culture and recreation	171,386	106,364	-
Debt service	1,359,170	-	-
Total expenditures	<u>2,519,881</u>	<u>106,364</u>	<u>109</u>
Excess of revenues over (under) expenditures	<u>430,137</u>	<u>32,395</u>	<u>84,707</u>
Other financing sources (uses):			
Operating transfers in	414,200	-	-
Proceeds on long term debt	185,250	-	-
Operating transfers out	(713,699)	(11,366)	(83,967)
Total other financing sources (uses)	<u>(114,249)</u>	<u>(11,366)</u>	<u>(83,967)</u>
Excess of revenues and other sources over (under) expenditures and other uses	315,888	21,029	740
Fund balance - May 1, 2010	<u>746,754</u>	<u>(158,557)</u>	<u>(158,450)</u>
Fund balance - April 30, 2011	<u>\$ 1,062,642</u>	<u>\$ (137,528)</u>	<u>\$ (157,710)</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>
\$ 52,205	\$ 562,301	\$ 76,706	\$ -	\$ -
-	-	-	-	2,958
-	-	-	-	4,124
-	-	-	-	-
-	-	(1,702)	-	236
<u>52,205</u>	<u>562,301</u>	<u>75,004</u>	<u>-</u>	<u>7,318</u>
247,409	-	230,003	-	-
-	-	-	-	-
-	-	-	-	24,354
-	-	-	-	-
-	-	-	-	-
<u>247,409</u>	<u>-</u>	<u>230,003</u>	<u>-</u>	<u>24,354</u>
<u>(195,204)</u>	<u>562,301</u>	<u>(154,999)</u>	<u>-</u>	<u>(17,036)</u>
126,000	-	117,200	-	15,000
-	-	-	-	-
-	(555,497)	-	-	-
<u>126,000</u>	<u>(555,497)</u>	<u>117,200</u>	<u>-</u>	<u>15,000</u>
(69,204)	6,804	(37,799)	-	(2,036)
<u>(154,992)</u>	<u>590,798</u>	<u>(25,693)</u>	<u>223,753</u>	<u>(257,200)</u>
<u>\$ (224,196)</u>	<u>\$ 597,602</u>	<u>\$ (63,492)</u>	<u>\$ 223,753</u>	<u>\$ (259,236)</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2011

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
Revenues:				
Taxes	\$ -	\$ 16,993	\$ 34,317	\$ 30,491
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	1,578	-	-	-
Other	649,767	-	19,096	-
Total revenues	<u>651,345</u>	<u>16,993</u>	<u>53,413</u>	<u>30,491</u>
Expenditures:				
General government	-	38,500	229,617	-
Public safety	-	-	-	-
Public works	213,233	-	-	-
Culture and recreation	-	-	-	26,271
Debt service	-	-	-	-
Total expenditures	<u>213,233</u>	<u>38,500</u>	<u>229,617</u>	<u>26,271</u>
Excess of revenues over (under) expenditures	<u>438,112</u>	<u>(21,507)</u>	<u>(176,204)</u>	<u>4,220</u>
Other financing sources (uses):				
Operating transfers in	-	-	125,000	-
Proceeds on long term debt	-	-	-	-
Operating transfers out	-	(13,869)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(13,869)</u>	<u>125,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	438,112	(35,376)	(51,204)	4,220
Fund balance - May 1, 2010	<u>39,598</u>	<u>(26,621)</u>	<u>(283,984)</u>	<u>112,797</u>
Fund balance - April 30, 2011	<u>\$ 477,710</u>	<u>\$ (61,997)</u>	<u>\$ (335,188)</u>	<u>\$ 117,017</u>

<u>Revenue</u>			<u>Debt Service</u>
<u>Welfare</u>	<u>Economic Development</u>	<u>Revolving Loan</u>	<u>Debt Service</u>
\$ -	\$ -	\$ -	\$ 312,194
-	-	-	-
-	-	-	-
121	53	697	-
40,542	1	40,356	-
<u>40,663</u>	<u>54</u>	<u>41,053</u>	<u>312,194</u>
-	-	-	300
-	-	-	-
-	-	-	-
38,751	-	-	-
-	-	183,863	315,690
<u>38,751</u>	<u>-</u>	<u>183,863</u>	<u>315,990</u>
<u>1,912</u>	<u>54</u>	<u>(142,810)</u>	<u>(3,796)</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,912	54	(142,810)	(3,796)
<u>20,271</u>	<u>9,383</u>	<u>190,593</u>	<u>76,290</u>
<u>\$ 22,183</u>	<u>\$ 9,437</u>	<u>\$ 47,783</u>	<u>\$ 72,494</u>

CITY OF HARVARD, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (CONTINUED)
Year ended April 30, 2011

	Debt Service			
	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	SSA #1 Park Pointe
Revenues:				
Taxes	\$ 159,849	\$ 172,034	\$ 235,648	\$ 40,566
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	244	389	856	153
Other	-	-	-	-
Total revenues	<u>160,093</u>	<u>172,423</u>	<u>236,504</u>	<u>40,719</u>
Expenditures:				
General government	-	-	5,000	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	<u>254,063</u>	<u>222,183</u>	<u>68,547</u>	<u>40,566</u>
Total expenditures	<u>254,063</u>	<u>222,183</u>	<u>73,547</u>	<u>40,566</u>
Excess of revenues over (under) expenditures	<u>(93,970)</u>	<u>(49,760)</u>	<u>162,957</u>	<u>153</u>
Other financing sources (uses):				
Operating transfers in	31,000	-	-	-
Proceeds on long term debt	-	-	185,250	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>(49,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>31,000</u>	<u>-</u>	<u>136,250</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(62,970)</u>	<u>(49,760)</u>	<u>299,207</u>	<u>153</u>
Fund balance - May 1, 2010	<u>135,016</u>	<u>149,285</u>	<u>45,024</u>	<u>42,358</u>
Fund balance - April 30, 2011	<u>\$ 72,046</u>	<u>\$ 99,525</u>	<u>\$ 344,231</u>	<u>\$ 42,511</u>

Debt Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 35,444	\$ 38,575	\$ -	\$ 71,691	\$ 127,482
-	-	-	-	-
-	-	-	-	-
(100)	82	-	121	375
-	-	-	-	-
<u>35,344</u>	<u>38,657</u>	<u>-</u>	<u>71,812</u>	<u>127,857</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	400	400
-	-	-	-	-
<u>37,485</u>	<u>40,200</u>	<u>-</u>	<u>70,088</u>	<u>126,485</u>
<u>37,485</u>	<u>40,200</u>	<u>-</u>	<u>70,488</u>	<u>126,885</u>
<u>(2,141)</u>	<u>(1,543)</u>	<u>-</u>	<u>1,324</u>	<u>972</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(2,141)	(1,543)	-	1,324	972
<u>32,562</u>	<u>21,782</u>	<u>(610)</u>	<u>38,094</u>	<u>85,257</u>
<u>\$ 30,421</u>	<u>\$ 20,239</u>	<u>\$ (610)</u>	<u>\$ 39,418</u>	<u>\$ 86,229</u>

CITY OF HARVARD, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS
 Year ended April 30, 2011

Year ended April 30	General Obligation Library Bonds, Series 1999		General Obligation Recreation Bonds, Series 2011B	
	Principal	Interest	Principal	Interest
2012	110,000	48,903	255,000	42,950
2013	115,000	43,128	235,000	59,325
2014	120,000	37,952	245,000	54,625
2015	125,000	32,433	250,000	48,500
2016	130,000	26,682	260,000	41,000
2017	135,000	20,572	265,000	33,200
2018	145,000	14,160	280,000	22,600
2019	150,000	7,200	285,000	11,400
	<u>\$ 1,030,000</u>	<u>\$ 231,030</u>	<u>\$ 2,075,000</u>	<u>\$ 313,600</u>

Debt Certificates Series 2008		Debt Certificates Series 2008A		Debt Certificates Series 2008B	
Principal	Interest	Principal	Interest	Principal	Interest
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>2,201,066</u>	<u>92,393</u>	<u>1,669,065</u>	<u>82,038</u>	<u>400,577</u>	<u>19,689</u>
<u>\$ 3,173,290</u>	<u>\$ 910,979</u>	<u>\$ 2,345,369</u>	<u>\$ 800,002</u>	<u>\$ 562,889</u>	<u>\$ 192,001</u>

CITY OF HARVARD, ILLINOIS
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS
 Year ended April 30, 2011

Year ended <u>April 30</u>	Waterworks and Sewerage Revenue Refunding Bonds, Series 2000		Waterworks and Sewerage Revenue Refunding Bonds, Series 2004	
	Principal	Interest	Principal	Interest
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	270,000	3,520
2020	65,000	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
	\$ 690,000	\$ 178,530	\$ 1,200,000	\$ 196,812

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

<u>Principal</u>	<u>Interest</u>
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
200,000	5,850
<u>\$ 1,515,000</u>	<u>\$ 558,431</u>

**General Obligation Recreation
Waterworks and Sewerage
Bonds, Series 2011A**

<u>Principal</u>	<u>Interest</u>
70,000	12,373
75,000	17,370
75,000	16,095
80,000	14,295
80,000	12,375
85,000	9,735
90,000	6,930
90,000	3,465
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>\$ 645,000</u>	<u>\$ 92,638</u>

**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, 2011, and have issued our report thereon dated October 3, 2011. 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.



Rockford, Illinois
October 3, 2011

CITY OF HARVARD, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
April 30, 2011

Comment	Corrective Action or Other Explanation	
2011 - 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.
2011 - 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.
2011 - 3	Due to the limited number of personnel available in the organization, management with the authorization of the City Board has requested that our firm prepare the financial statements and footnote disclosures for them to review and approve.	This does not violate professional independence standards as management and the City Board takes responsibility for the statements and is the most cost effective option for the organization.