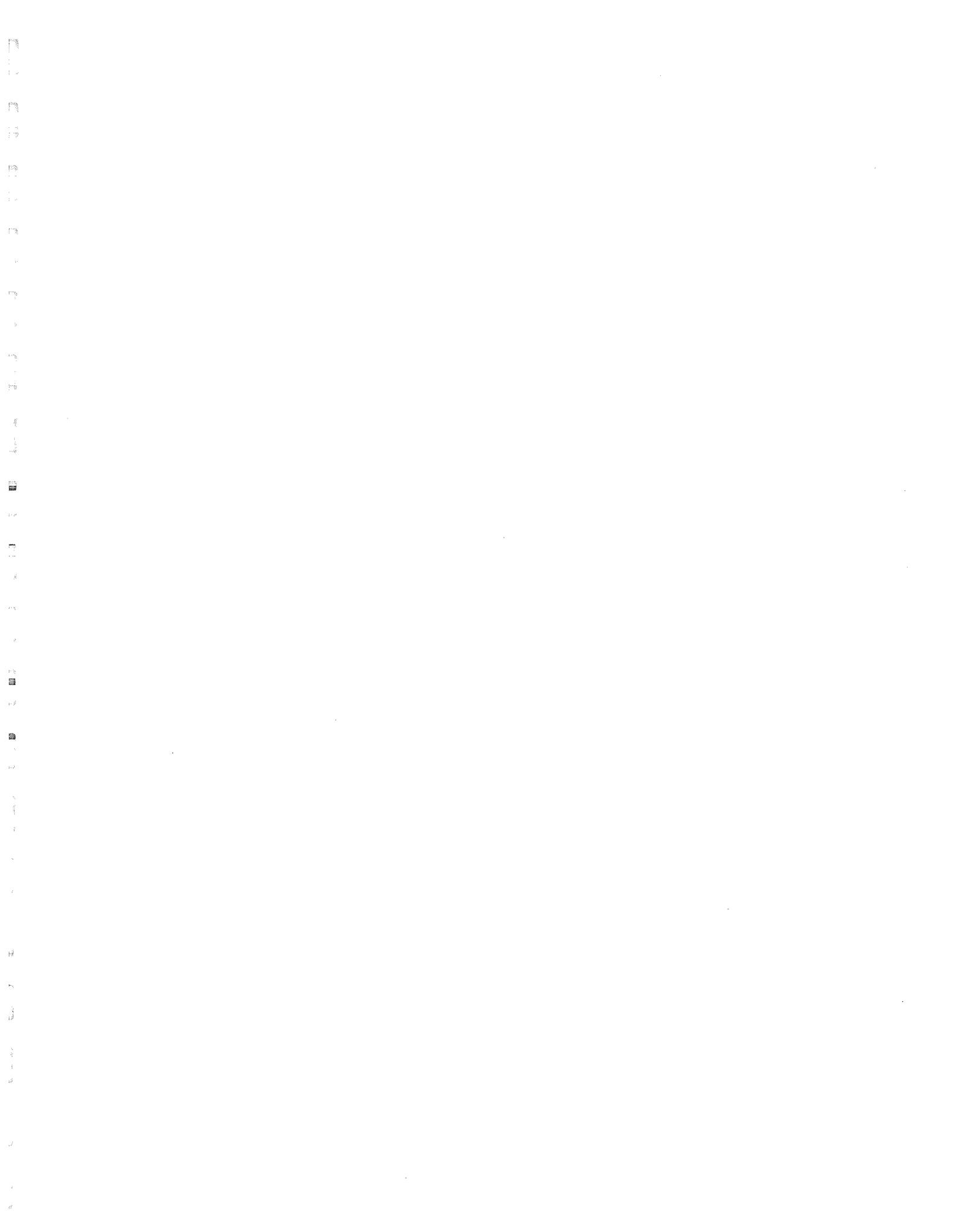


City of Harvard

Harvard, Illinois

Annual Financial Report

April 30, 2013



City of Harvard, Illinois

Year Ended April 30, 2013

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City of Harvard, Illinois

Year Ended April 30, 2013

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

As more fully described in Note 12 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, 2013. The effects of that departure on the financial statements are not reasonably determinable.

Qualified Opinion

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, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of April 30, 2013, 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.

Other Matters

Required Supplementary Information

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

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 part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted 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 other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2013 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* in considering the City of Harvard, Illinois' internal control over financial reporting and compliance.

Wipfli LLP

Rockford, Illinois
October 22, 2013

**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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvard as of and for the year ended April 30, 2013, which collectively comprise the City of Harvard's basic financial statements and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Harvard's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2013-1 and 2013-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harvard's financial statements are free from 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*.

City of Harvard, Illinois' Response to Findings

City of Harvard, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Harvard, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Rockford, Illinois
October 22, 2013

Basic Financial Statements



Liabilities

Current liabilities:				
Accounts payable	67,046	45,095	112,141	
Accrued payroll	96,887	12,079	108,966	
Accrued interest	83,951	-	83,951	
Due to fiduciary funds	26,337	-	26,337	
Deferred revenues	1,440,897	-	1,440,897	
Notes payable	292,500	-	292,500	
Current portion long term debt	557,045	108,470	665,515	
Total current liabilities	2,564,663	165,644	2,730,307	
Noncurrent liabilities:				
Compensated absences	238,441	58,768	297,209	
Net pension obligation	802,374	-	802,374	
Notes payable	795,827	-	795,827	
Capital lease payable	-	11,364	11,364	
Bonds payable, including unamortized premium	6,977,014	2,580,000	9,557,014	
Total noncurrent liabilities	8,813,656	2,650,132	11,463,788	
Total liabilities	11,378,319	2,815,776	14,194,095	
Net Position				
Net investment in capital assets	9,833,271	6,325,629	16,158,900	
Restricted for highways and streets	352,786	-	352,786	
Restricted for debt service	707,072	-	707,072	
Restricted for capital projects	124,225	-	124,225	
Restricted for library	1,334,200	-	1,334,200	
Restricted for police protection	625,022	-	625,022	
Restricted for other purposes	518,093	-	518,093	
Unrestricted	17,552	565,467	583,019	
Total net position	\$ 13,512,221	\$ 6,891,096	\$ 20,403,317	

See accompanying notes to financial statements.



Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,444,403)	\$ -	\$ (1,444,403)
(2,260,902)	-	(2,260,902)
(785,061)	-	(785,061)
(146,710)	-	(146,710)
(286,943)	-	(286,943)
(4,924,019)	-	(4,924,019)
-	(102,677)	(102,677)
-	352,924	352,924
-	250,247	250,247
2,906,373	-	2,906,373
1,807,687	-	1,807,687
707,739	-	707,739
134,483	1,796	136,279
475,669	2,751	478,420
6,031,951	4,547	6,036,498
(34,650)	34,650	-
1,073,282	289,444	1,362,726
12,438,939	6,601,652	19,040,591
\$ 13,512,221	\$ 6,891,096	\$ 20,403,317

Police Protection	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 840,692	\$ 1,413,646
-	-	1,165,536
629,237	1,569,057	2,901,893
-	24,183	297,063
310,403	343,710	1,846,710
<u>\$ 939,640</u>	<u>\$ 2,777,642</u>	<u>\$ 7,624,848</u>
\$ -	\$ 21,921	\$ 67,049
-	3,969	96,887
314,618	784,529	1,440,897
-	1,325,118	1,325,118
-	3,099	26,337
-	-	292,500
<u>314,618</u>	<u>2,138,636</u>	<u>3,248,788</u>
625,022	870,879	1,495,901
-	707,072	707,072
-	124,225	124,225
-	-	1,334,200
-	(1,063,170)	714,662
<u>625,022</u>	<u>639,006</u>	<u>4,376,060</u>
<u>\$ 939,640</u>	<u>\$ 2,777,642</u>	<u>\$ 7,624,848</u>

City of Harvard, Illinois

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

April 30, 2013

Total fund balances - governmental funds	\$ 4,376,060
Amounts reported for governmental activities in the statement of net position 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 \$21,748,209 and the accumulated depreciation is \$3,292,552.	18,455,657
Other long-term assets are not available to pay for current expenditures, and, therefore are not reported as assets in governmental funds	135,153
Interest on long-term debt is not accrued in governmental funds	(83,951)
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.	(9,370,698)
<hr/>	<hr/>
Total net position - governmental activities	13,512,221

City of Harvard, Illinois

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Year ended April 30, 2013

	General Fund	Harvard Diggins Library	Police Protection	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,979,087	\$ 224,681	\$ 616,420	\$ 1,840,791	\$ 5,660,979
Licenses and fees	714,377	22,356	-	335,726	1,072,459
Intergovernmental	-	-	-	64,366	64,366
Investment income	-	114,580	-	-	114,580
Interest	5,545	-	-	2,521	8,066
Other	209,309	14,981	-	136,338	360,628
Total revenues	3,908,318	376,598	616,420	2,379,742	7,281,078
Expenditures					
General government	789,605	41,207	-	796,934	1,627,746
Public safety	2,486,385	-	-	-	2,486,385
Public works	534,793	-	-	251,280	786,073
Culture and recreation	-	283,043	-	405,453	688,496
Debt service	30,670	-	-	951,460	982,130
Total expenditures	3,841,453	324,250	-	2,405,127	6,570,830
Excess (deficiency) of revenues over expenditures	66,865	52,348	616,420	(25,385)	710,248
Other Financing Sources (uses)					
Transfers in	723,097	-	-	554,682	1,277,779
Transfers out	(587,011)	-	(604,319)	(121,099)	(1,312,429)
Total other financing sources and uses	136,086	-	(604,319)	433,583	(34,650)
Net change in fund balances	202,951	52,348	12,101	408,198	675,598
Fund balances - beginning	1,574,881	1,281,852	612,921	230,808	3,700,462
Fund balances - ending	\$ 1,777,832	\$ 1,334,200	\$ 625,022	\$ 639,006	\$ 4,376,060

City of Harvard, Illinois

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended April 30, 2013

Excess (deficiency) of revenues and other sources over (under) expenditures and other uses - Governmental funds	\$ 675,598
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.	(238,441)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense of \$375,608 exceeds capitalized fixed assets of \$108,908 in the period.	(266,700)
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.	(36,784)
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 position. 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.	939,609
<hr/>	
Change in net position of governmental activities	<u>\$ 1,073,282</u>

City of Harvard, Illinois

Statement of Net Position Proprietary Funds

April 30, 2013

Assets	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Current assets:			
Cash	\$ 781,560	\$ -	\$ 781,560
Accounts receivable	383,775	-	383,775
Due from other funds	1,237	-	1,237
Total current assets	1,166,572	-	1,166,572
Bond issuance costs and discounts	49,030	-	49,030
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,399,781	1,486,318	8,886,099
Total noncurrent assets	7,576,811	1,486,318	9,063,129
Total assets	8,743,383	1,486,318	10,229,701
Liabilities			
Current liabilities:			
Due to other funds	480	522,349	522,829
Accounts payable	41,128	3,967	45,095
Accrued payroll	12,079	-	12,079
Current portion long term debt	108,470	-	108,470
Total current liabilities	162,157	526,316	688,473
Noncurrent liabilities:			
Compensated absences payable	58,768	-	58,768
Capital lease payable	11,364	-	11,364
General obligation bonds payable	2,580,000	-	2,580,000
Total noncurrent liabilities	2,650,132	-	2,650,132
Total liabilities	2,812,289	526,316	3,338,605
Net Position			
Net investment in capital assets	4,839,311	1,486,318	6,325,629
Unrestricted	1,091,783	(526,316)	565,467
Total net position	\$ 5,931,094	\$ 960,002	\$ 6,891,096

City of Harvard, Illinois

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds

Year ended April 30, 2013

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Operating revenues			
Charges for services	\$ 2,120,037	\$ 72,809	\$ 2,192,846
Operating expenses:			
Operating	1,578,191	122,281	1,700,472
Depreciation	279,220	54,757	333,977
Total operating expenses	1,857,411	177,038	2,034,449
Operating income (loss)	262,626	(104,229)	158,397
Nonoperating revenues (expenses)			
Grant for capital improvement	214,486	-	214,486
Miscellaneous income	-	1,730	1,730
Interest income	1,796	-	1,796
Interest expense	(121,615)	-	(121,615)
Total nonoperating revenues	94,667	1,730	96,397
Other financing sources (uses)			
Operating transfers in (out)	-	34,650	34,650
Net income (loss)	357,293	(67,849)	289,444
Net position - May 1, 2012	5,573,801	1,027,851	6,601,652
Net position - April 30, 2013	\$ 5,931,094	\$ 960,002	\$ 6,891,096

City of Harvard, Illinois

Statement of Cash Flows Proprietary Funds

Year ended April 30, 2013

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,157,168	\$ 72,809	\$ 2,229,977
Payments to suppliers	(1,291,512)	(70,472)	(1,361,984)
Payments to employees	(267,100)	(48,007)	(315,107)
Net cash provided by (used in) operations	598,556	(45,670)	552,886
Cash Flows From Investing Activities			
Interest received	1,796	-	1,796
Net cash provided by investing activities	1,796	-	1,796
Cash Flows From Capital and Related Financing Activities			
Interest paid	(121,615)	-	(121,615)
Miscellaneous receipts	248,135	1,730	249,865
Transfers in	-	43,940	43,940
Bond issuance costs	3,488	-	3,488
Principal payments on general obligation bonds	(270,000)	-	(270,000)
Principal payments on capital lease	(76,797)	-	(76,797)
Purchase of property and equipment	(243,427)	-	(243,427)
Net cash provided by (used in) capital and related financing activities	(460,216)	45,670	(414,546)
Net increase (decrease) in cash and cash equivalents	140,136	-	140,136
Beginning cash and cash equivalents	641,424	-	641,424
Ending cash and cash equivalents	\$ 781,560	\$ -	\$ 781,560

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Cash Flows (Continued) Proprietary Funds

Year ended April 30, 2013

	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)	\$ 262,626	\$ (104,229)	\$ 158,397
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	279,220	54,757	333,977
Changes in assets and liabilities:			
Accounts receivable	37,131	-	37,131
Accounts payable	12,434	3,967	16,401
Accrued payroll	2,672	(165)	2,507
Compensated absences	4,473	-	4,473
Net cash provided by (used in) operations	\$ 598,556	\$ (45,670)	\$ 552,886

City of Harvard, Illinois

Statement of Fiduciary Net Position Fiduciary Funds

Year ended April 30, 2013

		Expendable	
	Police Pension Trust Fund	Trust Fund Apartment Fund	Trust Fund Scholarship Fund
Assets			
Cash	\$ 371,898	\$ 38,064	\$ 18,382
Investments	7,219,537	-	-
Receivables, net of allowance for uncollectible:			
Note receivable	-	101,017	-
Accrued interest	7,202	-	-
Due from City of Harvard	26,337	-	-
Property tax receivable	381,765	-	-
Total assets	8,006,739	139,081	18,382
Liabilities			
Deferred Revenue	189,280	-	-
Net Position			
Held in trust for pension benefits and other purposes	\$ 7,817,459	\$ 139,081	\$ 18,382

City of Harvard, Illinois

Statement of Changes in Fiduciary Net Position Fiduciary Funds

April 30, 2013

	Police Pension Trust Fund	Expendable	
		Trust Fund Apartment Fund	Trust Fund Scholarship Fund
Additions			
Contributions-employer taxes	\$ 403,058	\$ -	\$ -
Contributions-employee	137,005	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	315,755	-	-
Interest, dividends and investment income (loss)	210,169	7,749	-
Total additions	1,065,987	7,749	-
Deductions			
Benefits and refunds	339,383	-	-
Other charges and services	24,604	5,217	1,117
Total deductions	363,987	5,217	1,117
Net increase	702,000	2,532	(1,117)
Transfers in	-	-	-
Transfers out	-	-	-
Net position - beginning, as restated	7,115,459	136,549	19,499
Net position - ending	\$ 7,817,459	\$ 139,081	\$ 18,382

City of Harvard, Illinois

Notes to Financial Statements

Note 1 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

Note 1 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 Position 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

Note 1 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 position, 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

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Government-Wide, Fund Financial Statements and Basis of Accounting (Continued)

Proprietary Fund (Continued)

basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Proprietary funds have elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Standards Board Statement No. 20.

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.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Government-Wide, Fund Financial Statements and Basis of Accounting (Continued)

Governmental Funds (Continued):

Police Protection

The police protection fund is used to account for all the financial resources that relate to the operations of the police department.

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.

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, 2013. 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.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Government-Wide, Fund Financial Statements and Basis of Accounting (Continued)

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, 2013 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 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 2012 was allocated fifty percent for each of the two years after the levy year.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Fifty percent of the 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 Balances

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balances – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegate the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purpose).

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: Committed, Assigned, Unassigned.

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. 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.

Note 2 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.

City of Harvard, Illinois

Notes to Financial Statements

Note 2 Legal Compliance and Accountability (Continued)

Budgets (Continued)

Expenditures may not legally exceed budgeted appropriations at the fund level. In the General Fund, none of the departments exceeded budgeted appropriations.

Deficit Fund Balances of Individuals Funds

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

Deficit Fund Balance

Park	\$(106,349)
Road & Bridge	(158,134)
Social Security	(162,800)
Illinois Municipal Retirement	(32,206)
Regional Transportation Authority	(253,812)
Audit	(57,034)
Liability Insurance	(292,835)

Note 3 Deposits and Investments

The City maintains a cash and investment pool that is mainly used by the General Fund and 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, 2013, the following funds had overdrafts:

Park Fund	\$139,618
Road & Bridge	193,216
Social Security	203,701
Illinois Municipal Retirement	76,708
RTA	251,834
Audit	72,301
Liability Insurance	312,630
Debt Service	72,342
Pool	522,349

City of Harvard, Illinois

Notes to Financial Statements

Note 3 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 \$2,623,550 and the bank balance was \$2,903,317. Of the bank balance, \$2,903,317 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, 2013, \$-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, 2013, the City's investments were as follows:

	<u>Fair Value</u>
Investment in State Investment Pool	\$ 96,908
Long-term Certificates of Deposit	699,763
U.S. Government Obligations	3,751,392
Unit trusts	172,585
Municipal Bonds	16,242
Equity Mutual Funds	<u>3,648,183</u>
Total	<u>\$8,385,073</u>

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

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

Note 3 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	\$96,908	\$ -	\$ -	\$ 96,908
Long-term Certificates of Deposit	-	699,763	-	699,763
U.S. Government obligations	-	-	3,751,392	3,751,392
Municipal Bonds	-	-	16,242	16,242
Total	<u>\$96,908</u>	<u>\$699,763</u>	<u>\$3,767,634</u>	<u>\$4,564,305</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, 2013</u>	<u>AAAm</u>
External investment pool	<u>\$96,908</u>	<u>\$96,908</u>
		<u>AA-</u>
Municipal bonds	<u>\$16,242</u>	<u>\$16,242</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 3 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, 2013 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.

Note 4 Restricted Fund Balances

The following restrictions of fund balances existed as of April 30, 2013:

Special Revenue Funds:

Highways & Streets	<u>\$352,786</u>
Police Protection	<u>\$625,022</u>
Off Street Parking	<u>\$223,751</u>
Special Recreation	<u>\$139,305</u>
Welfare	<u>\$ 16,399</u>
Revolving Loan	<u>\$138,638</u>
Debt Service Fund	<u>\$707,072</u>
Capital Projects Fund	<u>\$124,225</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 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. 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, 2013 is as follows:

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>
Cost:				
Land (not depr.)	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	6,288,559	52,845	-	6,341,404
Buildings & improvements	4,944,893	-	-	4,944,893
Machinery & equipment	647,055	6,900	-	653,955
Office equipment	71,042	26,087	-	97,129
Vehicles	981,010	-	-	981,010
Harvard Diggins Library Fixed Assets	162,585	23,076	-	185,661
	<u>\$21,639,301</u>	<u>\$108,908</u>	<u>\$ -</u>	<u>\$21,748,209</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>
Accumulated Depreciation:				
Infrastructure	\$ 456,256	\$172,572	\$ -	\$ 628,828
Buildings & improvements	854,181	96,005	-	950,186
Machinery & equipment	578,820	38,944	-	617,764
Office equipment	58,770	8,722	-	67,492
Vehicles	829,683	52,030	-	881,713
Harvard Diggins				
Library Fixed Assets	<u>139,234</u>	<u>7,335</u>	<u>-</u>	<u>146,569</u>
	<u>\$2,916,944</u>	<u>\$375,608</u>	<u>\$ -</u>	<u>\$3,292,552</u>
Total Capital Assets, Net:				
Land	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	5,832,303	(119,727)	-	5,712,576
Buildings & improvements	4,090,712	(96,005)	-	3,994,707
Machinery & equipment	68,235	(32,044)	-	36,191
Office equipment	12,272	17,365	-	29,637
Vehicles	151,327	(52,030)	-	99,297
Harvard Diggins				
Library Fixed Assets	<u>23,351</u>	<u>15,741</u>	<u>-</u>	<u>39,092</u>
	<u>\$18,722,357</u>	<u>\$(266,700)</u>	<u>\$ -</u>	<u>\$18,455,657</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

The business-type activities capital asset activity for the year ended April 30, 2013 is as follows:

	<u>Balance May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2013</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	1,435,979	243,427	-	1,679,406
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$15,144,111</u>	<u>\$243,427</u>	<u>\$ -</u>	<u>\$15,387,538</u>
Accumulated Depreciation:				
Infrastructure	\$ 143,525	\$ 38,663	\$ -	\$ 182,188
Buildings & improvements	3,909,244	197,052	-	4,106,296
Swimming pool	518,144	54,757	-	572,901
Machinery & equipment	1,283,691	43,507	-	1,327,198
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$6,039,460</u>	<u>\$333,979</u>	<u>\$ -</u>	<u>\$6,373,439</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>
Total Capital Assets, Net:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,343,891	(38,663)	-	1,305,228
Buildings & improvements	5,903,800	(197,052)	-	5,706,748
Swimming pool	1,576,672	(54,757)	-	1,521,915
Machinery & equipment	152,288	199,920	-	352,208
Furniture & office Equipment	-	-	-	-
Vehicles	-	-	-	-
	<u>\$9,104,651</u>	<u>\$(90,552)</u>	<u>\$ -</u>	<u>\$9,014,099</u>

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

Governmental activities:

General government	\$180,134
Public safety	86,553
Public works	104,924
Culture and recreation	<u>3,997</u>
Total depreciation expense, governmental activities	<u>\$375,608</u>

Business-type activities:

Waterworks and Sewerage Department	\$279,222
Swimming Pool	<u>54,757</u>
Total depreciation expense, business-type activities	<u>\$333,979</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 6 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.

Note 7 Short-Term Debt

The City has a revolving loan with a local bank. The following is the activity for the year ended April 30, 2013:

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, 2014. Prime rate at 3.25% on April 30, 2013.	General	<u>\$890,000</u>	<u>\$927,500</u>	<u>\$1,525,000</u>	<u>\$292,500</u>

Note 8 Long-Term Debt

Lease Obligations

The City was obligated under certain leases accounted for as capital leases.

City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt (Continued)

Lease Obligations (Continued)

The City was obligated under certain leases accounted for as capital leases.

On May 1, 2011, the City entered into a capital lease for the purchase of a John Deere backhoe in the amount of \$130,000. The City agreed to pay 12 quarterly payments of \$11,461 at an interest rate of 3.45% with final payment on May 1, 2014.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$33,470	\$893
2015	<u>11,364</u>	<u>97</u>
Total	<u>\$44,834</u>	<u>\$990</u>

General Obligation Bonds/Notes Payable

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

<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>
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Governmental Activities

<p>\$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.</p>	Debt Service	\$1,820,000	\$	-	\$ 235,000	\$1,585,000
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<p>\$3,105,000 General Obligation Bonds (Alternate Revenue Source), dated April 2012, due in annual installments of \$95,000 to \$405,000 plus interest at 2.00% to 3.20% through January 15, 2024.</p>	TIF	3,105,000	-	-	-	3,105,000
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City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt (Continued)

General Obligation Bonds/Notes Payable (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>					
\$2,290,000 General Obligation Bond (Alternate Revenue Source), dated April 2012, due in annual installments of \$165,000 to \$185,000 plus interest at 2.00% to 5.00% through January 15, 2027.	TIF	2,290,000	-	-	2,290,000
\$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	542,910	-	95,842	447,068
\$650,000 Bank loan dated December, 2008, interest at 6.65%. Principal and interest paid quarterly through December 30, 2013.	General	590,656	-	30,670	559,986
\$185,250 Bank loan dated October, 2010, interest at 4.50%. Principal and interest paid semiannually through August 1, 2015.	TIF	132,932	-	132,932	-
\$225,671 Bank loan dated December, 2011, interest at 4.875%. Principal and interest paid monthly through November 1, 2021.	Park	218,129	-	218,129	-
\$300,000 Bank loan dated July, 2009, interest at 4.50%. Principal and interest paid semiannually through July 15, 2019.	TIF	<u>276,562</u>	<u>-</u>	<u>10,639</u>	<u>265,923</u>
		<u>\$8,976,189</u>	<u>\$ -</u>	<u>\$723,212</u>	<u>\$8,252,977</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt (Continued)

General Obligation Bonds/Notes Payable (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>Business-Type Activities</u>					
\$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.	W&S	\$ 575,000	\$ -	\$ 75,000	\$500,000
\$1,475,000 W&S Revenue Bonds Series 2004, due in annual installments of \$15,000 to \$160,000 plus interest at 3.00% to 4.40% through May 1, 2019	W&S	975,000	-	120,000	855,000
\$1,700,000 W&S Alternate Source Series 2006, dated September 12, 2006 due in annual installments of \$60,000 to \$130,000 plus interest at 3.90% to 4.50% through May 1, 2026.	W&S	<u>1,375,000</u>	<u>-</u>	<u>75,000</u>	<u>1,300,000</u>
		<u>\$2,925,000</u>	<u>\$ -</u>	<u>\$270,000</u>	<u>\$2,655,000</u>

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

<u>Year Ending April 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 557,045	\$ 269,370	\$ 75,000	\$112,585
2015	569,425	255,665	285,000	112,585
2016	591,861	240,430	295,000	102,785
2017	714,517	224,472	305,000	92,465
2018	1,275,498	201,397	320,000	80,850
2019 - 2022	2,899,630	431,083	790,000	197,077
2023 - 2026	1,500,000	123,805	455,000	85,576
2027	<u>145,000</u>	<u>5,075</u>	<u>130,000</u>	<u>11,588</u>
Total	<u>\$8,252,977</u>	<u>\$1,751,297</u>	<u>\$2,655,000</u>	<u>\$804,386</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt (Continued)

Changes occurred 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, including unamortized premium	\$10,682,910	\$ 76,909	\$ 600,842	\$10,158,977
Notes payable	1,218,279	-	392,370	825,909
Capital lease	88,161	-	43,327	44,834
Compensated absences	306,583	-	9,374	297,209
Net pension obligation	<u>765,590</u>	<u>36,784</u>	<u>-</u>	<u>802,374</u>
Total	<u>\$13,061,523</u>	<u>\$113,693</u>	<u>\$1,045,913</u>	<u>\$12,129,303</u>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$111,291,831. As of April 30, 2013, the City had \$8,435,677 of remaining legal debt margin.

Note 9 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.

Note 10 Interfund Assets/Liabilities

Due From (To) Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General		\$1,192,597
Police Protection		310,403
Non-major governmental funds		(981,408)

City of Harvard, Illinois

Notes to Financial Statements

Note 10 Interfund Assets/Liabilities (Continued)

Due From (To) Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Proprietary:		
Water		1,237
	Water	(480)
	Pool	(522,349)

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, 2013:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Non-Major Governmental Funds	\$ 723,097	\$(552,361)
Business Type Funds	-	(34,650)
Total General Fund	<u>723,097</u>	<u>(587,011)</u>
Police Protection Fund:		
General Fund	-	(604,319)
Park Fund:		
General Fund	<u>13,389</u>	<u>(1,320)</u>
Road and Bridge Fund:		
General Fund	-	(80,800)
Economic Development Fund:		
General Fund	-	(9,473)
IMRF Fund:		
General Fund	<u>129,385</u>	-
Insurance Liability Fund:		
General Fund	<u>145,000</u>	-

City of Harvard, Illinois

Notes to Financial Statements

Note 10 Interfund Assets/Liabilities (Continued)

Transfers (Continued)

FICA:

General Fund	<u>156,908</u>	<u>-</u>
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TIF:

General Fund	<u>95,000</u>	<u>-</u>
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Audit Fund:

General Fund	<u>-</u>	<u>(29,506)</u>
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RTA Fund:

General Fund	<u>15,000</u>	<u>-</u>
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Total Non Major Governmental Funds	<u>554,682</u>	<u>(121,099)</u>
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Pool Fund:

General Fund	<u>34,650</u>	<u>-</u>
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Total Proprietary Funds	<u>34,650</u>	<u>-</u>
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Total all funds	<u>\$1,312,429</u>	<u>\$(1,312,429)</u>
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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.

Note 11 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 2012 used by the employer was 15.52 percent of annual covered payroll.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

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, 2012, the City's actual contributions for pension cost for the Regular were \$241,964. Its required contribution for calendar year 2012 was \$241,964.

Three-Year Trend Information for the Regular Plan

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC (Contributed)</u>	<u>Net Pension Obligation</u>
12/31/12	\$241,964	100%	\$7,223
12/31/11	238,811	100%	7,611
12/31/10	231,798	97%	8,020

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 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, 2012, the most recent actuarial valuation date, the Regular plan was 66.13 percent funded. The actuarial accrued liability for benefits was \$5,201,579 and the actuarial value of assets was \$3,439,710, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,761,869. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$1,559,047 and the ratio of the UAAL to the covered payroll was 113 percent.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

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.

At April 30, 2013, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6
Current employees	<u>17</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.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

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 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:

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Annual required contribution	\$186,083
Interest adjustment	37,469
Adjustments to annual required contribution	<u>209,067</u>
Annual pension cost	432,619
Contributions made	<u>(403,058)</u>
Increase (decrease) in net pension obligation	29,561
Net pension obligation, beginning	<u>765,590</u>
Net pension obligation, ending	<u>\$795,151</u>

The annual required contribution for the current year was determined as part of the April 30, 2012 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 liabilityThe annual required contribution for the year was determined as part of the April 30, 2012 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, 2012, was 22 years.

Funding Status and Annual Pension Cost

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
4/30/12	\$432,619	93.10%	\$795,151
4/30/11	393,024	98.98%	765,590
4/30/10	401,595	85.93%	761,583

The funded status of the two plans as of December 31, 2012 for IMRF and as of April 30, 2013 for the Police Pension Plan based on actuarial valuations performed as of the same date is as follows.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Funding Status and Annual Pension Cost (Continued)

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)	\$5,201,579	\$11,079,284
Actuarial value of plan assets	3,439,710	6,866,459
Unfunded actuarial accrued liability (UAAL)	1,761,869	3,852,858
Funded ratio (actuarial value of plan assets/AAL)	66.13%	65.22%
Covered payroll (active plan Members)	1,559,047	1,413,852
UAAL as a percentage of Covered payroll	113.01%	272.51%

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.

Note 12 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.

Note 13 Pending GASB Statements

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 61 "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." The City is required to implement this standard for the fiscal year ending April 30, 2014.

City of Harvard, Illinois

Notes to Financial Statements

Note 13 Pending GASB Statements (Continued)

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 "Items Previously Reported as Assets and Liabilities" The City is required to implement this standard for the fiscal year ending April 30, 2014.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" The City is required to implement this standard for the fiscal year ending April 30, 2016.

The City has not yet determined the full impact that adoption of these GASB Statements will have on the financial statements.

Note 14 Prior Period Adjustment

A prior period adjustment of \$249,000 was made to the Police Pension Trust Fund to account for a certificate of deposit that was purchased in the prior year and not included in total net position.

Note 15 Accounting Changes

In June 2011, the Government Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The City adopted this guidance for the year ended April 30, 2013.

**Required Supplementary Information
(Unaudited)**

City of Harvard, Illinois

Required Supplementary Information

Illinois Municipal Retirement Fund Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/12	\$3,439,710	\$5,201,579	\$1,761,869	66.13%	\$1,559,047	113.01%
12/31/11	2,988,017	4,807,371	1,819,354	62.15%	1,551,727	117.25%
12/31/10	3,172,920	4,762,559	1,589,639	66.62%	1,572,581	101.08%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$3,576,700. On a market basis, the funded ratio would be 68.76%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with City of Harvard. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

City of Harvard, Illinois

Required Supplementary Information

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2013.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
4/30/13	\$6,866,459	\$11,079,284	65.22%	\$3,852,858	\$1,413,852	272.51%
4/30/12	7,226,426	11,079,284	65.22%	3,852,858	1,413,852	272.51%
4/30/11	6,585,530	10,100,401	65.20%	3,514,871	1,381,440	254.44%
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

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>
4/30/12	\$432,619	\$403,058	93.1%
4/30/11	393,024	389,017	98.9
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

City of Harvard, Illinois

General Fund Schedule of Revenues Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes:			
Property taxes	\$ 533,250	\$ 499,589	\$ (33,661)
State income tax	775,000	851,392	76,392
Hotel/motel tax	13,000	14,293	1,293
State replacement tax	70,000	78,716	8,716
Sales tax	1,111,780	975,902	(135,878)
Video gaming tax	-	9,379	9,379
Utility tax	568,000	549,816	(18,184)
Total taxes	3,071,030	2,979,087	(91,943)
Licenses and fees:			
Liquor licenses	45,000	50,110	5,110
Contractors license	6,500	10,813	4,313
Building fees and permits	12,000	14,244	2,244
Parking permits	98,000	92,640	(5,360)
Police fines	225,000	210,792	(14,208)
Telephone franchise	285,000	227,409	(57,591)
Cable franchise	56,000	51,256	(4,744)
Mining fees	48,500	51,188	2,688
DUI fines	8,200	5,925	(2,275)
Total licenses and fees	784,200	714,377	(69,823)
Interest	2,000	5,545	3,545
Other revenues:			
Donations	-	-	-
Miscellaneous	47,000	100,955	53,955
Police reimbursement	69,500	74,277	4,777
Zoning hearings and platting fees	10,000	6,250	(3,750)
Escrow from developers	16,000	5,601	(10,399)
Rent	20,000	20,000	-
Health insurance reimbursement	2,500	2,226	(274)
Total other revenues	165,000	209,309	44,309
Total revenues	\$ 4,022,230	\$ 3,908,318	\$ (113,912)

City of Harvard, Illinois

General Fund (Continued) Schedule of Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures			
General government:			
Administration:			
Salaries - officials	\$ 105,400	\$ 104,316	\$ (1,084)
Salaries - clerical	75,100	76,484	1,384
Overtime - clerical	1,000	-	(1,000)
Health insurance	45,000	34,461	(10,539)
Mayoral expense	1,800	1,800	-
Attorney fees	80,000	52,301	(27,699)
Engineering fees	12,500	11,770	(730)
Service agreements	8,500	4,034	(4,466)
Equipment maintenance	8,000	7,766	(234)
Building maintenance	48,000	54,537	6,537
Office supplies	8,000	8,230	230
Postage	4,500	4,182	(318)
Dues and subscriptions	7,500	6,910	(590)
Public notices	3,000	1,414	(1,586)
ZBA notices	2,500	215	(2,285)
Printing	4,000	4,084	84
Telephone	18,000	14,449	(3,551)
Miscellaneous	10,966	19,284	8,318
Economic development	80,000	96,515	16,515
Professional fees	40,000	43,600	3,600
Interest expense	59,500	44,841	(14,659)
Debt payment	18,745	30,670	11,925
Contingencies	5,000	-	(5,000)
Total administration	647,011	621,863	(25,148)
Building services:			
Salaries	118,000	117,770	(230)
Health insurance	42,000	40,116	(1,884)
Vehicle maintenance	850	1,364	514
Nuisance abatement	10,000	5,670	(4,330)
Training	-	85	85
Uniforms	600	-	(600)
Contingencies	1,800	2,737	937
Total building services	173,250	167,742	(5,508)
Total general government	820,261	789,605	(30,656)

City of Harvard, Illinois

General Fund (Continued) Schedule of Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public safety:			
Police department:			
Salaries - officers	1,650,000	1,439,415	(210,585)
Salaries - clerical	300,000	298,640	(1,360)
Crossing guards	15,000	10,926	(4,074)
Overtime	250,000	234,538	(15,462)
Pension expense	-	-	-
Health insurance	309,000	298,393	(10,607)
Health examinations	1,000	1,366	366
Uniforms	25,000	18,843	(6,157)
Attorney fees	54,000	43,819	(10,181)
Vehicle maintenance	15,000	13,333	(1,667)
Equipment maintenance	10,000	9,064	(936)
Radio maintenance	5,500	2,634	(2,866)
Advertising	500	-	(500)
Ammunition	7,000	6,274	(726)
Material purchases	4,000	2,381	(1,619)
Office supplies	8,500	8,411	(89)
Investigation supplies	4,000	4,675	675
Dues and subscriptions	2,000	2,137	137
Telephone	9,000	6,467	(2,533)
Gas, oil, and grease	60,000	46,688	(13,312)
Police commission expense	2,000	1,408	(592)
Miscellaneous	13,000	9,847	(3,153)
Special programs	15,000	8,760	(6,240)
Data base user fees	2,400	2,400	-
New equipment	24,000	15,966	(8,034)
Total public safety	2,785,900	2,486,385	(299,515)

City of Harvard, Illinois

General Fund (Continued) Schedule of Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public works:			
Highways and streets:			
Salaries	207,567	224,951	17,384
Overtime	16,000	11,929	(4,071)
Health insurance	34,000	43,355	9,355
Uniforms	3,000	1,094	(1,906)
Vehicle maintenance	33,000	19,345	(13,655)
Building maintenance	115,000	84,682	(30,318)
Radio maintenance	-	-	-
Tools	4,000	3,158	(842)
Material purchases	5,000	2,349	(2,651)
Telephone	3,000	1,949	(1,051)
Electricity	100,000	100,477	477
Gas, oil and grease	35,000	22,469	(12,531)
New equipment	-	-	-
Miscellaneous	53,000	49,705	(3,295)
Fuel for building	-	-	-
Capital projects	-	-	-
Total public works	608,567	565,463	(43,104)
Total expenditures	\$ 4,214,728	\$ 3,841,453	\$ (373,275)
Other financing sources (uses)			
Operating transfers in	\$ 712,395	\$ 723,097	\$ 10,702
Operating transfers out	(579,342)	(587,011)	(7,669)
Total other financing sources (uses)	\$ 133,053	\$ 136,086	\$ 3,033

City of Harvard, Illinois

Harvard Diggins Library

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 208,000	\$ 211,913	\$ 3,913
Replacement taxes	13,000	12,768	(232)
Book sales	-	1,289	1,289
Equipment receipts	4,750	5,841	1,091
Fine receipts	5,000	6,278	1,278
Meeting room rent	800	475	(325)
Gifts/donations	1,500	2,476	976
Non-resident fees	9,000	8,473	(527)
Gain on sale of investments	-	(4,443)	(4,443)
Unrealized gain on investments	-	83,024	83,024
Interest income	48,050	35,999	(12,051)
Miscellaneous income	11,620	2,817	(8,803)
Per capita grant	6,750	9,688	2,938
Total revenues	\$ 308,470	\$ 376,598	\$ 68,128
Expenditures			
Printed material	\$ 20,500	\$ 21,369	\$ 869
Supplies	6,500	5,399	(1,101)
Program and Promotion	3,500	5,045	1,545
Furniture and equipment	5,300	10,691	5,391
Postage	650	660	10
Audio-Visual material	13,700	8,510	(5,190)
Automation charges	15,000	13,151	(1,849)
Staff development	200	314	114
Contract services	4,700	4,584	(116)
Memberships/dues	1,200	504	(696)
Technology Charges	1,800	2,133	333
Salaries	162,000	155,088	(6,912)
Employment taxes	700	467	(233)
Insurance	22,400	28,438	6,038
Utilities	750	397	(353)
Telephone	7,400	7,833	433
Accounting & audit fees	-	6,000	6,000
Staff expenses	150	99	(51)
Maintenance	24,800	14,417	(10,383)
Electronic resources	3,000	17,740	14,740
Public information	1,600	1,523	(77)
Board expenses	550	117	(433)
Miscellaneous	12,200	19,771	7,571
Total expenditures	\$ 308,600	\$ 324,250	\$ 15,650

City of Harvard, Illinois

Police Protection

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2013

	Original & Final Budget	Actual	Over (Under) Budget
Operating revenues			
Property taxes	\$ 605,035	\$ 616,420	\$ 11,385
Total revenues	\$ 605,035	\$ 616,420	\$ 11,385
Other financing sources (uses)			
Operating transfers in (out)	\$ (605,035)	\$ (604,319)	\$ 716

Other Supplementary Information

City of Harvard, Illinois

Water and Sewerage Fund

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2013

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for water and sewer services			
Water billings	\$ 1,658,300	\$ 1,693,129	\$ 34,829
Tap on permits	-	4,098	4,098
Sale of material	2,000	916	(1,084)
Penalties	35,000	40,771	5,771
Plumbing permits	2,500	3,155	655
Maintenance charges	269,500	235,229	(34,271)
Moving charges	5,000	2,353	(2,647)
Utility tax	95,000	97,677	2,677
EPA License Fee	-	14,367	14,367
Miscellaneous	1,000	2,751	1,751
Water tower lease	25,591	25,591	-
Total operating revenues	\$ 2,093,891	\$ 2,120,037	\$ 26,146
Operating expenses			
Utilities department:			
Salaries	\$ 328,000	\$ 326,454	\$ (1,546)
Overtime	18,000	19,721	1,721
Compensated absences expense	-	-	-
Health insurance	77,263	68,809	(8,454)
Training	-	-	-
Travel expense	-	-	-
Uniforms	2,800	1,457	(1,343)
Professional fees	35,000	30,951	(4,049)
Engineering fees	15,000	23,123	8,123
Building maintenance	60,000	60,377	377
Maintenance of tower/plant	35,000	21,665	(13,335)
Equipment/water main maintenance			
Lift station maintenance	45,000	26,317	(18,683)
Lab supplies	10,000	12,183	2,183
Material purchases	4,000	1,581	(2,419)
Dues and subscriptions	1,000	520	(480)
Telephone	15,000	22,648	7,648
Electricity	150,000	166,244	16,244
Fuel for building	12,000	10,438	(1,562)
Gas, oil and grease	19,000	12,131	(6,869)
Chemicals	85,000	65,790	(19,210)
Miscellaneous	2,000	3,335	1,335
New equipment	125,000	-	(125,000)
Infrastructure	60,000	55,339	(4,661)
Permit fees	17,500	17,500	-
Total utilities department	1,134,063	968,385	(165,678)

City of Harvard, Illinois

Water and Sewerage Fund (Continued) Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2013

	Final Budget	Actual	Over (Under) Budget
Operating expenses			
Maintenance and administration department:			
Salaries	\$ 162,433	\$ 150,158	\$ (12,275)
Salaries, clerical	105,000	105,950	950
Overtime	6,300	18,137	11,837
Health insurance	76,000	55,527	(20,473)
Uniforms	2,500	2,164	(336)
Utility tax	95,000	83,779	(11,221)
Rent	20,000	20,000	-
Vehicle maintenance	25,000	23,016	(1,984)
Storm sewer maintenance	10,000	14,881	4,881
Sanitary sewer maintenance	30,000	32,658	2,658
Water main maintenance	60,000	29,810	(30,190)
Material purchases	1,000	529	(471)
Office supplies	2,500	1,090	(1,410)
Postage	7,000	6,411	(589)
Telephone	2,500	3,458	958
Gas, oil and grease	3,000	18,018	15,018
Equipment/meters sweeper	96,600	41,655	(54,945)
Miscellaneous	22,245	2,565	(19,680)
Total maintenance and administration department	727,078	609,806	(117,272)
Total operating expenses	\$ 1,861,141	\$ 1,578,191	\$ (282,950)
Nonoperating revenues (expenses)			
Grant for capital improvement	-	214,486	214,486
Interest income	2,000	1,796	(204)
Interest expense	(359,750)	(121,615)	238,135
Total nonoperating revenues (expenses)	\$ (357,750)	\$ 94,667	\$ 452,417
Other financing sources (uses)			
Operating transfers in (out)	\$ -	\$ -	\$ -

City of Harvard, Illinois

Pool Fund

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2013

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for pool services:			
Daily tickets	\$ 18,500	\$ 25,505	\$ 7,005
Pool passes	21,500	26,505	5,005
Lessons	9,650	8,075	(1,575)
Pool parties	6,000	4,379	(1,621)
Total pool services revenue	55,650	64,464	8,814
Concession sales	9,500	8,345	(1,155)
Total operating revenues	\$ 65,150	\$ 72,809	\$ 7,659
Operating expenses			
Salaries	\$ 42,200	\$ 47,842	\$ 5,642
Insurance	-	850	850
Maintenance and repairs	7,500	16,857	9,357
Pool supplies	2,000	1,927	(73)
Telephone	1,800	2,168	368
Utilities	18,000	13,664	(4,336)
Fuel for building	6,000	5,398	(602)
Water	5,800	8,638	2,838
Chemicals	13,000	14,267	1,267
Concession stand	3,500	7,699	4,199
Miscellaneous	2,000	2,971	971
New equipment	-	-	-
Total operating expenses	\$ 101,800	\$ 122,281	\$ 20,481
Nonoperating revenues (expenses)			
Miscellaneous income	\$ 2,000	\$ 1,730	\$ (270)
Total nonoperating revenues (expenses)	\$ 2,000	\$ 1,730	\$ (270)
Other financing sources (uses)			
Operating transfers out	\$ -	\$ -	\$ -
Operating transfers in	34,650	34,650	-
Total other financing sources (uses)	\$ 34,650	\$ 34,650	\$ -

Revenue

Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ -	\$ -	\$ -	\$ -
-	-	-	-
83,201	72,947	-	-
-	7,937	-	-
-	91	223,751	-
<u>\$ 83,201</u>	<u>\$ 80,975</u>	<u>\$ 223,751</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 361
-	-	-	1,617
41,600	36,473	-	-
204,401	76,708	-	251,834
<u>246,001</u>	<u>113,181</u>	<u>-</u>	<u>253,812</u>
-	-	223,751	-
(162,800)	(32,206)	-	(253,812)
<u>(162,800)</u>	<u>(32,206)</u>	<u>223,751</u>	<u>(253,812)</u>
<u>\$ 83,201</u>	<u>\$ 80,975</u>	<u>\$ 223,751</u>	<u>\$ -</u>

Revenue			Debt Service	
Welfare	Economic Development	Revolving Loan	Debt Service	
\$ 16,533	\$ -	\$ 138,638	\$ -	
-	-	-	-	
-	-	-		296,563
-	-	-		-
1,920	-	-		-
<hr/>				
\$ 18,453	\$ -	\$ 138,638	\$ 296,563	
<hr/>				
\$ 2,054	\$ -	\$ -	\$ -	
-	-	-	-	
-	-	-		148,282
-	-	-		72,342
<hr/>				
2,054	-	-		220,624
<hr/>				
16,399	-	138,638		75,939
-	-	-		-
<hr/>				
16,399	-	138,638		75,939
<hr/>				
\$ 18,453	\$ -	\$ 138,638	\$ 296,563	
<hr/>				

Service			Capital Projects	
SSA #1 Park Pointe	SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 21,686	\$ 10,985	\$ 322	\$ 2,088	\$ 21,556
-	-	-	-	-
40,565	36,853	41,375	74,289	126,875
-	-	-	-	-
-	-	-	-	-
<u>\$ 62,251</u>	<u>\$ 47,838</u>	<u>\$ 41,697</u>	<u>\$ 76,377</u>	<u>\$ 148,431</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
20,283	18,426	20,688	37,145	63,438
-	-	-	-	-
<u>20,283</u>	<u>18,426</u>	<u>20,688</u>	<u>37,145</u>	<u>63,438</u>
41,968	29,412	21,009	39,232	84,993
-	-	-	-	-
<u>41,968</u>	<u>29,412</u>	<u>21,009</u>	<u>39,232</u>	<u>84,993</u>
<u>\$ 62,251</u>	<u>\$ 47,838</u>	<u>\$ 41,697</u>	<u>\$ 76,377</u>	<u>\$ 148,431</u>

Revenue			
Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ 81,506	\$ 103,665	\$ -	\$ -
-	-	-	3,379
-	-	-	6,893
-	-	-	-
-	-	-	-
81,506	103,665	-	10,272
251,635	250,024	-	-
-	-	-	-
-	-	-	22,311
-	-	-	-
-	-	-	-
251,635	250,024	-	22,311
(170,129)	(146,359)	-	(12,039)
156,908	129,385	-	15,000
-	-	-	-
156,908	129,385	-	15,000
(13,221)	(16,974)	-	2,961
(149,579)	(15,232)	223,751	(256,773)
\$ (162,800)	\$ (32,206)	\$ 223,751	\$ (253,812)

Revenue			Debt Service
Welfare	Economic Development	Revolving Loan	Debt Service
\$ -	\$ -	\$ -	\$ 293,923
-	-	-	-
-	-	-	-
36	7	293	-
23,346	-	47,553	-
<u>23,382</u>	<u>7</u>	<u>47,846</u>	<u>293,923</u>
-	-	-	515
-	-	-	-
-	-	-	-
22,354	-	-	-
-	-	12,000	294,326
<u>22,354</u>	<u>-</u>	<u>12,000</u>	<u>294,841</u>
1,028	7	35,846	(918)
-	-	-	-
-	(9,473)	-	-
-	(9,473)	-	-
1,028	(9,466)	35,846	(918)
15,371	9,466	102,792	76,857
<u>\$ 16,399</u>	<u>\$ -</u>	<u>\$ 138,638</u>	<u>\$ 75,939</u>

Service			Capital Projects	
SSA #1 Park Pointe	SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 40,566	\$ 36,854	\$ 39,426	\$ 72,789	\$ 126,064
-	-	-	-	-
69	41	33	66	165
-	-	-	-	-
40,635	36,895	39,459	72,855	126,229
-	-	-	-	-
-	-	-	-	-
-	-	351	425	400
-	-	-	-	-
40,818	37,396	37,475	71,289	125,250
40,818	37,396	37,826	71,714	125,650
(183)	(501)	1,633	1,141	579
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(183)	(501)	1,633	1,141	579
42,151	29,913	19,376	38,091	84,414
\$ 41,968	\$ 29,412	\$ 21,009	\$ 39,232	\$ 84,993

General Obligation Bonds		Debt Certificates	
Alternate Revenue Source		Series 2008B	
Series 2012B			
Principal	Interest	Principal	Interest
\$ 165,000	\$ 68,160	\$ 21,963	\$ 25,841
170,000	64,860	23,075	24,729
175,000	61,460	24,243	23,560
175,000	57,960	25,470	22,333
145,000	53,586	26,760	21,044
145,000	49,960	325,557	19,689
150,000	46,335	-	-
155,000	41,835	-	-
160,000	37,186	-	-
165,000	32,225	-	-
175,000	23,975	-	-
180,000	17,850	-	-
185,000	11,550	-	-
145,000	5,075	-	-
-	-	-	-
<u>\$ 2,290,000</u>	<u>\$ 572,017</u>	<u>\$ 447,068</u>	<u>\$ 137,196</u>

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

Principal	Interest
\$ 75,000	\$ 16,095
80,000	14,295
80,000	12,375
85,000	9,735
90,000	6,930
90,000	3,465
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
\$ 500,000	\$ 62,895

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, 2013, and have issued our report thereon dated October 22, 2013. 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.

Wipfli LLP

Rockford, Illinois
October 22, 2013

City of Harvard, Illinois

Schedule of Findings and Questioned Costs

	Comment	Corrective Action or Other Explanation
2013 - 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.
2013 - 2	Due to the limited number of personnel available in the organization, management with the authorization of the City Council 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 Council takes responsibility for the statements and is the most cost effective option for the organization.