

City of Harvard

Harvard, Illinois

Annual Financial Report

April 30, 2015

City of Harvard, Illinois

Year Ended April 30, 2015

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Year Ended April 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois, as of and for the year ended April 30, 2015, 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of April 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Harvard, Illinois basic financial statements. The schedules listed in the table of contents as "Other Information", which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 September 22, 2015, 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
September 22, 2015

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Harvard's basic financial statements, and have issued our report thereon dated September 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. Accordingly, we do not express an opinion on the effectiveness of the City of Harvard's internal control.

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 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. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as items 2015-001 and 2015-002.

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*.

Responses to Findings

City of Harvard, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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
September 22, 2015

Basic Financial Statements

City of Harvard, Illinois

Statement of Net Position

April 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,679,612	\$ 353,215	\$ 2,032,827
Investments	1,205,451	-	1,205,451
Receivables:			
Taxes	2,802,674	-	2,802,674
Accounts	561,297	399,787	961,084
Due from other governments	51,339	-	51,339
Internal balances	566,215	(566,215)	-
Total current assets	6,866,588	186,787	7,053,375
Capital Assets (net of accumulated depreciation):			
Land (non-depreciable)	8,544,157	128,000	8,672,157
Infrastructure	6,057,591	1,945,323	8,002,914
Buildings and improvements	3,843,078	6,741,243	10,584,321
Machinery and equipment	40,447	163,245	203,692
Furniture and office equipment	94,860	-	94,860
Vehicles	144,096	-	144,096
Total noncurrent assets	18,724,229	8,977,811	27,702,040
Total assets	25,590,817	9,164,598	34,755,415

Liabilities

Current liabilities:

Accounts payable	76,050	52,028	128,078
Accrued payroll	94,210	14,922	109,132
Accrued interest	70,289	5,156	75,445
Due to fiduciary funds	26,337	-	26,337
Notes payable	20,267	-	20,267
Current portion on bonds payable	571,471	160,000	731,471
Total current liabilities	858,624	232,106	1,090,730

Noncurrent liabilities:

Compensated absences	184,377	66,591	250,968
Net pension obligation	1,050,485	-	1,050,485
Notes payable	744,279	-	744,279
Bonds payable, including unamortized premium (discount)	5,800,546	1,921,086	7,721,632
Total noncurrent liabilities	7,779,687	1,987,677	9,767,364
Total liabilities	8,638,311	2,219,783	10,858,094

Deferred Inflows of Resources

Property taxes	1,390,280	-	1,390,280
Total deferred inflows of resources	1,390,280	-	1,390,280

Net Position

Net investment in capital assets	11,587,666	6,896,725	18,484,391
Restricted for highways and streets	229,642	-	229,642
Restricted for debt service	818,394	-	818,394
Restricted for capital projects	112,965	-	112,965
Restricted for library	1,455,842	-	1,455,842
Restricted for police protection	548,569	-	548,569
Restricted for other purposes	575,984	-	575,984
Unrestricted	233,164	48,090	281,254
Total net position	\$ 15,562,226	\$ 6,944,815	\$ 22,507,041

City of Harvard, Illinois

Statement of Activities

Year ended April 30, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General Government	\$ 2,006,650	\$ 603,581	\$ 155,469	\$ -
Public Safety	2,688,522	290,894	-	-
Public Works	934,056	128,239	313,354	-
Culture and Recreation	558,414	36,827	19,309	-
Interest expense	258,645	-	-	-
Total governmental activities	\$ 6,446,287	\$ 1,059,541	\$ 488,132	\$ -
Business-type activities:				
Swimming Pool	\$ 154,483	\$ 56,623	\$ -	\$ -
Waterworks and Sewerage	1,938,308	2,013,256	-	1,632
Total business-type activities	\$ 2,092,791	\$ 2,069,879	\$ -	\$ 1,632
General revenues:				
Taxes:				
Property taxes				
State taxes				
Miscellaneous taxes				
Interest and investment income				
Miscellaneous				
Total general revenues				
Transfers in (out)				
Change in net position				
Net position - beginning				
Net position - ending				

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,247,600)	\$ -	\$ (1,247,600)
(2,397,628)	-	(2,397,628)
(492,463)	-	(492,463)
(502,278)	-	(502,278)
(258,645)	-	(258,645)
(4,898,614)	-	(4,898,614)
-	(97,860)	(97,860)
-	76,580	76,580
-	(21,280)	(21,280)
2,744,632	-	2,744,632
2,215,957	-	2,215,957
652,152	97,991	750,143
122,482	2,170	124,652
183,779	48,396	232,175
5,919,002	148,557	6,067,559
(50,359)	50,359	-
970,029	177,636	1,147,665
14,592,197	6,767,179	21,359,376
<u>\$ 15,562,226</u>	<u>\$ 6,944,815</u>	<u>\$ 22,507,041</u>

City of Harvard, Illinois

Statement of Assets, Liabilities, and Fund Balances Governmental Funds

April 30, 2015

	General Fund	Harvard Diggins Library	Police Protection
Assets			
Cash and cash equivalents	\$ 661,053	\$ 139,706	\$ -
Investments	-	1,205,451	-
Receivables, net of allowances			
Property tax	432,922	233,775	567,722
Accounts	561,298	-	-
Due from other funds	1,414,884	-	264,708
Total assets	\$ 3,070,157	\$ 1,578,932	\$ 832,430
Liabilities			
Current liabilities			
Accounts payable	\$ 55,566	\$ 2,730	\$ -
Accrued payroll	84,722	5,055	-
Due to other funds	-	-	-
Due to fiduciary funds	23,238	-	-
Total liabilities	163,526	7,785	-
Deferred Inflows of Resources			
Property taxes	206,983	115,305	283,861
Total deferred inflows of resources	206,983	115,305	283,861
Fund Balances			
Fund balances:			
Restricted for:			
Special revenue funds	-	-	548,569
Debt service funds	-	-	-
Capital projects funds	-	-	-
Harvard Diggins Library	-	1,455,842	-
Unassigned	2,699,648	-	-
Total fund balances	2,699,648	1,455,842	548,569
Total liabilities, deferred inflows and fund balances	\$ 3,070,157	\$ 1,578,932	\$ 832,430

See accompanying notes to financial statements.

	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	Nonmajor Governmental Funds	Total Governmental Funds
\$	103,855	\$ 37,105	\$ 300,160	\$ 437,733	\$ 1,679,612
	-	-	-	-	1,205,451
	73,729	229,363	139,607	1,125,556	2,802,674
	-	-	-	51,339	612,637
	-	-	-	356,625	2,036,217
<u>\$</u>	<u>177,584</u>	<u>\$ 266,468</u>	<u>\$ 439,767</u>	<u>\$ 1,971,253</u>	<u>\$ 8,336,591</u>

\$	-	\$ -	\$ -	\$ 17,753	\$ 76,048
	-	-	-	4,433	94,210
	-	-	-	1,470,002	1,470,002
	-	-	-	3,099	26,337
	-	-	-	1,495,287	1,666,597

	36,865	114,682	69,804	562,780	1,390,280
	36,865	114,682	69,804	562,780	1,390,280

	-	-	-	805,626	1,354,195
	140,719	151,786	369,963	155,926	818,394
	-	-	-	112,965	112,965
	-	-	-	-	1,455,842
	-	-	-	(1,161,331)	1,538,317
	140,719	151,786	369,963	(86,814)	5,279,713
<u>\$</u>	<u>177,584</u>	<u>\$ 266,468</u>	<u>\$ 439,767</u>	<u>\$ 1,971,253</u>	<u>\$ 8,336,591</u>

City of Harvard, Illinois

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

April 30, 2015

Total fund balances - governmental funds	\$ 5,279,713
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 \$22,763,265 and the accumulated depreciation is \$4,039,036.	18,724,229
Interest on long-term debt is not accrued in governmental funds	(70,289)
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.	(8,371,427)
<hr/>	
Total net position - governmental activities	<u>\$ 15,562,226</u>

City of Harvard, Illinois

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

Year ended April 30, 2015

	General Fund	Harvard Diggins Library	Police Protection	TIF #1 Downtown Redevelopment
Revenues				
Taxes	\$ 3,357,098	\$ 242,243	\$ 576,289	\$ 69,663
Licenses and fees	742,198	24,987	-	-
Intergovernmental	-	-	-	-
Investment income	-	42,735	-	-
Interest	5,889	59,056	6	560
Other	369,642	77,221	-	-
Total revenues	4,474,827	446,242	576,295	70,223
Expenditures				
General government	730,399	31,986	-	-
Public safety	2,536,714	-	-	-
Public works	576,619	-	-	-
Culture and recreation	-	342,736	-	-
Capital outlay	174,962	8,027	-	-
Debt service	40,922	-	-	181,259
Total expenditures	4,059,616	382,749	-	181,259
Excess (deficiency) of revenues over expenditures	415,211	63,493	576,295	(111,036)
Other Financing Sources (uses)				
Transfers in	728,841	-	-	95,000
Transfers out	(700,000)	-	(630,000)	-
Total other financing sources and uses	28,841	-	(630,000)	95,000
Net change in fund balances	444,052	63,493	(53,705)	(16,036)
Fund balances - beginning	2,255,596	1,392,349	602,274	156,755
Fund balances - ending	\$ 2,699,648	\$ 1,455,842	\$ 548,569	\$ 140,719

See accompanying notes to financial statements.

TIF #2 Industrial Park Fund	TIF #3 South	Nonmajor Governmental Funds	Total Governmental Funds
\$ 224,019	\$ 141,107	\$ 1,380,000	\$ 5,990,419
-	-	12,947	780,132
-	-	65,179	65,179
-	-	-	42,735
576	1,379	7,796	75,262
-	-	66,398	513,261
224,595	142,486	1,532,320	7,466,988
-	-	781,596	1,543,981
-	-	-	2,536,714
-	-	189,976	766,595
-	-	166,306	509,042
-	-	223,552	406,541
258,850	47,804	613,371	1,142,206
258,850	47,804	1,974,802	6,905,079
(34,255)	94,682	(442,481)	561,909
-	-	582,800	1,406,641
-	-	(127,000)	(1,457,000)
-	-	455,800	(50,359)
(34,255)	94,682	13,319	511,550
186,041	275,281	(100,133)	4,768,163
\$ 151,786	\$ 369,963	\$ (86,814)	\$ 5,279,713

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, 2015

Excess (deficiency) of revenues and other sources over (under) expenditures and other uses - Governmental funds	\$ 511,550
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.	83,679
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 \$374,096 exceed capitalized fixed assets of \$322,514 in the period.	(51,582)
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.	(154,187)
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.	580,569
<u>Change in net position of governmental activities</u>	<u>\$ 970,029</u>

City of Harvard, Illinois

Statement of Net Position Proprietary Funds

April 30, 2015

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Assets			
Current assets:			
Cash	\$ 353,215	\$ -	\$ 353,215
Accounts receivable	399,787	-	399,787
Due from other funds	1,237	-	1,237
Total current assets	754,239	-	754,239
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,460,764	1,389,049	8,849,813
Total noncurrent assets	7,588,764	1,389,049	8,977,813
Total assets	8,343,003	1,389,049	9,732,052
Liabilities			
Current liabilities:			
Due to other funds	480	566,972	567,452
Accounts payable	50,979	1,049	52,028
Accrued payroll	14,922	-	14,922
Accrued interest	5,156	-	5,156
Current portion long term debt	160,000	-	160,000
Total current liabilities	231,537	568,021	799,558
Noncurrent liabilities:			
Compensated absences payable	66,591	-	66,591
General obligation bonds payable, including unamortized premium (discount)	1,921,086	-	1,921,086
Total noncurrent liabilities	1,987,677	-	1,987,677
Total liabilities	2,219,214	568,021	2,787,235
Net Position			
Net investment in capital assets	5,507,678	1,389,049	6,896,727
Unrestricted	616,111	(568,021)	48,090
Total net position	\$ 6,123,789	\$ 821,028	\$ 6,944,817

See accompanying notes to financial statements.

City of Harvard, Illinois

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

Year ended April 30, 2015

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Operating revenues			
Charges for services	\$ 2,159,643	\$ 56,623	\$ 2,216,266
Operating expenses:			
Operating	1,577,393	102,372	1,679,765
Depreciation	274,400	52,111	326,511
Total operating expenses	1,851,793	154,483	2,006,276
Operating income (loss)	307,850	(97,860)	209,990
Nonoperating revenues (expenses)			
Grant for capital improvement	1,632	-	1,632
Miscellaneous income	-	-	-
Interest income	2,170	-	2,170
Interest expense	(86,513)	-	(86,513)
Total nonoperating revenues	(82,711)	-	(82,711)
Other financing sources (uses)			
Operating transfers in	-	50,359	50,359
Net income (loss)	225,139	(47,501)	177,638
Net position - May 1, 2014	5,898,650	868,529	6,767,179
Net position - April 30, 2015	\$ 6,123,789	\$ 821,028	\$ 6,944,817

City of Harvard, Illinois

Statement of Cash Flows Proprietary Funds

Year ended April 30, 2015

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,177,345	\$ 56,623	\$ 2,233,968
Payments to suppliers	(1,296,951)	(50,217)	(1,347,168)
Payments to employees	(295,563)	(58,736)	(354,299)
Net cash provided by (used in) operations	584,831	(52,330)	532,501
Cash Flows From Investing Activities			
Interest received	2,170	-	2,170
Net cash provided by investing activities	2,170	-	2,170
Cash Flows From Capital and Related Financing Activities			
Interest paid	(87,313)	-	(87,313)
Miscellaneous receipts	1,632	-	1,632
Transfers in	-	50,359	50,359
Due to other funds	-	8,770	8,770
Net (payments) proceeds on general obligation bonds	(301,610)	-	(301,610)
Principal payments on capital lease	-	-	-
Purchase of property and equipment	(488,394)	(6,799)	(495,193)
Net cash provided by (used in) capital and related financing activities	(875,685)	52,330	(823,355)
Net increase (decrease) in cash and cash equivalents	(288,684)	-	(288,684)
Beginning cash and cash equivalents	641,899	-	641,899
Ending cash and cash equivalents	\$ 353,215	\$ -	\$ 353,215

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Cash Flows (Continued) Proprietary Funds

Year ended April 30, 2015

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<i>Reconciliation of operating income to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ 307,848	\$ (97,860)	\$ 209,988
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	274,400	52,111	326,511
Changes in assets and liabilities:			
Accounts receivable	17,702	-	17,702
Accounts payable	(23,813)	(6,581)	(30,394)
Accrued payroll	1,206	-	1,206
Compensated absences	7,486	-	7,486
Net cash provided by (used in) operations	\$ 584,829	\$ (52,330)	\$ 532,499

City of Harvard, Illinois

Statement of Fiduciary Net Position Fiduciary Funds

Year ended April 30, 2015

		Expendable	
	Police Pension	Trust Fund	Trust Fund
	Trust Fund	Apartment	Scholarship
		Fund	Fund
Assets			
Cash and cash equivalents	\$ 615,260	\$ 42,265	\$ 15,759
Investments	8,519,529	-	-
Receivables, net of allowance for uncollectible:			
Note receivable	-	97,247	-
Accrued interest	27,822	-	-
Due from City of Harvard	26,337	-	-
Property tax receivable	464,527	-	-
Prepaid expenses	3,507	-	-
Total assets	9,656,982	139,512	15,759
Liabilities			
Accounts payable	590	-	-
Total liabilities	590	-	-
Deferred Inflows of Resources			
Property taxes	230,500	-	-
Net Position			
Held in trust for pension benefits and other purposes	\$ 9,425,892	\$ 139,512	\$ 15,759

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Changes in Fiduciary Net Position Fiduciary Funds

April 30, 2015

	Police Pension Trust Fund	Expendable	
		Trust Fund Apartment Fund	Trust Fund Scholarship Fund
Additions			
Contributions-employer taxes	\$ 461,768	\$ -	\$ -
Contributions-employee	135,471	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	139,998	-	-
Interest, dividends and investment income (loss)	435,046	7,134	392
Total additions	1,172,283	7,134	392
Deductions			
Benefits and refunds	476,689	-	-
Other charges and services	19,589	8,316	1,008
Total deductions	496,278	8,316	1,008
Net increase	676,005	(1,182)	(616)
Transfers in	-	-	-
Transfers out	-	-	-
Net position - beginning	8,626,994	140,694	16,375
Prior period adjustment	122,893	-	-
Net position - ending	\$ 9,425,892	\$ 139,512	\$ 15,759

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 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.

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.

Police Protection

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

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):

TIF Funds

The tax increment financing funds (TIFs) are used to account for all the financial resources and debt service payments related to the TIF districts.

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, 2015. 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, 2015 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 2014 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).

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.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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.

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

City of Harvard, Illinois

Notes to Financial Statements

Note 2 Legal Compliance and Accountability (Continued)

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	\$(269,556)
Road & Bridge	(159,860)
Social Security	(127,775)
Regional Transportation Authority	(241,047)
Audit	(49,162)
Liability Insurance	(331,943)

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 reclassified as due to/from on the financial statements. As of April 30, 2015, the following funds had overdrafts:

Park Fund	\$300,474
Road & Bridge	195,092
Social Security	186,334
Illinois Municipal Retirement	43,317
RTA	239,597
Audit	67,912
Liability Insurance	351,950
Debt Service	82,558
Pool	566,972

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 \$2,706,111 and the bank balance was \$2,787,873. Of the bank balance, \$2,787,873 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, 2015, \$-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, 2015, the City's investments were as follows:

	<u>Fair Value</u>
Long-term Certificates of Deposit	\$238,311
U.S. Treasuries	342,598
Agency Securities	2,279,707
Mortgage Pools	602,189
Unit trusts (Library)	158,755
Municipal Bonds (Includes Library)	751,607
Corporate Bonds (Includes Library)	121,758
Equity Mutual Funds (Includes Library)	<u>5,230,055</u>
Total	<u>\$9,724,980</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>12 Months or Less</u>	<u>13-60 Months</u>	<u>60+ Months</u>	<u>Total</u>
Long-term certificates of deposit	\$ -	\$238,311	\$ -	\$238,311
U.S. treasuries	-	265,910	76,688	342,598
Agency securities	108,869	1,659,664	511,174	2,279,707
Mortgage pools	-	-	602,189	602,189
Unit trusts	158,755	-	-	158,755
Municipal bonds	-	263,966	487,641	751,607
Corporate bonds	-	121,758	-	121,758
Total	<u>\$280,759</u>	<u>\$2,549,609</u>	<u>\$1,677,692</u>	<u>\$4,494,925</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, 2015</u>	
		<u>AA</u>
Corporate bonds	<u>\$121,758</u>	<u>\$121,758</u>
Municipal bonds	<u>\$751,607</u>	<u>\$751,607</u>
		<u>Aaa</u>
Agency securities	<u>\$2,279,707</u>	<u>\$2,279,707</u>
		<u>Aa1/Aa2</u>
Municipal bonds	<u>\$751,607</u>	<u>\$298,953</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 3 Deposits and Investments (Continued)

Credit Risk (continued):

Municipal bonds (continued)	<u>Aaa</u> <u>\$86,674</u>
	<u>Unrated</u> <u>\$365,980</u>

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, 2015 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, 2015:

Special Revenue Funds:

Highways & Streets	<u>\$229,642</u>
Police Protection	<u>\$548,569</u>
Off Street Parking	<u>\$223,752</u>
Special Recreation	<u>\$149,786</u>
Welfare	<u>\$8,648</u>
Revolving Loan	<u>\$193,798</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 4 Restricted Fund Balances (Continued)

Debt Service Fund	<u>\$818,394</u>
Capital Projects Fund	<u>\$112,965</u>
Harvard Diggins Library	<u>\$1,455,842</u>

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, 2015 is as follows:

Cost:	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2015</u>
Land (not depr.)	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	6,856,159	195,932	-	7,052,091
Buildings & improvements	4,988,679	-	-	4,988,679
Machinery & equipment	653,955	33,610	-	687,565
Office equipment	149,334	26,875	-	176,209
Vehicles	1,062,807	60,166	-	1,122,973
Harvard Diggins Library Fixed Assets	<u>185,660</u>	<u>5,931</u>	<u>-</u>	<u>191,591</u>
	<u>\$22,440,751</u>	<u>\$322,514</u>	<u>\$ -</u>	<u>\$22,763,265</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	<u>Balance May 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2015</u>
Accumulated Depreciation:				
Infrastructure	\$ 807,147	\$187,353	\$ -	\$ 994,500
Buildings & improvements	1,046,677	98,924	-	1,145,601
Machinery & equipment	636,270	10,848	-	647,118
Office equipment	84,044	20,725	-	104,769
Vehicles	933,778	45,099	-	978,877
Harvard Diggins				
Library Fixed Assets	<u>157,024</u>	<u>11,147</u>	<u>-</u>	<u>168,171</u>
	<u>\$3,664,940</u>	<u>\$374,096</u>	<u>\$ -</u>	<u>\$4,039,036</u>
Total Capital Assets, Net:				
Land	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	6,049,012	8,579	-	6,057,591
Buildings & improvements	3,942,002	(98,924)	-	3,843,078
Machinery & equipment	17,685	22,762	-	40,447
Office equipment	65,290	6,150	-	71,440
Vehicles	129,029	15,067	-	144,096
Harvard Diggins				
Library Fixed Assets	<u>28,636</u>	<u>(5,216)</u>	<u>-</u>	<u>23,420</u>
	<u>\$18,775,811</u>	<u>\$(51,582)</u>	<u>\$ -</u>	<u>\$18,724,229</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, 2015 is as follows:

	<u>Balance</u> <u>May 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2015</u>
Cost:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,730,663	488,394	-	2,219,057
Buildings & improvements	9,852,596	-	-	9,852,596
Swimming pool	2,094,816	6,799	-	2,101,615
Machinery & equipment	1,507,636	-	-	1,507,636
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$15,498,567</u>	<u>\$495,193</u>	<u>\$ -</u>	<u>\$15,993,760</u>
Accumulated Depreciation:				
Infrastructure	\$ 223,891	\$ 49,843	\$ -	\$ 273,734
Buildings & improvements	4,303,348	197,052	-	4,500,400
Swimming pool	660,458	52,110	-	712,568
Machinery & equipment	1,316,886	27,505	-	1,344,391
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$6,689,439</u>	<u>\$326,510</u>	<u>\$ -</u>	<u>\$7,015,949</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	<u>Balance May 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2015</u>
Total Capital Assets, Net:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,506,772	438,551	-	1,945,323
Buildings & improvements	5,549,248	(197,052)	-	5,352,196
Swimming pool	1,434,358	(45,311)	-	1,389,047
Machinery & equipment	190,750	(27,505)	-	163,245
Furniture & office Equipment	-	-	-	-
Vehicles	-	-	-	-
	<u>\$8,809,128</u>	<u>\$168,683</u>	<u>\$ -</u>	<u>\$8,977,811</u>

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

Governmental activities:

General government	\$157,169
Public safety	100,986
Public works	109,191
Culture and recreation	<u>6,750</u>

Total depreciation expense, governmental activities \$374,096

Business-type activities:

Waterworks and Sewerage Department	\$274,400
Swimming Pool	<u>52,110</u>

Total depreciation expense, business-type activities \$326,510

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, 2015:

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 7, 2016. Prime rate at 3.25% on April 30, 2015.	General	\$ _____ -	\$145,000	\$145,000	\$ _____ -

City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt

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>
<u>Governmental Activities</u>					
\$2,075,000 General Obligation Bonds, dated April 1, 2011 due in annual installments of \$255,000 to \$285,000 plus interest at 2.00% to 4.00% through December 1, 2018.	Debt Service	\$1,340,000	\$ -	\$250,000	\$1,090,000
\$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.	TIF	3,010,000	-	95,000	2,915,000
\$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	2,125,000	-	170,000	1,955,000
\$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	421,346	-	27,483	393,863
\$559,986 Bank loan dated April 2013, interest at 3.90%. Principal and interest paid quarterly through April 17, 2018.	General	541,191	-	19,547	521,644

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>					
\$300,000 Bank loan dated July, 2009, interest at 4.50%. Principal and interest paid semiannually through July 15, 2019.	TIF	<u>254,737</u>	-	<u>11,835</u>	<u>242,902</u>
		<u>\$7,692,274</u>	\$ -	<u>\$573,865</u>	<u>\$7,118,409</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	\$ 425,000	\$ -	\$ 80,000	\$ 345,000
\$735,000 W&S Alternate Revenue Source Bonds Series 2014, due in annual Installments of \$140,000 to \$155,000 plus interest at 2.00% to 2.50% through May 1, 2019	W&S	735,000	-	140,000	595,000
\$1,700,000 W&S Alternate Source Revenue Bonds 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>1,225,000</u>	-	<u>80,000</u>	<u>1,145,000</u>
		<u>\$2,385,000</u>	\$ -	<u>\$300,000</u>	<u>\$2,085,000</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 8 Long-Term Debt (Continued)

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

Year Ending April 30	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 591,738	\$ 243,948	\$ 160,000	\$ 79,800
2017	714,394	228,095	310,000	70,954
2018	1,275,361	205,901	325,000	61,262
2019	1,111,364	157,821	330,000	50,328
2020	705,552	109,607	250,000	39,119
2021 - 2024	2,210,000	258,266	420,000	91,391
2025 - 2027	<u>510,000</u>	<u>34,475</u>	<u>290,000</u>	<u>25,651</u>
Total	<u>\$7,118,409</u>	<u>\$1,238,113</u>	<u>\$2,085,000</u>	<u>\$418,505</u>

Changes occurred in Long-Term Liabilities

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

	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
Bonds payable, including unamortized premium	\$ 9,298,709	\$ -	\$845,606	\$ 8,453,103
Notes payable	795,928	-	31,382	764,546
Compensated absences	327,161	-	76,193	250,968
Net pension obligation	<u>896,298</u>	<u>154,187</u>	<u>-</u>	<u>1,050,485</u>
Total	<u>\$11,318,096</u>	<u>\$154,187</u>	<u>\$953,181</u>	<u>\$10,519,102</u>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$97,905,450. As of April 30, 2015, the City had \$6,589,799 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.

City of Harvard, Illinois

Notes to Financial Statements

Note 10 Interfund Assets/Liabilities

Due From (To) Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General		\$1,414,884
Police Protection		264,708
	Non-major governmental funds	(1,113,377)
 Proprietary:		
Water		1,237
	Water	(480)
	Pool	(566,972)

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, 2015:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Non-Major Governmental Funds	<u>\$ 728,841</u>	<u>\$(700,000)</u>
Total General Fund	<u>728,841</u>	<u>(700,000)</u>
 Police Protection Fund:		
General Fund	<u>-</u>	<u>(630,000)</u>
 Park Fund:		
General Fund	<u>24,800</u>	<u>-</u>
 Road and Bridge Fund:		
General Fund	<u>-</u>	<u>(82,000)</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 10 Interfund Assets/Liabilities (Continued)

Transfers (continued)

Special Recreation Fund:

General Fund	_____ -	_____ (17,000)
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IMRF Fund:

General Fund	_____ 185,000	_____ -
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Insurance Liability Fund:

General Fund	_____ 163,000	_____ -
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FICA:

General Fund	_____ 195,000	_____ -
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TIF:

General Fund	_____ 95,000	_____ -
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Audit Fund:

General Fund	_____ -	_____ (28,000)
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RTA Fund:

General Fund	_____ 15,000	_____ -
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Total Non Major Governmental Funds	_____ 1,406,641	_____ (1,457,000)
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Pool Fund:

General Fund	_____ 50,359	_____ -
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Total Proprietary Funds	_____ 50,359	_____ -
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Total all funds	_____ \$1,457,000	_____ \$(1,457,000)
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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.

City of Harvard, Illinois

Notes to Financial Statements

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 4.50% 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 2014 used by the employer was 14.61. 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, 2014, the City's actual contributions for pension cost for the Regular were \$250,776. The required contribution for calendar year 2014 was \$250,776.

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>
12/31/14	\$250,776	100%	\$7,573
12/31/13	272,387	100%	7,396
12/31/12	241,964	100%	7,223

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, 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

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Annual Pension Cost (continued)

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, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 68.20% funded. The actuarial accrued liability for benefits was \$5,633,609 and the actuarial value of assets was \$3,842,071, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,791,538. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$1,716,465 and the ratio of the UAAL to the covered payroll was 104%.

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

Plan Administration

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 ILCS Article 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At April 30, 2015, the measurement date, the Police Pension Plan membership consisted of:

Inactive plan members currently receiving benefits	10
Employees:	
Vested	13
Nonvested	<u>4</u>
Total	<u>27</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to $\frac{1}{2}$ of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% 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% of the original pension and 3% of the amount of pension payable at the time of the increase annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of $\frac{1}{2}$ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., $\frac{1}{2}$ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City has until the year 2033 to fund 100% of the past service cost for the Police Pension Plan. For the year ended April 30, 2015, the City's contribution was 30.3% of covered payroll.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

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.

Investment Policy

ILCS limit the Police Pension Fund's investments to those allowable by ILCS and require the Police Pension Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Police Pension Fund's investment policy authorizes the Police Pension Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, investment grade corporate bonds and Illinois Funds. The Police Pension Fund 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, Illinois insurance company general and separate accounts, mutual funds and corporate equity securities and real estate investment trusts.

The Police Pension Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Long-Term Expected Rate of Return	Long-Term Inflation Expectations	Long-Term Expected Real Rate of Return
Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Large Cap Equities	8.30%	2.50%	5.80%
US Mid Cap Equities	9.30%	2.50%	6.80%
US Small Cap Equities	9.30%	2.50%	6.80%
Non-US Developed Large Cap Equity Unhedged	8.40%	2.50%	5.90%
Emerging Markets Equity Unhedged	10.50%	2.50%	8.00%
Global Real Estate - REITS	8.30%	2.50%	5.80%
Commodities - Long Only	4.90%	2.50%	2.40%

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at April 30 for debt securities, equity securities and mutual funds and contract values for insurance contracts. Illinois Funds, an investment pool created by the state legislature under the control of the State Treasurer, is a money market mutual fund that maintains a \$1 per share value.

Investment Concentrations

There are no significant investments (other than U.S. Government guaranteed obligations) in any one organization that represent 5% or more of the Police Pension Fund's investments.

Investment Rate of Return

For the year ended April 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Police Pension Fund's deposits may not be returned to them. The Police Pension Fund's investment policy requires all bank balances to be covered by federal depository insurance.

Interest Rate Risk

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of April 30, 2015:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Fixed income securities	\$4,309,523	\$ 267,624	\$2,549,609	\$1,492,290

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Interest Rate Risk (Continued)

In accordance with its investment policy, the Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Police Pension Fund.

Credit Risk

The Police Pension Fund limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government, securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and investment grade corporate bonds rated at or above BBB-by Standard and Poor's, Baa3 by Moody's and BBB-by Fitch by at least two of the three rating agencies. The fixed income securities are rated A1 to Aaa by Moody's. However, certain fixed income securities are not rated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Police Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Police Pension Fund requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the Police Pension Fund's agent separate from where the investment was purchased in the Police Pension Fund's name. The money market mutual funds and equity mutual funds are not subject to custodial credit risk.

Net Pension Liability

The components of the net pension liability of the Police Pension Fund as of April 30, 2015 calculated in accordance with GASB Statement No. 67 were as follows:

Total pension liability	\$16,243,983
Plan fiduciary net position	9,425,892
City's net pension liability	6,818,091
Plan fiduciary net position as a percentage of the total pension liability	58%

See the schedule of changes in the employer's net pension liability and related ratios in the required supplementary information for additional information related to the funded status of the Police Pension Fund.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2015 using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2015
Actuarial cost method	Entry age normal (level % pay)
Amortization method	Straight Line
Asset Valuation Method	Market Value
Assumptions:	
Investment rate of return	7.00%
Projected salary increases	5.50% - 15.50%
Aggregate payroll increases	5.00%
Inflation rate included	3.00%

Mortality rates were based on rates developed in a 2012 Mortality Table for Illinois Police Officers. Other demographic assumption rates are based on a review of assumptions in the 2012 study for Illinois Police Officers.

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Police Pension Fund's fiduciary net position was projected not to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was blended with the index rate of 3.62% for tax exempt general obligation municipal bonds rated AA or better at April 30, 2015 to arrive at a discount rate of 6.35% used to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the City calculated using the discount rate of 6.35% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.35%) or 1 percentage point higher (7.35%) than the current rate:

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Discount Rate Sensitivity (continued)

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Net Pension Liability	\$9,525,073	\$6,974,394	\$4,893,155

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% or more of net assets available for benefits.

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

Funding Status and Annual Pension Cost

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

Annual required contribution	\$ 289,857
Adjustments to annual required contribution	<u>325,921</u>
Annual pension cost	615,778
Contributions made	<u>(461,768)</u>
Increase in net pension obligation	154,010
Net pension obligation, beginning	<u>888,902</u>
Net pension obligation, ending	<u>\$1,042,912</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

The annual required contribution for the current year was determined as part of the May 1, 2014 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 5.5-6.5% per year. The unfunded actuarial accrued liability is being amortized as a level percent of payroll contributions in accordance with section 3-127 of the Illinois Pension Code. The remaining amortization period at May 1, 2014, was 19 years.

Funding Status and Annual Pension Cost

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/14	\$615,778	74.99%	\$1,042,912
4/30/13	515,553	81.82%	888,902
4/30/12	432,619	93.10%	795,151

The funded status of the two plans as of December 31, 2014 for IMRF and as of April 30, 2015 for the Police Pension Plan based on actuarial valuations performed as of the same date is as follows.

The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as noted earlier above.

	<u>Illinois Municipal Retirement</u>	<u>Police Pension</u>
Actuarial accrued liability (AAL)	\$5,633,609	\$16,243,983
Actuarial value of plan assets	3,842,071	9,425,892
Unfunded actuarial accrued liability (UAAL)	1,791,538	6,818,091
Funded ratio (actuarial value of plan assets/AAL)	68.20%	58%
Covered payroll (active plan Members)	1,716,465	1,374,078
UAAL as a percentage of Covered payroll	104.37%	496.19%

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

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

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. There has been 0% utilization and, therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45. Additionally, the City has no former employees for whom the City was providing an explicit subsidy and no employees with agreements for future explicit subsidies upon retirement. Accordingly, the City has not recorded any postemployment benefit liability as of April 30, 2015.

Note 13 Excess Expenditures over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Harvard Diggins Library Fund	\$ 359,350	\$ 382,749	\$ 23,399
TIF #1 Downtown Redevelopment Fund	180,270	181,259	989
TIF #2 Industrial Park Fund	257,860	258,849	989
TIF #3 South Fund	47,800	47,804	4

The City controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year- end budget to actual report.

Note 14 Fund Balance Reporting

According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the how these balances are reported.

City of Harvard, Illinois

Notes to Financial Statements

Note 14 Fund Balance Reporting (Continued)

1. Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. The City reports prepaid expenses as nonspendable fund balance within different funds. The City had no prepaid expenses at year-end.

2. Restricted Fund Balance

The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The City has several revenue sources received within different funds that are restricted for the following purposes:

Motor fuel tax	\$229,642
Tax increment financing	662,468
Debt service	155,926
Capital projects	112,965
Harvard Diggins library	1,455,842
Police protection	548,569
Off street parking	223,752
Special recreation	149,786
Welfare	8,648
Revolving loan	<u>193,798</u>
Total	<u>\$3,741,396</u>

3. Committed Fund Balance

The government commits fund balance by making motions or passing resolution to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contract requirements. The city had no balances that were committed at year end.

4. Assigned Fund Balance

The assigned fund balance classification refers to amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed.

City of Harvard, Illinois

Notes to Financial Statements

Note 14 Fund Balance Reporting (Continued)

Intent may be expressed by (a) the City Council itself or (b) the finance committee when the City Council has delegated the authority to assign amounts to be used for specific purposes. The city had no balances that were assigned at year end.

5. Unassigned Fund Balance

The unassigned fund balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

6. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

Note 15 Prior Period Adjustment

A prior period adjustment has been made to the City's April 30, 2015 financial statements to add a certificate of deposit to the police pension trust fund. The beginning police pension trust fund balance has been restated with an increase of \$122,893.

Note 16 Change in Accounting Principles

The City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement establishes standards of financial reporting and specifies the required approach to measuring pension liability of employers for benefits provided through the pension plan. The Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This financial report has been updated in accordance with GASB Statement No. 67.

Note 17 Pending GASB Statements

In June 2012, the GASB issued Statement No. 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.

In November 2013, the Governmental Accounting Standards Board (GASB) issued Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68". The City is required to implement this standard for the fiscal year ending April 30, 2016.

City of Harvard, Illinois

Notes to Financial Statements

Note 17 Pending GASB Statements (Continued)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72 "Fair Value Measurement and Application". The City is required to implement this standard for the fiscal year ending April 30, 2017.

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

**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)
12/31/14	\$3,842,071	\$5,633,609	\$1,791,538	68.20%	\$1,716,465	104.37%
12/31/13	3,552,959	5,241,623	1,688,664	67.78%	1,640,884	102.91%
12/31/12	3,439,710	5,201,579	1,761,869	66.13%	1,559,047	113.01%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$4,654,164. On a market basis, the funded ratio would be 82.61%.

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

Actuarial Valuations for Police Pension System

Police Pension Fund

Analysis of funding progress for the year ended April 30, 2015.

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 Liability <u>(2)-(1)</u>	(5) Annual Covered Payroll	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
4/30/15	\$9,269,589	\$16,243,983	58.03%	\$6,818,091	\$1,374,078	496.19%
4/30/14	8,813,813	13,723,405	64.22%	4,909,592	1,521,689	322.64%
4/30/13	8,086,337	12,281,663	65.84%	4,195,326	1,348,755	311.05%
4/30/12	6,866,459	11,079,284	65.22%	3,852,858	1,413,852	272.51%
4/30/11	7,226,426	11,079,284	65.22%	3,852,858	1,413,852	272.51%
4/30/10	6,585,530	10,100,401	65.20%	3,514,871	1,381,440	254.44%
4/30/09	5,647,824	9,355,613	60.37%	3,707,789	1,428,249	259.60%
4/30/08	4,764,283	8,629,587	55.21%	3,865,304	1,435,233	269.32%
4/30/07	4,756,716	8,060,376	59.01%	3,303,660	1,317,072	250.83%
4/30/06	4,335,514	7,224,106	60.01%	2,888,592	1,166,441	247.64%
4/30/05	3,982,442	6,094,796	65.34%	2,112,354	916,999	230.36%

Police Pension Fund Employer Contributions

Year Ending <u>April 30</u>	Annual Required Contributions	Employer Contribution	Percent Contributed
4/30/14	\$615,778	\$461,768	74.9%
4/30/13	515,553	421,802	81.8
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

City of Harvard, Illinois

Schedule of Employer Contributions

Police Pension Fund-Last Ten Fiscal Years

(Schedule to be built prospectively from 2015)

Required Supplementary Information

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially Determined Contribution	N/A	\$ 515,553								
Contributions in Relation to the Actuarially Determined Contribution	N/A	461,768								
CONTRIBUTION DEFICIENCY (Excess)	N/A	53,785								
Covered-Employee Payroll	N/A	1,374,078								
Contributions as a Percentage of Covered-Employee Payroll	N/A	33.6%								

The information directly above is formatted to comply with the requirements of GASB Statement No. 67. Additional information as of the latest actuarial valuation presented is as follows: The actuarial cost method was projected unit credit; the amortization method was level percentage of pay, closed basis and the amortization period was 19 years.

Year Ended April 30,	Employer Contributions	Annual Required Contribution	Percent Contributed
2010	\$ 240,856	\$ 407,245	59.1%
2011	345,073	401,595	85.9%
2012	389,017	393,024	99.0%
2013	403,058	432,619	93.2%
2014	421,802	515,553	81.8%
2015	461,768	615,778	75.0%

Notes to Required Supplementary Information

This information directly above is presented in accordance with GASB Statement No. 27. The information was determined as part of the actuarial valuations as of April 30 of the prior fiscal year. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 27 years, the asset valuation method was at market value and the significant actuarial assumptions were an investment rate of return of 6.75 annually, projected salary increased of 4.00% to 11.00% compounded annually, and post-retirement benefit increases of 3.00% compounded annually (Tier 1) or 2.00% per year, simple (Tier 2).

City of Harvard, Illinois

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Police Pension Fund

(schedule to be built prospectively from 2015)

Required Supplementary Information

For the year ended April 30, 2015

	2015
Total pension liability:	
Service cost	\$ 451,169
Interest on the total pension liability	957,197
Benefit changes	-
Difference between expected and actual experience	-
Assumption changes	-
Benefit payments and refunds	(476,689)
Net change in total pension liability	931,677
Total pension liability - beginning	15,312,306
Total pension liability - ending (a)	\$ 16,243,983
Plan fiduciary net position:	
Employer contributions	\$ 461,768
Employee contributions	135,471
Pension plan net investment income	574,142
Benefit payments and refunds	(476,689)
Administrative expense	(19,584)
Other	897
Net change in plan fiduciary net position	676,005
Plan fiduciary net position - beginning	8,749,887
Plan fiduciary net position - ending (b)	9,425,892
Net pension liability(asset) - Ending (a) - (b)	6,818,091
Plan fiduciary net position as a percentage of total pension liability	58.03%
Covered valuation payroll	1,374,078
Net pension liability as a percentage of covered valuation payroll	496.19%

City of Harvard, Illinois

Schedule of Investment Returns
Police Pension Fund
Required Supplementary Information
For the year ended April 30, 2015

Police Pension Fund	2015
Annual Money - Weighted Rate of Return, Net of Investment Expense	6.20%

City of Harvard, Illinois

General Fund Schedule of Revenues Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes:			
Property taxes	\$ 480,000	\$ 420,210	\$ (59,790)
State income tax	900,000	951,745	51,745
Hotel/motel tax	15,000	15,622	622
State replacement tax	82,000	85,999	3,999
Sales tax	1,250,000	1,287,489	37,489
Video gaming tax	48,000	59,955	11,955
Utility tax	550,000	536,078	(13,922)
Total taxes	3,325,000	3,357,098	32,098
Licenses and fees:			
Liquor licenses	60,159	123,450	63,291
Contractors license	11,000	9,850	(1,150)
Building fees and permits	15,000	47,597	32,597
Parking permits	98,000	114,549	16,549
Police fines	215,000	197,183	(17,817)
Telephone franchise	250,000	187,238	(62,762)
Cable franchise	52,000	59,876	7,876
Mining fees	48,500	-	(48,500)
DUI fines	5,000	2,455	(2,545)
Total licenses and fees	754,659	742,198	(12,461)
Interest	5,000	5,889	889
Other revenues:			
Miscellaneous	72,000	237,127	165,127
Police reimbursement	85,000	91,256	6,256
Zoning hearings and platting fees	5,000	4,950	(50)
Escrow from developers	8,500	8,455	(45)
Rent	25,000	-	(25,000)
Health insurance reimbursement	26,000	27,854	1,854
Total other revenues	221,500	369,642	148,142
Total revenues	\$ 4,306,159	\$ 4,474,827	\$ 168,668

City of Harvard, Illinois

General Fund (Continued)

Schedule of Expenditures Compared With Budget

Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures			
General government:			
Administration:			
Salaries - officials	\$ 110,000	\$ 106,505	\$ (3,495)
Salaries - clerical	80,000	81,084	1,084
Overtime - clerical	1,000	-	(1,000)
Health insurance	57,000	65,177	8,177
Mayoral expense	1,800	1,800	-
Attorney fees	50,000	54,041	4,041
Engineering fees	12,500	17,820	5,320
Service agreements	8,500	2,153	(6,347)
Equipment maintenance	10,000	7,966	(2,034)
Building maintenance	40,000	33,928	(6,072)
Office supplies	10,000	8,825	(1,175)
Postage	3,500	3,566	66
Dues and subscriptions	7,500	4,036	(3,464)
Public notices	3,000	5,359	2,359
ZBA notices	2,500	544	(1,957)
Printing	5,000	4,848	(152)
Telephone	18,000	10,973	(7,027)
Miscellaneous	8,600	54,192	45,592
Economic development	100,000	52,777	(47,224)
Professional fees	50,000	41,000	(9,000)
Interest expense	43,000	21,375	(21,625)
Debt payment	22,000	19,547	(2,453)
Total administration	643,900	597,515	(46,385)
Building services:			
Salaries	127,000	116,562	(10,438)
Health insurance	55,000	49,453	(5,547)
Vehicle maintenance	1,500	1,032	(468)
Nuisance abatement	10,000	4,740	(5,260)
Training	-	155	155
Uniforms	750	233	(517)
Contingencies	3,000	1,631	(1,369)
Total building services	197,250	173,806	(23,444)
Total general government	841,150	771,321	(69,829)

City of Harvard, Illinois

General Fund (Continued)

Schedule of Expenditures Compared With Budget

Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public safety:			
Police department:			
Salaries - officers	1,510,000	1,491,192	(18,808)
Salaries - clerical	321,300	311,031	(10,269)
Crossing guards	10,000	10,754	754
Overtime	257,000	222,640	(34,360)
Health insurance	385,000	331,840	(53,160)
Health examinations	1,000	2,213	1,213
Uniforms	22,000	20,321	(1,679)
Attorney fees	54,000	50,944	(3,056)
Vehicle maintenance	15,000	6,723	(8,277)
Equipment maintenance	7,500	6,153	(1,347)
Radio maintenance	2,500	2,765	265
Ammunition	7,000	1,959	(5,041)
Material purchases	3,500	2,477	(1,023)
Office supplies	8,500	6,526	(1,974)
Investigation supplies	4,000	2,955	(1,045)
Dues and subscriptions	2,000	1,319	(681)
Telephone	8,500	11,497	2,997
Gas, oil, and grease	55,000	34,026	(20,974)
Police commission expense	3,500	707	(2,793)
Miscellaneous	19,550	9,553	(9,997)
Special programs	9,500	9,119	(381)
New equipment	118,000	122,463	4,463
Total public safety	2,824,350	2,659,177	(165,173)

City of Harvard, Illinois

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

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public works:			
Highways and streets:			
Salaries	250,000	265,718	15,718
Overtime	15,000	11,029	(3,971)
Health insurance	45,000	52,962	7,962
Uniforms	2,000	1,498	(502)
Vehicle maintenance	37,000	23,874	(13,126)
Building maintenance	72,000	37,490	(34,510)
Tools	5,000	1,906	(3,094)
Material purchases	2,500	2,493	(7)
Telephone	3,000	3,379	379
Electricity	110,000	92,719	(17,281)
Gas, oil and grease	35,000	29,614	(5,386)
New equipment	50,000	52,499	2,499
Miscellaneous	61,000	53,937	(7,063)
Total public works	687,500	629,118	(58,382)
Total expenditures	\$ 4,353,000	\$ 4,059,616	\$ (293,384)
Other financing sources (uses)			
Operating transfers in	\$ 740,000	\$ 728,841	\$ (11,159)
Operating transfers out	(711,159)	(700,000)	11,159
Total other financing sources (uses)	\$ 28,841	\$ 28,841	\$ -

City of Harvard, Illinois

Harvard Diggins Library

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 212,000	\$ 227,605	\$ 15,605
Replacement taxes	13,000	14,638	1,638
Book sales	-	1,691	1,691
Equipment receipts	5,000	5,555	555
Fine receipts	6,000	8,113	2,113
Meeting room rent	900	437	(463)
Gifts/donations	-	58,929	58,929
Non-resident fees	9,000	8,423	(577)
Gain on sale of investments	-	11,991	11,991
Unrealized gain on investments	-	30,744	30,744
Interest income	58,010	59,056	1,046
Miscellaneous income	1,950	7,251	5,301
Per capita grant	11,809	11,809	-
Total revenues	\$ 317,669	\$ 446,242	\$ 128,573
Expenditures			
Printed material	\$ 20,000	\$ 20,142	\$ 142
Supplies	10,400	7,871	(2,529)
Program and Promotion	5,500	5,557	57
Furniture and equipment	8,050	2,096	(5,954)
Postage	600	806	206
Audio-Visual material	14,950	6,428	(8,522)
Automation charges	15,000	19,561	4,561
Staff development	100	388	288
Contract services	19,700	24,835	5,135
Memberships/dues	750	722	(28)
Technology Charges	2,500	2,233	(267)
Salaries	167,000	157,142	(9,858)
Employment taxes	700	417	(283)
Insurance	36,400	33,670	(2,730)
Utilities	500	1,382	882
Telephone	10,200	12,682	2,482
Accounting & audit fees	3,500	3,167	(333)
Staff expenses	650	113	(537)
Maintenance	36,000	46,716	10,716
Electronic resources	3,000	21,306	18,306
Public information	1,600	1,357	(243)
Board expenses	150	-	(150)
Miscellaneous	2,100	14,158	12,058
Total expenditures	\$ 359,350	\$ 382,749	\$ 23,399

City of Harvard, Illinois

Police Protection

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Operating revenues			
Property taxes	\$ 630,000	\$ 576,289	\$ (53,711)
Interest	-	6	6
Total revenues	\$ 630,000	\$ 576,295	\$ (53,705)
Other financing sources (uses)			
Operating transfers in (out)	\$ (630,000)	\$ (630,000)	\$ -

City of Harvard, Illinois

TIF #1 Downtown Redevelopment Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Operating revenues			
Property taxes	\$ 110,000	\$ 69,663	\$ (40,337)
Interest	-	560	560
Total revenues	\$ 110,000	\$ 70,223	\$ (39,777)
Expenditures			
Debt Service	\$ 180,270	\$ 181,259	\$ 989
Total expenditures	\$ 180,270	\$ 181,259	\$ 989
Other financing sources (uses)			
Operating transfers in (out)	\$ 95,000	\$ 95,000	\$ -

City of Harvard, Illinois

TIF #2 Industrial Park Fund

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Operating revenues			
Property taxes	\$ 190,000	\$ 224,019	\$ 34,019
Interest	-	576	576
Total revenues	\$ 190,000	\$ 224,595	\$ 34,595
Expenditures			
Debt Service	\$ 257,860	\$ 258,849	\$ 989
Total expenditures	\$ 257,860	\$ 258,849	\$ 989

City of Harvard, Illinois

TIF #3 South

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2015

	Original & Final Budget	Actual	Over (Under) Budget
Operating revenues			
Property taxes	\$ 190,000	\$ 141,107	\$ (48,893)
Interest	-	1,379	1,379
Total revenues	\$ 190,000	\$ 142,486	\$ (47,514)
Expenditures			
Debt Service	\$ 47,800	\$ 47,804	\$ 4
Total expenditures	\$ 47,800	\$ 47,804	\$ 4

Other Information

City of Harvard, Illinois

Water and Sewerage Fund

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2015

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for water and sewer services			
Water billings	\$ 1,791,321	\$ 1,645,667	\$ (145,654)
Tap on permits	20,000	5,884	(14,116)
Sale of material	2,000	3,083	1,083
Penalties	40,300	45,133	4,833
Plumbing permits	2,500	4,973	2,473
Maintenance charges	310,000	307,006	(2,994)
Moving charges	2,500	1,510	(990)
Utility tax	110,000	97,991	(12,009)
EPA License Fee	17,500	17,563	63
Miscellaneous	12,330	3,683	(8,647)
Water tower lease	27,149	27,150	1
Total operating revenues	\$ 2,335,600	\$ 2,159,643	\$ (175,957)
Operating expenses			
Utilities department:			
Salaries	\$ 337,000	\$ 349,230	\$ 12,230
Overtime	18,000	13,409	(4,591)
Health insurance	85,000	60,973	(24,027)
Uniforms	2,000	1,830	(170)
Professional fees	60,750	48,752	(11,999)
Engineering fees	40,000	15,712	(24,288)
Building maintenance	30,000	13,626	(16,374)
Maintenance of tower/plant	45,000	30,951	(14,049)
Equipment/water main maintenance	64,500	38,532	(25,968)
Lift station maintenance	35,000	13,371	(21,629)
Lab supplies	12,000	6,968	(5,032)
Material purchases	4,000	969	(3,031)
Dues and subscriptions	650	532	(118)
Telephone	28,000	25,082	(2,918)
Electricity	180,000	165,149	(14,851)
Fuel for building	9,000	9,593	593
Gas, oil and grease	13,000	7,366	(5,634)
Chemicals	85,000	80,849	(4,151)
Miscellaneous	4,000	3,819	(181)
New equipment	-	16	16
Infrastructure	30,000	12,403	(17,597)
Permit fees	17,500	17,500	-
Total utilities department	1,100,400	916,632	(183,768)

City of Harvard, Illinois

Water and Sewerage Fund (Continued)

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2015

	Final Budget	Actual	Over (Under) Budget
Operating expenses			
Maintenance and administration department:			
Salaries	\$ 237,000	\$ 176,722	\$ (60,278)
Salaries, clerical	112,000	112,170	170
Overtime	15,000	15,363	363
Health insurance	115,000	58,460	(56,540)
Uniforms	2,400	2,140	(260)
Utility tax	110,000	86,786	(23,214)
Rent	25,000	270	(24,730)
Vehicle maintenance	25,000	14,747	(10,253)
Storm sewer maintenance	20,000	22,366	2,366
Sanitary sewer maintenance	40,000	41,568	1,568
Water main maintenance	70,000	62,221	(7,779)
Material purchases	2,000	1,632	(368)
Office supplies	2,500	1,876	(624)
Postage	8,000	7,983	(17)
Telephone	2,500	5,459	2,959
Gas, oil and grease	15,000	10,802	(4,198)
Equipment/meters sweeper	51,600	41,908	(9,692)
Miscellaneous	1,200	(1,711)	(2,911)
Total maintenance and administration department	854,200	660,763	(193,437)
Total operating expenses	\$ 1,954,600	\$ 1,577,395	\$ (377,205)
Nonoperating revenues (expenses)			
Grant for capital improvement	7,500	1,632	(5,868)
Interest income	2,500	2,170	(330)
Interest expense	(391,750)	(86,513)	305,237
Total nonoperating revenues (expenses)	\$ (381,750)	\$ (82,711)	\$ 299,039
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, 2015

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for pool services:			
Daily tickets	\$ 22,000	\$ 14,354	\$ (7,646)
Pool passes	22,000	18,933	(3,067)
Lessons	10,000	9,374	(626)
Pool parties	4,500	4,793	293
Total pool services revenue	58,500	47,454	(11,046)
Concession sales	9,000	9,169	169
Total operating revenues	\$ 67,500	\$ 56,623	\$ (10,877)
Operating expenses			
Salaries	\$ 66,888	\$ 58,736	\$ (8,152)
Insurance	-	-	-
Maintenance and repairs	10,859	1,099	(9,760)
Pool supplies	2,500	1,406	(1,094)
Advertising	702	351	(351)
Telephone	2,000	1,218	(782)
Utilities	14,000	18,077	4,077
Fuel for building	5,000	2,775	(2,225)
Water	-	-	-
Chemicals	13,410	6,500	(6,910)
Concession stand	4,000	3,990	(10)
Miscellaneous	3,000	1,532	(1,468)
New equipment	8,510	6,688	(1,822)
Total operating expenses	\$ 130,869	\$ 102,372	\$ (28,497)
Nonoperating revenues (expenses)			
Miscellaneous income	\$ 3,500	\$ -	\$ (3,500)
Total nonoperating revenues (expenses)	\$ 3,500	\$ -	\$ (3,500)
Other financing sources (uses)			
Operating transfers out	\$ -	\$ -	\$ -
Operating transfers in	50,359	50,359	-
Total other financing sources (uses)	\$ 50,359	\$ 50,359	\$ -

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet

April 30, 2015

	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
Assets			
Cash	\$ 437,733	\$ -	\$ -
Investments, at cost	-	-	-
Receivables:			
Property tax	1,125,556	70,965	70,464
Accounts	51,339	-	-
Due from other funds	356,625	-	-
Total assets	\$ 1,971,253	\$ 70,965	\$ 70,464
Liabilities			
Accounts payable	\$ 17,753	\$ 1,581	\$ -
Accrued payroll	4,433	2,984	-
Due to other funds	1,473,101	300,474	195,092
Total liabilities	1,495,287	305,039	195,092
Deferred Inflows of Resources			
Property taxes	562,780	35,482	35,232
Total deferred inflows of resources	562,780	35,482	35,232
Fund Balances			
Fund balance:			
Fund balances, restricted	1,074,517	-	-
Fund balances, unrestricted (unassigned)	(1,161,331)	(269,556)	(159,860)
Total fund balances	(86,814)	(269,556)	(159,860)
Total liabilities and fund equity	\$ 1,971,253	\$ 70,965	\$ 70,464

Revenue			
Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ -	\$ -	\$ -	\$ -
-	-	-	-
118,520	105,000	-	-
-	8,737	-	-
-	91	223,752	-
<u>\$ 118,520</u>	<u>\$ 113,828</u>	<u>\$ 223,752</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	1,449
187,034	43,317	-	239,597
<u>187,034</u>	<u>43,317</u>	<u>-</u>	<u>241,046</u>
59,261	52,500	-	-
<u>59,261</u>	<u>52,500</u>	<u>-</u>	<u>-</u>
-	-	223,752	-
(127,775)	18,011	-	(241,046)
<u>(127,775)</u>	<u>18,011</u>	<u>223,752</u>	<u>(241,046)</u>
<u>\$ 118,520</u>	<u>\$ 113,828</u>	<u>\$ 223,752</u>	<u>\$ -</u>

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet (Continued)

April 30, 2015

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
Assets				
Cash	\$ 194,350	\$ -	\$ -	\$ -
Investments, at cost	-	-	-	-
Receivables:				
Property tax	-	37,500	68,002	37,848
Accounts	42,602	-	-	-
Due from other funds	-	-	-	130,862
Total assets	\$ 236,952	\$ 37,500	\$ 68,002	\$ 168,710
Liabilities				
Accounts payable	\$ 2,144	\$ -	\$ 13,994	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,167	67,912	351,950	-
Total liabilities	7,311	67,912	365,944	-
Deferred Inflows of Resources				
Property taxes	-	18,750	34,001	18,924
Total deferred inflows of resources	-	18,750	34,001	18,924
Fund Balance				
Fund balance:				
Fund balances, restricted	229,642	-	-	149,786
Fund balances, unrestricted (unassigned)	-	(49,162)	(331,943)	-
Total fund balances	229,642	(49,162)	(331,943)	149,786
Total liabilities and fund equity	\$ 236,952	\$ 37,500	\$ 68,002	\$ 168,710

Revenue		Debt Service	
Welfare	Revolving Loan	Debt Service	
\$ 6,763	\$ 193,798	\$ -	
-	-	-	
-	-	297,100	
-	-	-	
1,920	-	-	
<hr/>		<hr/>	
\$ 8,683	\$ 193,798	\$ 297,100	
<hr/>		<hr/>	
\$ 35	\$ -	\$ -	
-	-	-	
-	-	82,558	
<hr/>		<hr/>	
35	-	82,558	
<hr/>		<hr/>	
-	-	148,550	
<hr/>		<hr/>	
-	-	148,550	
<hr/>		<hr/>	
8,648	193,798	65,992	
-	-	-	
<hr/>		<hr/>	
8,648	193,798	65,992	
<hr/>		<hr/>	
\$ 8,683	\$ 193,798	\$ 297,100	
<hr/>		<hr/>	

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet (Continued)

April 30, 2015

	Debt Service			Capital Projects	
	SSA #1	SSA #2	SSA #4	SSA #3	SSA #5
	Park Pointe	Park Pointe 3A	Park Pointe 3B	Shadow- creek	Shadow- creek
Assets					
Cash	\$ 20,415	\$ 9,909	\$ 902	\$ 1,487	\$ 10,109
Investments, at cost	-	-	-	-	-
Receivables:					
Property tax	40,565	36,853	40,000	74,289	128,450
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 60,980	\$ 46,762	\$ 40,902	\$ 75,776	\$ 138,559
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Deferred Inflows of Resources					
Property taxes	20,283	18,427	20,000	37,145	64,225
Total deferred inflows of resources	20,283	18,427	20,000	37,145	64,225
Fund balance					
Fund balance:					
Fund balances, reserved	40,697	28,335	20,902	38,631	74,334
Fund balances, unrestricted (unassigned)	-	-	-	-	-
Total fund balances	40,697	28,335	20,902	38,631	74,334
Total liabilities and fund equity	\$ 60,980	\$ 46,762	\$ 40,902	\$ 75,776	\$ 138,559

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

Year ended April 30, 2015

	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
Revenues			
Taxes	\$ 1,380,000	\$ 72,036	\$ 79,581
Fees	12,947	10,567	-
Intergovernmental	65,179	7,500	-
Interest	7,796	432	-
Other	66,398	3,475	-
Total revenues	1,532,320	94,010	79,581
Expenditures			
General government	781,596	-	-
Public safety	-	-	-
Public works	189,976	-	109
Culture and recreation	166,306	111,610	-
Capital outlay	223,552	28,360	-
Debt service	613,371	-	-
Total expenditures	1,974,802	139,970	109
Excess of revenues over (under) expenditures	(442,481)	(45,960)	79,472
Other financing sources (uses)			
Operating transfers in	582,800	24,800	-
Operating transfers out	(127,000)	-	(82,000)
Total other financing sources (uses)	455,800	24,800	(82,000)
Excess of revenues and other sources over (under) expenditures and other uses	13,319	(21,160)	(2,528)
Fund balance - May 1, 2014	(100,133)	(248,396)	(157,332)
Fund balance - April 30, 2015	\$ (86,814)	\$ (269,556)	\$ (159,860)

Revenue			
Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ 102,598	\$ 127,009	\$ -	\$ -
-	-	-	2,380
-	-	-	6,360
-	1	-	-
-	-	-	-
102,598	127,010	-	8,740
265,625	249,467	-	-
-	-	-	-
-	-	-	17,252
-	-	-	-
-	-	-	-
-	-	-	-
265,625	249,467	-	17,252
(163,027)	(122,457)	-	(8,512)
195,000	185,000	-	15,000
-	-	-	-
195,000	185,000	-	15,000
31,973	62,543	-	6,488
(159,748)	(44,532)	223,752	(247,534)
\$ (127,775)	\$ 18,011	\$ 223,752	\$ (241,046)

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)

Year ended April 30, 2015

	Special		
	Motor Fuel Tax	Audit	Liability Insurance
Revenues			
Taxes	\$ 262,035	\$ 34,612	\$ 67,641
Fees	-	-	-
Intergovernmental	51,319	-	-
Interest	1,526	-	1
Other	10,967	-	239
Total revenues	325,847	34,612	67,881
Expenditures			
General government	-	-	265,039
Public safety	-	-	-
Public works	166,940	-	-
Culture and recreation	-	-	-
Capital outlay	195,192	-	-
Debt service	-	-	-
Total expenditures	362,132	-	265,039
Excess of revenues over (under) expenditures	(36,285)	34,612	(197,158)
Other financing sources (uses)			
Operating transfers in	-	-	163,000
Operating transfers out	-	(28,000)	-
Total other financing sources (uses)	-	(28,000)	163,000
Excess of revenues and other sources over (under) expenditures and other uses	(36,285)	6,612	(34,158)
Fund balance - May 1, 2014	265,926	(55,774)	(297,785)
Fund balance - April 30, 2015	\$ 229,642	\$ (49,162)	\$ (331,943)

Revenue			Debt Service
Special Recreation	Welfare	Revolving Loan	Debt Service
\$ 38,420	\$ -	\$ -	\$ 294,367
-	-	-	-
-	-	-	-
-	42	864	2
-	24,540	25,682	-
<u>38,420</u>	<u>24,582</u>	<u>26,546</u>	<u>294,369</u>
-	-	40	1,465
-	-	-	-
-	-	-	-
22,221	32,476	-	-
-	-	-	-
-	-	-	298,500
<u>22,221</u>	<u>32,476</u>	<u>40</u>	<u>299,965</u>
16,199	(7,894)	26,506	(5,596)
-	-	-	-
(17,000)	-	-	-
<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(801)	(7,894)	26,506	(5,596)
150,587	16,542	167,292	71,588
<u>\$ 149,786</u>	<u>\$ 8,648</u>	<u>\$ 193,798</u>	<u>\$ 65,992</u>

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)

Year ended April 30, 2015

	Debt Service			Capital Projects	
	SSA #1 Park Pointe	SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	SSA #3 Shadow- creek	SSA #5 Shadow- creek
Revenues					
Taxes	\$ 40,565	\$ 36,853	\$ 39,313	\$ 67,089	\$ 117,881
Fees	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Interest	137	79	82	2,217	2,413
Other	495	-	1,000	-	-
Total revenues	41,197	36,932	40,395	69,306	120,294
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	675	2,500	2,500
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	42,304	37,463	39,700	67,089	128,275
Total expenditures	42,304	37,463	40,375	69,589	130,775
Excess of revenues over (under) expenditures	(1,107)	(531)	20	(283)	(10,481)
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,107)	(531)	20	(283)	(10,481)
Fund balance - May 1, 2014	41,804	28,866	20,882	38,914	84,815
Fund balance - April 30, 2015	\$ 40,697	\$ 28,335	\$ 20,902	\$ 38,631	\$ 74,334

City of Harvard, Illinois

Schedule of Bonds Payable - Governmental Funds

Year ended April 30, 2015

Year ended April 30	General Obligation Recreation Bonds, Series 2011B		General Obligation Bonds Alternate Revenue Source Series 2012A	
	Principal	Interest	Principal	Interest
2016	\$ 260,000	\$ 41,000	\$ 100,000	\$ 83,370
2017	265,000	33,200	215,000	81,370
2018	280,000	22,600	330,000	75,995
2019	285,000	11,400	350,000	67,745
2020	-	-	365,000	58,995
2021	-	-	375,000	48,045
2022	-	-	385,000	36,795
2023	-	-	390,000	25,245
2024	-	-	405,000	12,960
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
	<u>\$ 1,090,000</u>	<u>\$ 108,200</u>	<u>\$ 2,915,000</u>	<u>\$ 490,520</u>

General Obligation Bonds Alternate Revenue Source Series 2012B		Debt Certificates Series 2008B	
Principal	Interest	Principal	Interest
\$ 175,000	\$ 64,860	\$ 24,243	\$ 23,561
175,000	61,460	25,470	22,333
145,000	57,960	26,760	21,043
145,000	49,960	317,390	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>\$ 1,955,000</u>	<u>\$ 450,271</u>	<u>\$ 393,863</u>	<u>\$ 86,626</u>

City of Harvard, Illinois

Schedule of Bonds Payable - Proprietary Funds

Year ended April 30, 2015

Year ended	Waterworks and Sewerage Alternative Revenue Source Series 2014		Waterworks and Sewerage Alternative Revenue Source Series 2006		General Obligation Recreation Waterworks and Sewerage Bonds, Series 2011A	
	Principal	Interest	Principal	Interest	Principal	Interest
April 30						
2016	\$ -	\$ 15,575	80,000	\$ 51,850	\$ 80,000	\$ 12,375
2017	140,000	12,775	85,000	48,444	85,000	9,735
2018	150,000	9,500	85,000	44,832	90,000	6,930
2019	150,000	5,750	90,000	41,113	90,000	3,465
2020	155,000	1,938	95,000	37,181	-	-
2021	-	-	100,000	32,975	-	-
2022	-	-	105,000	28,491	-	-
2023	-	-	105,000	23,897	-	-
2024	-	-	110,000	19,125	-	-
2025	-	-	115,000	14,063	-	-
2026	-	-	125,000	8,663	-	-
2027	-	-	50,000	2,925	-	-
2028	-	-	-	-	-	-
	<u>\$ 595,000</u>	<u>\$ 45,538</u>	<u>\$ 1,145,000</u>	<u>\$ 353,559</u>	<u>\$ 345,000</u>	<u>\$ 32,505</u>

Independent Auditor's Report on Compliance with State of Illinois Public Act 85-1142

Illinois Department of Revenue
Springfield, Illinois

We have audited the basic financial statements of the City of Harvard, Illinois for the year ended April 30, 2015, and have issued our report thereon dated September 22, 2015. 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
September 22, 2015

City of Harvard, Illinois

Schedule of Findings and Responses

2015-001

Condition - There is inadequate control over the functions of processing and recording the financial transactions of the City due to the inadequate segregation of duties stemming from limited personnel.

Effects - Many of the accounting functions are performed by the same individuals.

Cause - The City has a limited number of staff to allow for adequate segregation of duties.

Recommendation - It does not appear to be economically feasible to hire additional personnel to help segregate the accounting functions. However, the Council's close supervision and review of accounting information appears to be the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

Management response - The City's management and City Council's close supervision and review of accounting information is the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

2015-002

Condition - The financial statement disclosures are prepared by the external auditors.

Effects - The City relies on the external auditors to prepare the financial statement disclosures.

Cause - Due to the complexity of several of the footnote disclosures, management does not currently possess the expertise to accurately prepare the financial statements and related disclosures for accuracy and completeness in accordance with the accounting principles generally accepted in the United States of America.

Recommendation - It does not appear to be economically feasible to hire additional personnel to help prepare the financial statements and required footnote disclosures in accordance with accounting principles generally accepted in the United States of America. However, the City's management and City Council's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

Management response - The City's management and City Council's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.