

City of Harvard

Harvard, Illinois

Annual Financial Report

April 30, 2016

City of Harvard, Illinois

Year Ended April 30, 2016

Table of Contents

Independent Auditor's Report	1 - 3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4 - 5
Basic Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14 - 15
Statement of Fiduciary Net Position - Fiduciary Funds	16
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	17
Notes to Financial Statements	18 - 57

City of Harvard, Illinois

Year Ended April 30, 2016

Table of Contents

Required Supplementary Information

Schedule of Employer Contributions for IMRF	58
Schedule of Employer Contributions – Police Pension Fund	59
Schedule of Changes in the Employer’s Net Pension Liability – Police Pension Fund	60
Schedule of Changes in Net Pension Liability – IMRF	61
Schedule of Investment Returns – Police Pension Fund	62
Notes to Required Supplementary Information	63 - 64

General Fund:

Schedule of Revenues Compared with Budget	65
Schedule of Expenditures Compared with Budget	66 - 68

Harvard Diggins Library:

Schedule of Revenues and Expenditures Compared with Budget	69
--	----

Police Protection:

Schedule of Revenues and Expenditures Compared with Budget	70
--	----

TIF #1 Downtown Redevelopment:

Schedule of Revenues and Expenditures Compared with Budget	71
--	----

TIF #2 Industrial Park Fund:

Schedule of Revenues and Expenditures Compared with Budget	72
--	----

TIF #3 South:

Schedule of Revenues and Expenditures Compared with Budget	73
--	----

Other Information

Water and Sewerage Fund:

Schedule of Revenues and Expenses Compared with Budget	74 - 75
--	---------

Pool Fund:

Schedule of Revenues and Expenses Compared with Budget	76
--	----

Combining Balance Sheet - Nonmajor Governmental Funds	77 - 79
---	---------

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	80 - 82
--	---------

Schedule of Bonds Payable - Governmental and Proprietary Funds	83 - 84
--	---------

Independent Accountant’s Report on Compliance

With State of Illinois Public Act 85-1142	85
--	----

Schedule of Findings and Responses	86
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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, 2016, 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, 2016 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.

Emphasis of Matter

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, during the year ended April 30, 2016. Statement No. 68 and No. 71 changed how pensions are recorded and the footnotes related to the retirement system the City participates in. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Schedule of Contributions, Schedule of Changes in Pension Liabilities, Schedule of Investment Returns, 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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 October 18, 2016, on our consideration of City of Harvard, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harvard, Illinois' internal control over financial reporting and compliance.

Wipfli LLP

Rockford, Illinois
October 18, 2016



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, 2016, 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 October 18, 2016.

Emphasis of Matter

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, during the year ended April 30, 2016. Statement No. 68 and No. 71 changed how pensions are recorded and the footnotes related to the retirement system the City participates in. Our opinions are not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 2016-001 and 2016-002.

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

Purpose of this Report

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

Wipfli LLP

Rockford, Illinois
October 18, 2016

Basic Financial Statements

City of Harvard, Illinois

Statement of Net Position

April 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,251,348	\$ 458,671	\$ 2,710,019
Investments	1,119,719	-	1,119,719
Receivables:			
Taxes	2,783,517	-	2,783,517
Accounts	557,419	419,153	976,572
Due from other governments	49,482	-	49,482
Internal balances	583,805	(583,805)	-
Total current assets	7,345,290	294,019	7,639,309
Capital Assets (net of accumulated depreciation):			
Land (non-depreciable)	8,544,157	128,000	8,672,157
Infrastructure	5,866,700	1,891,410	7,758,110
Buildings and improvements	3,775,435	6,491,838	10,267,273
Machinery and equipment	45,569	136,549	182,118
Furniture and office equipment	68,284	1,683	69,967
Vehicles	136,269	-	136,269
Total noncurrent assets	18,436,414	8,649,480	27,085,894
Total assets	25,781,704	8,943,499	34,725,203
Deferred Outflows of Resources			
Deferred outflows of pension resources	2,730,370	-	2,730,370
Total assets and deferred outflows of resources	28,512,074	8,943,499	37,455,573

See accompanying notes to financial statements

Liabilities			
Current liabilities:			
Accounts payable	61,514	43,934	105,448
Accrued payroll	108,874	19,510	128,384
Accrued interest	65,048	4,056	69,104
Due to fiduciary funds	26,337	-	26,337
Notes payable	21,140	-	21,140
Current portion on bonds payable	693,254	170,000	863,254
Total current liabilities	976,167	237,500	1,213,667
Noncurrent liabilities:			
Compensated absences	213,144	48,865	262,009
Net pension liability - IMRF	1,883,092	-	1,883,092
Net pension liability - Police	8,454,495	-	8,454,495
Notes payable	710,896	-	710,896
Bonds payable, including unamortized premium (discount)	5,114,534	1,604,476	6,719,010
Total noncurrent liabilities	16,376,161	1,653,341	18,029,502
Total liabilities	17,352,328	1,890,841	19,243,169
Deferred Inflows of Resources			
Deferred inflows of pension resources	543,640	-	543,640
Property taxes	1,383,369	-	1,383,369
Total deferred inflows of resources	1,927,009	-	1,927,009
Net Position			
Net investment in capital assets	11,896,590	6,875,004	18,771,594
Restricted for highways and streets	321,183	-	321,183
Restricted for debt service	808,029	-	808,029
Restricted for capital projects	101,973	-	101,973
Restricted for library	1,335,712	-	1,335,712
Restricted for police protection	544,744	-	544,744
Restricted for other purposes	655,395	-	655,395
Unrestricted	(6,430,889)	177,654	(6,253,235)
Total net position	\$ 9,232,737	\$ 7,052,658	\$ 16,285,395

See accompanying notes to financial statements

City of Harvard, Illinois

Statement of Activities

Year ended April 30, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General Government	\$ 1,950,881	\$ 694,239	\$ 12,374	\$ -
Public Safety	3,010,651	328,021	-	-
Public Works	904,671	115,055	252,265	-
Culture and Recreation	573,654	35,512	11,809	-
Interest expense	312,118	-	-	-
Total governmental activities	\$ 6,751,975	\$ 1,172,827	\$ 276,448	\$ -
Business-type activities:				
Swimming Pool	\$ 175,193	\$ 54,526	\$ -	\$ -
Waterworks and Sewerage	2,119,603	2,138,791	-	1,500
Total business-type activities	\$ 2,294,796	\$ 2,193,317	\$ -	\$ 1,500
Taxes:				
Property taxes				
State taxes				
Miscellaneous taxes				
Interest and investment income				
Miscellaneous				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

See accompanying notes to financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,244,268)	\$ -	\$ (1,244,268)
(2,682,630)	-	(2,682,630)
(537,351)	-	(537,351)
(526,333)	-	(526,333)
(312,118)	-	(312,118)
(5,302,700)	-	(5,302,700)
-	(120,667)	(120,667)
-	20,688	20,688
-	(99,979)	(99,979)
2,730,914	-	2,730,914
2,206,638	-	2,206,638
596,716	102,142	698,858
8,267	2,878	11,145
244,550	52,402	296,952
(50,400)	50,400	-
5,736,685	207,822	5,944,507
433,985	107,843	541,828
8,798,752	6,944,815	15,743,567
\$ 9,232,737	\$ 7,052,658	\$ 16,285,395

See accompanying notes to financial statements.

City of Harvard, Illinois

Balance Sheet Governmental Funds

April 30, 2016

	General Fund	Harvard Diggins Library	Police Protection
Assets			
Cash and cash equivalents	\$ 1,060,118	\$ 110,322	\$ -
Investments	-	1,119,719	-
Receivables, net of allowances			
Property tax	431,208	234,650	571,641
Accounts	557,420	-	-
Due from other funds	1,442,328	-	258,924
Total assets	\$ 3,491,074	\$ 1,464,691	\$ 830,565
Liabilities			
Current liabilities			
Accounts payable	\$ 34,156	\$ 6,921	\$ -
Accrued payroll	99,836	5,934	-
Due to other funds	-	-	-
Due to fiduciary funds	23,238	-	-
Total liabilities	157,230	12,855	-
Deferred Inflows of Resources			
Property taxes	208,411	116,124	285,821
Total deferred inflows of resources	208,411	116,124	285,821
Fund Balances			
Fund balances:			
Restricted for:			
Special revenue funds	-	-	544,744
Debt service funds	-	-	-
Capital projects funds	-	-	-
Harvard Diggins Library	-	1,335,712	-
Unassigned	3,125,433	-	-
Total fund balances	3,125,433	1,335,712	544,744
Total liabilities, deferred inflows and fund balances	\$ 3,491,074	\$ 1,464,691	\$ 830,565

See accompanying notes to financial statements.

	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	Nonmajor Governmental Funds	Total Governmental Funds
\$	89,571	\$ 7,242	\$ 360,077	\$ 623,261	\$ 2,250,591
	-	-	-	-	1,119,719
	72,681	228,224	106,524	1,138,589	2,783,517
	-	-	-	49,482	606,902
	-	-	-	364,661	2,065,913
<u>\$</u>	<u>162,252</u>	<u>\$ 235,466</u>	<u>\$ 466,601</u>	<u>\$ 2,175,993</u>	<u>\$ 8,826,642</u>
\$	-	\$ -	\$ -	\$ 20,437	\$ 61,514
	-	-	-	3,104	108,874
	-	-	-	1,481,351	1,481,351
	-	-	-	3,099	26,337
	-	-	-	1,507,991	1,678,076
	36,341	114,112	53,262	569,298	1,383,369
	36,341	114,112	53,262	569,298	1,383,369
	-	-	-	976,578	1,521,322
	125,911	121,354	413,339	147,425	808,029
	-	-	-	101,973	101,973
	-	-	-	-	1,335,712
	-	-	-	(1,127,272)	1,998,161
	125,911	121,354	413,339	98,704	5,765,197
<u>\$</u>	<u>162,252</u>	<u>\$ 235,466</u>	<u>\$ 466,601</u>	<u>\$ 2,175,993</u>	<u>\$ 8,826,642</u>

See accompanying notes to financial statements.

City of Harvard, Illinois

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

April 30, 2016

Total fund balances - governmental funds	\$ 5,765,197
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 \$22,855,927 and the accumulated depreciation is \$4,419,513.	18,436,414
Interest on long-term debt is not accrued in governmental funds	(65,048)
Net pension liability for the Illinois Municipal Retirement Fund is shown as a liability on the statement of net position	(1,883,092)
Net pension liability for the Pension Trust Fund is shown as a liability on the statement of net position	(8,454,495)
Net deferred inflows/outflows relating to pension obligations	2,186,730
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.	
General obligation bonds	(5,807,788)
Notes payable	(732,036)
Compensated absences	(213,144)
Total net position - governmental activities	\$ 9,232,737

City of Harvard, Illinois

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

Year ended April 30, 2016

	General Fund	Harvard Diggins Library	Police Protection	TIF #1 Downtown Redevelopment
Revenues				
Taxes	\$3,362,458	\$ 244,189	\$ 568,170	\$ 73,205
Licenses and fees	785,663	22,208	-	-
Intergovernmental	-	-	-	-
Investment income (loss)	-	(70,655)	-	-
Interest	10,053	45,450	5	831
Other	351,741	16,852	-	-
Total revenues	4,509,915	258,044	568,175	74,036
Expenditures				
General government	844,763	-	-	-
Public safety	2,522,064	-	-	-
Public works	608,645	-	-	-
Culture and recreation	-	376,462	-	-
Capital outlay	76,102	1,712	-	-
Debt service	41,156	-	-	183,844
Total expenditures	4,092,730	378,174	-	183,844
Excess (deficiency) of revenues over expenditures	417,185	(120,130)	568,175	(109,808)
Other Financing Sources (uses)				
Transfers in	687,000	-	-	95,000
Transfers out	(678,400)	-	(572,000)	-
Total other financing sources and uses	8,600	-	(572,000)	95,000
Net change in fund balances	425,785	(120,130)	(3,825)	(14,808)
Fund balances - beginning	2,699,648	1,455,842	548,569	140,719
Fund balances - ending	\$3,125,433	\$1,335,712	\$ 544,744	\$ 125,911

See accompanying notes to financial statements.

TIF #2 Industrial Park Fund	TIF #3 South	Nonmajor Governmental Funds	Total Governmental Funds
\$ 228,794	\$ 88,787	\$ 1,409,242	\$ 5,974,845
-	-	36,118	843,989
-	-	2,407	2,407
-	-	-	(70,655)
709	2,393	4,682	64,123
-	-	53,059	421,652
229,503	91,180	1,505,508	7,236,361
-	-	762,189	1,606,952
-	-	-	2,522,064
-	-	175,934	784,579
-	-	185,279	561,741
-	-	-	77,814
259,935	47,804	614,588	1,147,327
259,935	47,804	1,737,990	6,700,477
(30,432)	43,376	(232,482)	535,884
-	-	557,077	1,339,077
-	-	(139,077)	(1,389,477)
-	-	418,000	(50,400)
(30,432)	43,376	185,518	485,484
151,786	369,963	(86,814)	5,279,713
\$ 121,354	\$ 413,339	\$ 98,704	\$ 5,765,197

See accompanying notes to financial statements.

City of Harvard, Illinois

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

Year ended April 30, 2016

Net change in fund balance - Governmental funds	\$ 485,484
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.	(28,766)
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 \$380,477 exceed capitalized fixed assets of \$92,662 in the period.	(287,815)
The change in the net pension liability for the Illinois Municipal Retirement Fund is reported only in the statement of activities	(570,169)
The change in the net pension liability for the Pension Trust Fund is reported only in the statement of activities	(1,953,459)
The change in deferred inflows and outflows relating to pensions is reported only in the statement of activities	2,186,730
Interest payable is reported in the government wide statement This is the amount of change in the liability from the prior year	5,241
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.	596,739
<hr/> Change in net position of governmental activities	<hr/> \$ 433,985 <hr/>

City of Harvard, Illinois

Statement of Net Position Proprietary Funds

April 30, 2016

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Assets			
Current assets:			
Cash	\$ 458,671	\$ -	\$ 458,671
Accounts receivable	419,153	-	419,153
Due from other funds	1,237	-	1,237
Total current assets	879,061	-	879,061
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,184,786	1,336,694	8,521,480
Total noncurrent assets	7,312,786	1,336,694	8,649,480
Total assets	8,191,847	1,336,694	9,528,541
Liabilities			
Current liabilities:			
Due to other funds	480	584,562	585,042
Accounts payable	42,562	1,372	43,934
Accrued payroll	19,510	-	19,510
Accrued interest	4,056	-	4,056
Current portion long term debt	170,000	-	170,000
Total current liabilities	236,608	585,934	822,542
Noncurrent liabilities:			
Compensated absences payable	48,865	-	48,865
General obligation bonds payable, including unamortized premium (discount)	1,604,476	-	1,604,476
Total noncurrent liabilities	1,653,341	-	1,653,341
Total liabilities	1,889,949	585,934	2,475,883
Net Position			
Net investment in capital assets	5,538,310	1,336,694	6,875,004
Unrestricted	763,588	(585,934)	177,654
Total net position	\$ 6,301,898	\$ 750,760	\$ 7,052,658

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, 2016

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Operating revenues			
Charges for services	\$ 2,293,335	\$ 54,526	\$ 2,347,861
Operating expenses:			
Operating	1,765,864	122,840	1,888,704
Depreciation	278,039	52,353	330,392
Total operating expenses	2,043,903	175,193	2,219,096
Operating income (loss)	249,432	(120,667)	128,765
Nonoperating revenues (expenses)			
Grant for capital improvement	1,500	-	1,500
Miscellaneous income	-	-	-
Interest income	2,878	-	2,878
Interest expense	(75,700)	-	(75,700)
Total nonoperating revenues	(71,322)	-	(71,322)
Other financing sources (uses)			
Operating transfers out	-	-	-
Operating transfers in	-	50,400	50,400
Total other financing sources (uses)	-	50,400	50,400
Net income (loss)	178,110	(70,267)	107,843
Net position - May 1, 2015	6,123,788	821,027	6,944,815
Net position - April 30, 2016	\$ 6,301,898	\$ 750,760	\$ 7,052,658

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Cash Flows Proprietary Funds

Year ended April 30, 2016

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,273,969	\$ 54,526	\$ 2,328,495
Payments to suppliers	(1,466,382)	(66,913)	(1,533,295)
Payments to employees	(322,648)	(55,603)	(378,251)
Net cash provided by (used in) operations	484,939	(67,990)	416,949
Cash Flows From Investing Activities			
Interest received	2,878	-	2,878
Net cash provided by investing activities	2,878	-	2,878
Cash Flows From Capital and Related Financing Activities			
Financing Activities			
Interest paid	(76,800)	-	(76,800)
Grant for capital improvement	1,500	-	1,500
Transfers in	-	50,400	50,400
Transfers out	-	-	-
Due to other funds	-	17,590	17,590
Bond issuance costs	-	-	-
Net (payments) proceeds on general obligation bonds	(305,000)	-	(305,000)
Principal payments on capital lease	-	-	-
Purchase of property and equipment	(2,061)	-	(2,061)
Net cash provided by (used in) capital and related financing activities	(382,361)	67,990	(314,371)
Net increase (decrease) in cash and cash equivalents	105,456	-	105,456
Beginning cash and cash equivalents	353,215	-	353,215
Ending cash and cash equivalents	\$ 458,671	\$ -	\$ 458,671

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Cash Flows (Continued) Proprietary Funds

Year ended April 30, 2016

	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)	\$ 249,432	\$ (120,667)	\$ 128,765
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	278,039	52,353	330,392
Changes in assets and liabilities:			
Accounts receivable	(19,366)	-	(19,366)
Accounts payable	(10,028)	324	(9,704)
Accrued payroll	4,588	-	4,588
Compensated absences	(17,726)	-	(17,726)
Net cash provided by (used in) operations	\$ 484,939	\$ (67,990)	\$ 416,949

City of Harvard, Illinois

Statement of Fiduciary Net Position Fiduciary Funds

Year ended April 30, 2016

	Police Pension Trust Fund	Expendable Trust Fund Apartment Fund	Trust Fund Scholarship Fund
Assets			
Cash and cash equivalents	\$ 285,741	\$ 48,164	\$ 15,057
Investments	8,961,837	-	-
Receivables, net of allowance for uncollectible:			
Note receivable	-	93,856	-
Accrued interest	34,005	-	-
Due from City of Harvard	26,337	-	-
Property tax receivable	466,925	-	-
Prepaid expenses	3,507	-	-
Total assets	9,778,352	142,020	15,057
Liabilities			
Accounts payable	590	-	-
Total liabilities	590	-	-
Deferred Inflows of Resources			
Property taxes	232,125	-	-
Net Position			
Held in trust for pension benefits and other purposes	\$ 9,545,637	\$ 142,020	\$ 15,057

See accompanying notes to financial statements.

City of Harvard, Illinois

Statement of Changes in Fiduciary Net Position Fiduciary Funds

April 30, 2016

	Police Pension Trust Fund	Expendable	
		Trust Fund Apartment Fund	Trust Fund Scholarship Fund
Additions			
Contributions-employer taxes	\$ 494,853	\$ -	\$ -
Contributions-employee	140,321	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	(406,155)	-	-
Interest, dividends and investment income (loss)	448,798	6,241	420
Total additions	677,817	6,241	420
Deductions			
Benefits and refunds	536,337	-	-
Other charges and services	21,735	3,733	1,122
Total deductions	558,072	3,733	1,122
Net increase	119,745	2,508	(702)
Transfers in	-	-	-
Transfers out	-	-	-
Net position - beginning	9,425,892	139,512	15,759
Net position - ending	\$ 9,545,637	\$ 142,020	\$ 15,057

See accompanying notes to financial statements.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Reporting Entity

The City of Harvard, Illinois (the "City") 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.

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.

City of Harvard, Illinois

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

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 basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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)

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.

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.

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):

Enterprise Funds:

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

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

Under the Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the City may report any governmental or enterprise fund (but not internal service funds or fiduciary funds) as a major fund if the government's officials believe the fund is "particularly important to financial statement users". The City has chosen to include the Police Protection Fund and TIF Funds as major funds even though the fund calculations do not classify them as major funds. The City views these funds particularly important to the financial users.

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, 2016. 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, 2016 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 investments may only be made in institutions which are insured by the Federal Deposit 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Illinois Municipal Retirement Fund (IMRF)/Police Pension Fund and additions to/deductions from IMRF/Police Pension Fund's fiduciary net position have been determined on the same basis as they are reported by IMRF/Police Pension Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (fiscal year 2015 and 2016). The property tax levy passed in December 2015 was allocated fifty percent for each of the two years after the levy year (fiscal year 2016 and 2017).

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;

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)

Fund Balances (Continued)

- 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.

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.

City of Harvard, Illinois

Notes to Financial Statements

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.

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	\$(298,987)
Road & Bridge	(158,706)
Social Security	(59,606)
Regional Transportation Authority	(235,851)
Audit	(46,509)
Liability Insurance	(327,613)

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, 2016, the following funds had overdrafts:

City of Harvard, Illinois

Notes to Financial Statements

Note 3 Deposits and Investments (Continued)

Park Fund	\$424,535
Road & Bridge	196,513
Social Security	128,089
RTA	235,851
Audit	62,510
Liability Insurance	343,841
Debt Service	87,244
Pool	584,562

Deposits. At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$3,347,510 and the bank balance was \$3,409,063. Of the bank balance, \$3,409,063 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, 2016, \$-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, 2016, the City's investments were as follows:

	<u>Fair Value</u>
Long-term Certificates of Deposit	\$ 361,856
U.S. Treasuries	503,265
Agency Securities	2,434,527
Mortgage Pools	472,733
Unit trusts (Library)	153,666
Municipal Bonds (Includes Library)	903,860
Corporate Bonds (Includes Library)	237,686
Equity Mutual Funds (Includes Library)	<u>5,013,963</u>
Total	<u>\$10,081,556</u>

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

City of Harvard, Illinois

Notes to Financial Statements

Note 3 Deposits and Investments (Continued)

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.

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	\$ -	\$ 361,856	\$ -	\$ 361,856
U.S. treasuries	-	249,852	253,413	503,265
Agency securities	-	888,056	1,546,471	2,434,527
Mortgage pools	-	-	472,733	472,733
Unit trusts	153,666	-	-	153,666
Municipal bonds	20,148	380,035	503,677	903,860
Corporate bonds	-	111,188	126,498	237,686
Total	<u>\$173,814</u>	<u>\$1,990,987</u>	<u>\$2,902,792</u>	<u>\$5,067,593</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, 2016</u>	
		<u>AA</u>
Corporate bonds	<u>\$ 237,686</u>	<u>\$ 237,686</u>
Municipal bonds	<u>\$ 903,861</u>	<u>\$ 903,861</u>
		<u>Aaa</u>
Agency securities	<u>\$2,434,527</u>	<u>\$2,434,527</u>
		<u>Aa1/Aa2/Aa3</u>
Municipal bonds	<u>\$ 903,861</u>	<u>\$ 477,364</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>\$ 61,004</u>
	<u>Unrated</u> <u>\$365,493</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, 2016 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, 2016:

Special Revenue Funds:

Highways & Streets	<u>\$321,183</u>
Police Protection	<u>\$544,744</u>
Off Street Parking	<u>\$223,752</u>
IMRF	<u>\$67,683</u>
Special Recreation	<u>\$149,490</u>
Welfare	<u>\$ 8,610</u>
Revolving Loan	<u>\$205,860</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 4 Restricted Fund Balances (Continued)

Debt Service Fund	<u>\$ 808,029</u>
Capital Projects Fund	<u>\$ 101,973</u>
Harvard Diggins Library	<u>\$1,335,712</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, 2016 is as follows:

Cost:	<u>Balance May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2016</u>
Land (not depr.)	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	7,052,091	-	-	7,052,091
Buildings & improvements	4,988,679	33,120	-	5,021,799
Machinery & equipment	687,565	17,147	-	704,712
Office equipment	176,209	7,000	-	183,209
Vehicles	1,122,973	35,395	-	1,158,368
Harvard Diggins Library	191,591	-	-	191,591
Fixed Assets	<u>191,591</u>	<u>-</u>	<u>-</u>	<u>191,591</u>
	<u>\$22,763,265</u>	<u>\$92,662</u>	<u>\$ -</u>	<u>\$22,855,927</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	<u>Balance May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance April 30, 2016</u>
Accumulated Depreciation:				
Infrastructure	\$ 994,500	\$190,891	\$ -	\$1,185,391
Buildings & improvements	1,145,601	100,763	-	1,246,364
Machinery & equipment	647,118	12,025	-	659,143
Office equipment	104,769	23,969	-	128,738
Vehicles	978,877	43,222	-	1,022,099
Harvard Diggins				
Library Fixed Assets	<u>168,171</u>	<u>9,607</u>	<u>-</u>	<u>177,778</u>
	<u>\$4,039,036</u>	<u>\$380,477</u>	<u>\$ -</u>	<u>\$4,419,513</u>
Total Capital Assets, Net:				
Land	\$ 8,544,157	\$ -	\$ -	\$ 8,544,157
Infrastructure	6,057,591	(190,891)	-	5,866,700
Buildings & improvements	3,843,078	(67,643)	-	3,775,435
Machinery & equipment	40,447	5,122	-	45,569
Office equipment	71,440	(16,969)	-	54,471
Vehicles	144,096	(7,827)	-	136,269
Harvard Diggins				
Library Fixed Assets	<u>23,420</u>	<u>(9,607)</u>	<u>-</u>	<u>13,813</u>
	<u>\$18,724,229</u>	<u>\$ (287,815)</u>	<u>\$ -</u>	<u>\$18,436,414</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, 2016 is as follows:

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Cost:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	2,219,057	-	-	2,219,057
Buildings & improvements	9,852,596	-	-	9,852,596
Swimming pool	2,101,615	-	-	2,101,615
Machinery & equipment	1,507,636	-	-	1,507,636
Furniture & office equipment	44,106	2,061	-	46,167
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$15,993,760</u>	<u>\$ 2,061</u>	<u>\$ -</u>	<u>\$15,995,821</u>
Accumulated Depreciation:				
Infrastructure	\$ 273,734	\$ 53,913	\$ -	\$ 327,647
Buildings & improvements	4,500,400	197,052	-	4,697,452
Swimming pool	712,568	52,353	-	764,921
Machinery & equipment	1,344,391	26,696	-	1,371,087
Furniture & office equipment	44,106	378	-	44,484
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<u>\$7,015,949</u>	<u>\$330,392</u>	<u>\$ -</u>	<u>\$7,346,341</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 5 Property, Plant and Equipment (Continued)

	Balance May 1, 2015	Additions	Deletions	Balance April 30, 2016
Total Capital Assets, Net:				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,945,323	(53,913)	-	1,891,410
Buildings & improvements	5,352,196	(197,052)	-	5,155,144
Swimming pool	1,389,047	(52,353)	-	1,336,694
Machinery & equipment	163,245	(26,696)	-	136,549
Furniture & office Equipment	-	1,683	-	1,683
Vehicles	-	-	-	-
	<u>\$8,977,811</u>	<u>(\$328,331)</u>	<u>\$ -</u>	<u>\$8,649,480</u>

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

Governmental activities:

General government	\$147,052
Public safety	102,927
Public works	114,400
Culture and recreation	<u>16,098</u>
Total depreciation expense, governmental activities	<u>\$380,477</u>

Business-type activities:

Waterworks and Sewerage Department	\$278,039
Swimming Pool	<u>52,353</u>
Total depreciation expense, business-type activities	<u>\$330,392</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 6 Risk Management

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

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

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

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

Note 7 Short-Term Debt

The City has a revolving loan with a local bank. The following is the activity for the year ended April 30, 2016:

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, 2017. Prime rate at 3.25% on April 30, 2016.	General	\$ -	\$ -	\$ -	\$ -

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	\$1,090,000	\$ -	\$260,000	\$ 830,000
\$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	2,915,000	-	100,000	2,815,000
\$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	1,955,000	-	175,000	1,780,000
\$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	393,863	-	27,716	366,147
\$559,986 Bank loan dated April 2013, interest at 3.90%. Principal and interest paid quarterly through April 17, 2018.	General	521,644	-	20,283	501,361

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>242,902</u>	-	<u>12,227</u>	<u>230,675</u>
		<u>\$7,118,409</u>	<u>\$ -</u>	<u>\$595,226</u>	<u>\$6,523,183</u>

The City's Alternate Revenue Source bonds relating to the TIF funds must be paid for by certain pledged revenues and incremental taxes for them not to be classified as general obligation only bonds. The City has pledged sales tax and incremental taxes to repay these bonds issued. The bonds are payable solely from these revenues and are payable through 2027.

Business-Type Activities

\$645,000 General Obligation Alternate Revenue Source Bonds, dated April 1, 2011 due in annual installments of \$145,000 to \$180,000 plus interest at 1.70% to 3.85% through December 1, 2018.	W&S	\$ 345,000	\$ -	\$ 80,000	\$ 265,000
\$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	595,000	-	140,000	455,000
\$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>1,145,000</u>	-	<u>85,000</u>	<u>1,060,000</u>
		<u>\$2,085,000</u>	<u>\$ -</u>	<u>\$305,000</u>	<u>\$1,780,000</u>

The City's W&S Alternate Revenue Source bonds must be paid for by the net revenue of the Water and Sewer Fund for them not to be classified as general obligation only bonds. The City has pledged future water and sewer customer net revenues, net of specific operating expense, to repay these in water and sewer bonds issued. The bonds are payable solely from water and sewer customer net revenues and are payable through 2026.

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	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 714,394	\$ 224,595	\$ 170,000	\$ 70,954
2018	1,275,345	201,526	325,000	61,262
2019	1,107,891	157,821	330,000	50,328
2020	705,553	109,607	250,000	39,119
2021	530,000	89,880	100,000	32,975
2022 - 2026	2,045,000	197,786	560,000	81,142
2027 - 2031	<u>145,000</u>	<u>5,075</u>	<u>45,000</u>	<u>2,925</u>
Total	<u>\$6,523,183</u>	<u>\$986,290</u>	<u>\$1,780,000</u>	<u>\$338,705</u>

Changes occurred in Long-Term Liabilities

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

	Balances May 1 (restated)	Additions	Reductions	Balances April 30	Current Portion
Governmental Activities:					
Bonds payable	\$ 6,353,863	\$ -	\$562,716	\$ 5,791,147	\$693,254
Unamortized premium	18,154	-	1,513	16,641	-
Notes payable	764,546	-	32,510	732,036	21,140
Compensated absences	184,377	28,767	-	213,144	-
Net pension liability-Police	6,501,036	1,953,459	-	8,454,495	-
Net pension liability-IMRF	<u>1,312,923</u>	<u>570,169</u>	<u>-</u>	<u>1,883,092</u>	<u>-</u>
Total	<u>\$15,134,899</u>	<u>\$2,552,395</u>	<u>\$596,739</u>	<u>\$17,090,555</u>	<u>\$714,394</u>
Business-type Activities:					
Bonds payable	\$ 2,085,000	\$ -	\$305,000	\$ 1,780,000	\$ 170,000
Unamortized discount	(3,914)	-	1,610	(5,524)	-
Compensated absences	<u>66,591</u>	<u>-</u>	<u>17,726</u>	<u>48,865</u>	<u>-</u>
Total	<u>\$ 2,147,677</u>	<u>\$ -</u>	<u>\$324,336</u>	<u>\$ 1,823,341</u>	<u>\$170,000</u>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$95,273,550. As of April 30, 2016, the City had \$6,289,161 of remaining legal debt margin.

City of Harvard, Illinois

Notes to Financial Statements

Note 9 Noncommitment Debt

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

Note 10 Interfund Assets/Liabilities

Due From (To) Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental:		
General		\$1,442,328
Police Protection		258,924
	Non-major governmental funds	(1,116,690)
 Proprietary:		
Water		1,237
	Water	(480)
	Pool	(584,562)

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, 2016:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
General Fund:		
Police Protection Fund	\$ 572,000	\$ -
Non-Major Governmental Funds	<u>115,000</u>	<u>(678,400)</u>
Total General Fund	<u>687,000</u>	<u>(678,400)</u>
 Police Protection Fund:		
General Fund	<u>-</u>	<u>(572,000)</u>

City of Harvard, Illinois

Notes to Financial Statements

Note 10 Interfund Assets/Liabilities (Continued)

Transfers (continued)

Park Fund:		
General Fund	<u>24,077</u>	<u>(8,125)</u>
Road and Bridge Fund:		
General Fund	<u>-</u>	<u>(83,000)</u>
Special Recreation Fund:		
General Fund	<u>-</u>	<u>(15,952)</u>
IMRF Fund:		
General Fund	<u>155,000</u>	<u>-</u>
Insurance Liability Fund:		
General Fund	<u>163,000</u>	<u>-</u>
FICA:		
General Fund	<u>200,000</u>	<u>-</u>
TIF:		
General Fund	<u>95,000</u>	<u>-</u>
Audit Fund:		
General Fund	<u>-</u>	<u>(32,000)</u>
RTA Fund:		
General Fund	<u>15,000</u>	<u>-</u>
Total Non Major Governmental Funds	<u>557,077</u>	<u>(139,077)</u>
Pool Fund:		
General Fund	<u>50,400</u>	<u>-</u>
Total Proprietary Funds	<u>50,400</u>	<u>-</u>
Total all funds	<u>\$1,389,477</u>	<u>\$(1,389,477)</u>

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

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan

IMRF 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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired **on or after** January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the *lesser* of:

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Benefits Provided (Continued)

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	31
<hr/>	
Total	91

Contributions

As set by statute, the employer's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2015 was 13.95%. For the fiscal year ended April 30, 2016, the employer contributed \$241,709 to the plan. The employer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Price Inflation	2.75%
Salary Increases	3.75% to 14.50% including inflation

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Single Discount Rate

A Single Discount Rate of 7.46% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.46%.

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance January 1, 2015	\$10,213,660	\$8,900,737	\$1,312,923
Service costs	201,265	-	201,265
Interest on total pension liability	755,651	-	755,651
Difference between expected and actual experience	(23,363)	-	(23,363)
Changes in assumptions	26,182	-	26,182
Employer contributions	-	241,709	(241,709)
Employee contributions	-	78,111	(78,111)
Net investment income	-	44,243	(44,243)
Benefit payments – net of refunds	(424,013)	(424,013)	-
Administrative expense	-	-	-
Other changes (net transfer)	-	25,503	(25,503)
Net changes	535,722	(34,447)	570,169
Balances as of December 31, 2015	\$10,749,382	\$8,866,290	\$1,883,092

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Lower (6.46%)	Current Discount (7.46%)	1% Higher (8.46%)
City's proportionate share of the Net Pension liability	\$3,304,899	\$1,883,092	\$706,719

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

For the year ended December 31, 2015, the City recognized pension expense of \$313,625. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ -	\$16,275
Changes in assumptions	18,239	-
Net difference between projected and actual earnings on pension plan investments	496,289	-
Total deferred amounts to be recognized in pension expense in future periods		
Employer contributions subsequent to the measurement date	84,327	-
Total	\$598,855	\$16,275

The City reported \$84,237 as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future periods as follows:

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Net Deferred Outflows</u>	
<u>Year ended December 31:</u>	

2016	\$124,927
2017	124,927
2018	124,326
2019	124,073
2020	0
Thereafter	0

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, 2016, 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% 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 preceding 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, 2016, the City's contribution was 30.9% 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 (the Fund) 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 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. During the year, no changes were made to the investment policy.

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

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term Expected Real Rate of Return</u>
Corporate Bonds	4.20%	2.50%	1.70%
US Government Fixed Income	3.20%	2.50%	0.70%
US Cash	3.00%	2.50%	0.50%
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 Policy (Continued)

ILCS limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in April 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2016 are listed in the table above.

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, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .2%. 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.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Police Pension Fund's debt securities as of April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6+
Fixed income securities	<u>\$4,874,549</u>	<u>\$ 20,148</u>	<u>\$1,962,298</u>	<u>\$2,892,103</u>

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.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Net Pension Liability

The components of the net pension liability of the Police Pension Fund as of April 30, 2016 calculated in accordance with GASB Statement No. 67 were as follows:

Total pension liability	\$17,999,051
Plan fiduciary net position	9,544,556
City's net pension liability	8,454,495
Plan fiduciary net position as a percentage of the total pension liability	53%

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.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2016 using the following actuarial methods and assumptions.

Actuarial valuation date	April 30, 2016
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	2.50% - 24.58%
Aggregate payroll increases	3.00%
Inflation rate included	2.50%

Mortality rates were based on rates developed in a 2016 Mortality Table for Illinois Police Officers. Other demographic assumption rates are based on a review of assumptions in the 2016 study for Illinois Police Officers.

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

Actuarial Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.16%. 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 3.32% for tax exempt general obligation municipal bonds rated AA or better at April 30, 2016 to arrive at a discount rate of 6.16% used to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance April 30, 2015	\$15,926,928	\$9,425,892	\$6,501,036
Service costs	408,451	-	408,451
Interest on total pension liability	964,580	-	964,580
Difference between expected and actual experience	(595,413)	-	(595,413)
Changes in assumptions	1,830,842	-	1,830,842
Employer contributions	-	494,084	(494,084)
Employee contributions	-	140,321	(140,321)
Net investment income	-	41,663	(41,663)
Benefit payments – net of refunds	(536,337)	(536,337)	-
Administrative expense	-	(21,065)	21,065
Prior Period Audit Adjustment	-	(2)	2
Net changes	2,072,123	118,664	1,953,459
Balances as of April 30, 2016	\$17,999,051	\$9,544,556	\$8,454,495

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

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 6.16% 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 (5.16%) or 1 percentage point higher (7.16%) than the current rate:

	1% Decrease (5.16%)	Current Discount Rate (6.16%)	1% Increase (7.16%)
Net Pension Liability	\$11,666,740	\$8,454,495	\$5,903,305

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

For the year ended April 30, 2016, the City recognized pension expense of \$558,072. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Amounts Related to Pensions	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ -	\$527,365
Changes in assumptions	1,621,602	-
Net difference between projected and actual earnings on pension plan investments	496,676	-
Employer contributions subsequent to the measurement date	13,237	-
Total	\$2,131,515	\$527,365

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

Net Deferred Outflows

Year ended April 30:

2017	\$265,361
2018	265,361
2019	265,361
2020	265,361
2021	141,192
Thereafter	388,277

City of Harvard, Illinois

Notes to Financial Statements

Note 11 Pension Plan (Continued)

Police Pension (Continued)

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 funded status of the two plans as of December 31, 2015 for IMRF and as of April 30, 2016 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>
Actuarial accrued liability (AAL)	\$5,807,125
Actuarial value of plan assets	4,148,398
Unfunded actuarial accrued liability (UAAL)	1,658,727
Funded ratio (actuarial value of plan assets/AAL)	71.44%
Covered payroll (active plan Members)	1,732,680
UAAL as a percentage of Covered payroll	95.73%

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, 2016.

Note 13 Excess Expenditures over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
TIF #1 Downtown Redevelopment Fund	\$183,370	\$183,844	\$474
TIF #2 Industrial Park Fund	259,460	259,935	475
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	\$ 321,183
Tax increment financing	660,604
Debt service	147,425
Capital projects	101,973
Harvard Diggins library	1,335,712
Police protection	544,744
Off street parking	223,752
IMRF	67,683
Special recreation	149,490
Welfare	8,610
Revolving loan	<u>205,860</u>
Total	<u>\$3,767,036</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. Residual deficit amounts of other governmental funds are also reported as unassigned.

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 Change in Accounting Principles

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year ended April 30, 2016, which required it to report a net pension liability for the unfunded portion of its proportionate share of the IMRF multi-employer plan.

Net position April 30, 2015, as previously reported	\$15,562,226
Add beginning net pension liability at measurement date - IMRF	(1,312,923)
Write-off of net pension obligation – Pension Trust Fund	1,050,485
Add beginning net pension liability – Pension Trust Fund	<u>(6,501,036)</u>
Net position at April 30, 2016, as restated	<u>\$8,798,752</u>

Note 16 Future Debt

On April 26, 2016, the City approved the issuance of Series 2016 Bonds in an aggregate principal amount not to exceed \$1,250,000 for the purpose of financing the costs of certain capital projects within the City and refinancing certain outstanding obligations. The bonds were not issued until June 2016.

On July 26, 2016, the City approved the issuance of Series 2016B Bonds in an aggregate principal amount not to exceed \$3,000,000 for the purpose of financing the costs of certain capital projects within the City and refinancing certain outstanding obligations. The bonds were not issued until September 2016.

City of Harvard, Illinois

Notes to Financial Statements

Note 17 Pending GASB Statements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68* addresses accounting and financial reporting for pensions that were not covered by GASB Statement No. 68, because the plan assets are not held in trust. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* addresses the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City has not determined the effect of this Statement.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). Authoritative sources of GAAP now include (1) GASB pronouncements, (2) GASB implementation guides, and (3) AICPA literature specifically cleared by the GASB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 77, *Tax Abatement Disclosures* requires governments that enter into tax abatement agreements to disclose the certain information about the agreements to allow readers of the financial statements to better access the revenue-generating capacity of the government. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The City has not determined the effect of this Statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements by requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The City has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017. The City has not determined the effect of this Statement.

Required Supplementary Information

City of Harvard, Illinois

Required Supplementary Information

**Illinois Municipal Retirement Fund (IMRF)
Multiyear Schedule of Contributions
Last 10 Calendar Years (prospective from 2015)**

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2015	\$241,709*	\$241,709	\$-	\$1,732,680	13.95%

* Estimated based on contribution rate of 13.95% and covered valuation payroll of \$1,732,680.

The City implemented GASB Statement No. 68 in the year ending April 30, 2016.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially Determined Contribution	N/A	\$ 515,553	\$ 615,778							
Contributions in Relation to the Actuarially Determined Contribution	N/A	461,768	494,084							
CONTRIBUTION DEFICIENCY (Excess)	N/A	53,785	121,694							
Covered-Employee Payroll	N/A	1,374,078	1,597,630							
Contributions as a Percentage of Covered-Employee Payroll	N/A	33.6%	30.9%							

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.

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, 2016

	2016	2015
Total pension liability:		
Service cost	\$ 408,451	\$ 434,997
Interest on the total pension liability	964,580	958,677
Benefit changes	-	-
Difference between expected and actual experience	(1,802,148)	-
Assumption changes	3,037,577	-
Benefit payments and refunds	(536,337)	(476,689)
Net change in total pension liability	2,072,123	916,985
Total pension liability - beginning	15,926,928	15,009,943
Total pension liability - ending (a)	\$ 17,999,051	\$ 15,926,928
Plan fiduciary net position:		
Employer contributions	\$ 494,084	\$ 461,768
Employee contributions	140,321	135,471
Pension plan net investment income	41,663	565,091
Benefit payments and refunds	(536,337)	(476,689)
Administrative expense	(21,065)	(9,636)
Other	(2)	122,893
Net change in plan fiduciary net position	118,664	798,898
Plan fiduciary net position - beginning	9,425,892	8,626,994
Plan fiduciary net position - ending (b)	\$ 9,544,556	\$ 9,425,892
Net pension liability(asset) - Ending (a) - (b)	\$ 8,454,495	\$ 6,501,036
Plan fiduciary net position as a percentage of total pension liability	53.03%	59.18%
Covered valuation payroll	1,597,630	1,374,078
Net pension liability as a percentage of covered valuation payroll	529.19%	473.12%

City of Harvard, Illinois

Schedule of Changes in Net Pension Liability and Related Ratios

Illinois Municipal Retirement Fund

Last 10 Calendar Years

(schedule to be built prospectively from 2015)

Required Supplementary Information

For the year ended April 30, 2016

	2015
Total pension liability:	
Service cost	\$ 201,265
Interest on the total pension liability	755,651
Benefit changes	-
Difference between expected and actual experience	(23,363)
Assumption changes	26,182
Benefit payments and refunds	(424,013)
Net change in total pension liability	535,722
Total pension liability - beginning	10,213,660
Total pension liability - ending (a)	\$ 10,749,382
Plan fiduciary net position:	
Employer contributions	\$ 241,709
Employee contributions	78,111
Pension plan net investment income	44,243
Benefit payments and refunds	(424,013)
Administrative expense	-
Other	25,503
Net change in plan fiduciary net position	(34,447)
Plan fiduciary net position - beginning	8,900,737
Plan fiduciary net position - ending (b)	\$ 8,866,290
Net pension liability(asset) - Ending (a) - (b)	\$ 1,883,092
Plan fiduciary net position as a percentage of total pension liability	82.48%
Covered valuation payroll	1,732,680
Net pension liability as a percentage of covered valuation payroll	108.68%

City of Harvard, Illinois

Schedule of Investment Returns Police Pension Fund Required Supplementary Information For the year ended April 30, 2016

Police Pension Fund	2015
Annual Money - Weighted Rate of Return, Net of Investment Expense	6.20%
Police Pension Fund	2016
Annual Money - Weighted Rate of Return, Net of Investment Expense	0.2%

City of Harvard, Illinois

Notes to Required Supplementary Information

April 30, 2016

Note 1 Budgets

The term budget used throughout the financial statements represents the estimated revenues and appropriations set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2016.

Budgetary comparisons presented in the accompanying financial statements are prepared on the modified accrual basis method of accounting which is consistent with the basis used for the actual figures.

Unexpended budgeted amounts lapse at the end of each year. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels. The TIF funds expenditures exceeded appropriations.

Budgeted amounts are as originally adopted, or as amended by the Board of Trustees.

Note 2 Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate for IMRF *

Valuation date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	4.00%

City of Harvard, Illinois

General Fund Schedule of Revenues Compared With Budget Required Supplementary Information

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Taxes:			
Property taxes	\$ 417,000	\$ 414,292	\$ (2,708)
State income tax	935,250	966,304	31,054
Hotel/motel tax	15,000	16,720	1,720
State replacement tax	82,000	78,407	(3,593)
Sales tax	1,303,000	1,335,205	32,205
Video gaming tax	60,000	79,173	19,173
Utility tax	570,000	472,357	(97,643)
Total taxes	3,382,250	3,362,458	(19,792)
Licenses and fees:			
Liquor licenses	60,000	93,615	33,615
Contractors license	11,000	14,025	3,025
Building fees and permits	65,000	75,019	10,019
Parking permits	115,000	109,098	(5,902)
Police fines	215,000	217,963	2,963
Telephone franchise	202,000	207,399	5,399
Cable franchise	50,000	62,617	12,617
Mining fees	-	-	-
DUI fines	5,000	5,927	927
Total licenses and fees	723,000	785,663	62,663
Interest	3,600	10,053	6,453
Other revenues:			
Miscellaneous	162,452	189,998	27,546
Police reimbursement	85,000	104,131	19,131
Zoning hearings and platting fees	5,000	3,550	(1,450)
Escrow from developers	10,000	15,804	5,804
Rent	25,000	-	(25,000)
Health insurance reimbursement	40,000	38,258	(1,742)
Total other revenues	327,452	351,741	24,289
Total revenues	\$ 4,436,302	\$ 4,509,915	\$ 73,613

City of Harvard, Illinois

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

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures			
General government:			
Administration:			
Salaries - officials	\$ 111,768	\$ 109,908	\$ (1,860)
Salaries - clerical	81,278	83,161	1,883
Overtime - clerical	1,000	-	(1,000)
Health insurance	65,000	92,501	27,501
Mayoral expense	1,800	1,800	-
Attorney fees	55,000	61,374	6,374
Engineering fees	15,000	9,166	(5,834)
Service agreements	8,500	8,917	417
Equipment maintenance	10,000	4,425	(5,575)
Building maintenance	72,000	75,360	3,360
Office supplies	10,000	8,322	(1,678)
Postage	4,500	4,205	(295)
Dues and subscriptions	7,500	5,287	(2,213)
Public notices	3,000	4,741	1,741
ZBA notices	2,500	450	(2,050)
Printing	4,500	(3,757)	(8,257)
Telephone	13,000	8,198	(4,802)
Miscellaneous	123,006	110,092	(12,914)
New equipment	6,500	2,176	(4,324)
Economic development	70,000	62,690	(7,310)
Professional fees	50,000	46,375	(3,625)
Interest expense	28,000	20,873	(7,127)
Debt payment	20,000	20,283	283
Total administration	763,852	736,547	(27,305)
Building services:			
Salaries	119,000	119,221	221
Health insurance	55,000	49,808	(5,192)
Vehicle maintenance	1,500	92	(1,408)
Nuisance abatement	10,000	2,308	(7,692)
Training	1,000	655	(345)
Uniforms	750	-	(750)
Contingencies	2,500	848	(1,652)
New equipment	6,500	-	(6,500)
Total building services	196,250	172,932	(23,318)
Total general government	960,102	909,479	(50,623)

City of Harvard, Illinois

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

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public safety:			
Police department:			
Salaries - officers	1,500,000	1,457,782	(42,218)
Salaries - clerical	345,000	313,543	(31,457)
Crossing guards	12,000	11,831	(169)
Overtime	270,000	164,458	(105,542)
Health insurance	400,000	381,872	(18,128)
Health examinations	1,000	40	(960)
Uniforms	20,500	18,103	(2,397)
Attorney fees	54,000	47,188	(6,812)
Vehicle maintenance	15,000	11,384	(3,616)
Equipment maintenance	8,000	7,550	(450)
Radio maintenance	4,000	3,054	(946)
Ammunition	6,500	2,034	(4,466)
Material purchases	3,500	2,359	(1,141)
Office supplies	8,500	5,838	(2,662)
Investigation supplies	6,500	4,245	(2,255)
Dues and subscriptions	2,200	1,220	(980)
Telephone	11,500	12,732	1,232
Gas, oil, and grease	50,000	30,635	(19,365)
Police commission expense	1,000	567	(433)
Miscellaneous	11,500	7,378	(4,122)
Special programs	8,000	4,936	(3,064)
New equipment	72,000	68,710	(3,290)
Total public safety	2,810,700	2,557,459	(253,241)

City of Harvard, Illinois

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

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Expenditures (Continued)			
Public works:			
Highways and streets:			
Salaries	282,000	271,946	(10,054)
Overtime	15,000	7,267	(7,733)
Health insurance	50,000	58,465	8,465
Uniforms	2,500	1,533	(967)
Vehicle maintenance	35,500	31,406	(4,094)
Building maintenance	72,500	27,803	(44,697)
Tools	5,000	1,995	(3,005)
Material purchases	2,500	1,793	(707)
Telephone	3,200	2,942	(258)
Electricity	110,000	101,750	(8,250)
Gas, oil and grease	35,000	21,753	(13,247)
New equipment	36,000	32,381	(3,619)
Miscellaneous	67,400	64,758	(2,642)
Capital projects	-	-	-
Total public works	716,600	625,792	(90,808)
Total expenditures	\$ 4,487,402	\$ 4,092,730	\$ (394,672)
Other financing sources (uses)			
Operating transfers in	\$ 687,000	\$ 687,000	\$ -
Operating transfers out	(678,400)	(678,400)	-
Total other financing sources (uses)	\$ 8,600	\$ 8,600	\$ -

City of Harvard, Illinois

Harvard Diggins Library

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 228,000	\$ 230,816	\$ 2,816
Replacement taxes	13,000	13,373	373
Book sales	-	1,040	1,040
Equipment receipts	5,000	4,350	(650)
Fine receipts	6,200	6,941	741
Meeting room rent	350	320	(30)
Gifts/donations	1,000	992	(8)
Non-resident fees	7,000	9,145	2,145
Gain on sale of investments	-	41,788	41,788
Unrealized gain (loss) on investments	-	(112,443)	(112,443)
Interest income	58,012	45,450	(12,562)
Miscellaneous income	700	4,463	3,763
Public copier revenue	1,500	-	(1,500)
Per capita grant	11,808	11,809	1
Total revenues	\$ 332,570	\$ 258,044	\$ (74,526)
Expenditures			
Printed material	\$ 19,500	\$ 19,959	\$ 459
Supplies	5,500	6,486	986
Program and Promotion	6,400	5,452	(948)
Furniture and equipment	2,220	1,712	(508)
Postage	500	682	182
Audio-Visual material	14,250	7,165	(7,085)
Automation charges	19,000	15,758	(3,242)
Staff development	500	182	(318)
Contract services	16,700	35,613	18,913
Memberships/dues	500	826	326
Technology Charges	9,050	10,255	1,205
Salaries	169,000	159,508	(9,492)
Employment taxes	500	485	(15)
Insurance	36,600	36,468	(132)
Utilities	500	446	(54)
Telephone	11,500	14,928	3,428
Accounting & audit fees	3,500	-	(3,500)
Staff expenses	150	105	(45)
Maintenance	30,500	17,968	(12,532)
Electronic resources	6,500	12,137	5,637
Technology upgrades	24,000	17,892	(6,108)
Public information	1,600	824	(776)
Board expenses	50	-	(50)
Miscellaneous	50	13,323	13,273
Total expenditures	\$ 378,570	\$ 378,174	\$ (396)

City of Harvard, Illinois

Police Protection

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 572,000	\$ 568,170	\$ (3,830)
Interest	-	5	5
Total revenues	\$ 572,000	\$ 568,175	\$ (3,825)
Other financing sources (uses)			
Operating transfers in (out)	\$ (572,000)	\$ (572,000)	\$ -

City of Harvard, Illinois

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

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 73,500	\$ 73,205	\$ (295)
Interest	-	831	831
Total revenues	\$ 73,500	\$ 74,036	\$ 536
Expenditures			
Debt Service	\$ 183,370	\$ 183,844	\$ 474
Total expenditures	\$ 183,370	\$ 183,844	\$ 474
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, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 229,363	\$ 228,794	\$ (569)
Interest	-	709	709
Total revenues	\$ 229,363	\$ 229,503	\$ 140
Expenditures			
Debt Service	\$ 259,460	\$ 259,935	\$ 475
Total expenditures	\$ 259,460	\$ 259,935	\$ 475

City of Harvard, Illinois

TIF #3 South

Schedule of Revenues and Expenditures Compared With Budget Required Supplementary Information

Year ended April 30, 2016

	Original & Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 139,607	\$ 88,787	\$ (50,820)
Interest	-	2,393	2,393
Total revenues	\$ 139,607	\$ 91,180	\$ (48,427)
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, 2016

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for water and sewer services			
Water billings	\$ 1,800,000	\$ 1,774,459	\$ (25,541)
Tap on permits	10,000	3,885	(6,115)
Sale of material	3,000	12,517	9,517
Penalties	45,000	34,759	(10,241)
Plumbing permits	4,000	7,348	3,348
Maintenance charges	310,000	303,668	(6,332)
Moving charges	2,500	2,155	(345)
Utility tax	110,000	102,142	(7,858)
EPA License Fee	17,500	17,482	(18)
Miscellaneous	1,000	2,100	1,100
Water tower lease	32,164	32,820	656
Total operating revenues	\$ 2,335,164	\$ 2,293,335	\$ (41,829)
Operating expenses			
Utilities department:			
Salaries	\$ 341,000	\$ 333,317	\$ (7,683)
Overtime	15,000	10,734	(4,266)
Health insurance	65,000	61,568	(3,432)
Training	500	334	(166)
Travel expense	-	-	-
Uniforms	2,000	1,771	(229)
Professional fees	55,000	44,121	(10,879)
Engineering fees	95,000	81,380	(13,620)
Building maintenance	15,000	13,659	(1,341)
Maintenance of tower/plant	25,000	26,620	1,620
Equipment/water main maintenance	94,000	102,876	8,876
Lift station maintenance	30,000	21,061	(8,939)
Lab supplies	9,500	11,797	2,297
Material purchases	3,500	1,600	(1,900)
Dues and subscriptions	550	539	(11)
Telephone	28,000	14,453	(13,547)
Electricity	200,000	184,995	(15,005)
Fuel for building	12,000	8,293	(3,707)
Gas, oil and grease	11,000	8,024	(2,976)
Chemicals	80,000	66,625	(13,375)
Miscellaneous	4,000	2,796	(1,204)
New equipment	30,000	31,020	1,020
Infrastructure	30,000	29,472	(528)
Permit fees	17,500	17,500	-
Total utilities department	1,163,550	1,074,555	(88,995)

City of Harvard, Illinois

Water and Sewerage Fund (Continued)

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2016

	Final Budget	Actual	Over (Under) Budget
Operating expenses			
Maintenance and administration department:			
Salaries	\$ 185,000	\$ 183,021	\$ (1,979)
Salaries, clerical	114,000	117,122	3,122
Overtime	15,000	9,367	(5,633)
Health insurance	75,000	72,535	(2,465)
Uniforms	2,500	2,327	(173)
Utility tax	110,000	99,760	(10,240)
Rent	25,000	(270)	(25,270)
Vehicle maintenance	25,000	21,290	(3,710)
Storm sewer maintenance	30,000	36,370	6,370
Sanitary sewer maintenance	30,000	35,864	5,864
Water main maintenance	50,000	56,168	6,168
Material purchases	2,000	1,263	(737)
Office supplies	2,500	1,523	(977)
Postage	8,000	7,668	(332)
Telephone	5,400	4,137	(1,263)
Gas, oil and grease	15,000	3,869	(11,131)
Equipment/meters sweeper	42,000	38,643	(3,357)
Miscellaneous	1,500	652	(848)
Total maintenance and administration department	737,900	691,309	(46,591)
Total operating expenses	\$ 1,901,450	\$ 1,765,864	\$ (135,586)
Nonoperating revenues (expenses)			
Grant for capital improvement	1,500	1,500	-
Interest income	2,500	2,878	378
Interest expense	(39,351)	(75,700)	(36,349)
Total nonoperating revenues (expenses)	\$ (35,351)	\$ (71,322)	\$ (35,971)
Other financing sources (uses)			
Operating transfers in (out)	\$ (18,713)	\$ -	\$ 18,713

City of Harvard, Illinois

Pool Fund

Schedule of Revenues and Expenditures Compared With Budget

Year ended April 30, 2016

	Final Budget	Actual	Over (Under) Budget
Operating revenues			
Charges for pool services:			
Daily tickets	\$ 18,000	\$ 23,013	\$ 5,013
Pool passes	20,000	10,458	(9,542)
Lessons	10,000	10,785	785
Pool parties	5,000	4,084	(916)
Total pool services revenue	53,000	48,340	(4,660)
Concession sales	10,000	6,186	(3,814)
Total operating revenues	\$ 63,000	\$ 54,526	\$ (8,474)
Operating expenses			
Salaries	\$ 63,430	\$ 55,603	\$ (7,827)
Insurance	-	-	-
Maintenance and repairs	32,450	32,666	216
Pool supplies	900	1,041	141
Advertising	702	117	(585)
Telephone	1,400	1,399	(1)
Utilities	(100)	16,596	16,696
Fuel for building	4,200	2,377	(1,823)
Water	-	-	-
Chemicals	11,835	8,454	(3,381)
Concession stand	4,000	3,165	(835)
Miscellaneous	2,968	1,305	(1,663)
New equipment	365	117	(248)
Total operating expenses	\$ 122,150	\$ 122,840	\$ 690
Nonoperating revenues (expenses)			
Miscellaneous income	\$ 26,850	\$ -	\$ (26,850)
Total nonoperating revenues (expenses)	\$ 26,850	\$ -	\$ (26,850)
Other financing sources (uses)			
Operating transfers out	\$ -	\$ -	\$ -
Operating transfers in	50,400	50,400	-
Total other financing sources (uses)	\$ 50,400	\$ 50,400	\$ -

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet

April 30, 2016

	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
Assets			
Cash	\$ 623,261	\$ 93,387	\$ -
Investments, at cost	-	-	-
Receivables:			
Property tax	1,138,589	71,455	75,615
Accounts	49,482	-	-
Due from other funds	364,661	-	-
Total assets	\$ 2,175,993	\$ 164,842	\$ 75,615
Liabilities			
Accounts payable	\$ 20,437	\$ 462	\$ -
Accrued payroll	3,104	3,104	-
Due to other funds	1,484,450	424,535	196,513
Total liabilities	1,507,991	428,101	196,513
Deferred Inflows of Resources			
Property taxes	569,298	35,728	37,808
Total deferred inflows of resources	569,298	35,728	37,808
Fund Balances			
Fund balance:			
Fund balances, restricted	1,225,976	-	-
Fund balances, unrestricted (unassigned)	(1,127,272)	(298,987)	(158,706)
Total fund balances	98,704	(298,987)	(158,706)
Total liabilities and fund equity	\$ 2,175,993	\$ 164,842	\$ 75,615

Revenue			
Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ -	\$ -	\$ -	\$ -
-	-	-	-
138,366	105,001	-	-
-	6,630	-	-
-	8,553	223,752	-
<u>\$ 138,366</u>	<u>\$ 120,184</u>	<u>\$ 223,752</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
128,789	-	-	235,851
<u>128,789</u>	<u>-</u>	<u>-</u>	<u>235,851</u>
69,183	52,501	-	-
<u>69,183</u>	<u>52,501</u>	<u>-</u>	<u>-</u>
-	67,683	223,752	-
(59,606)	-	-	(235,851)
<u>(59,606)</u>	<u>67,683</u>	<u>223,752</u>	<u>(235,851)</u>
<u>\$ 138,366</u>	<u>\$ 120,184</u>	<u>\$ 223,752</u>	<u>\$ -</u>

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet (Continued)

April 30, 2016

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
Assets				
Cash	\$ 284,668	\$ -	\$ -	\$ -
Investments, at cost	-	-	-	-
Receivables:				
Property tax	-	32,002	69,997	38,109
Accounts	42,852	-	-	-
Due from other funds	-	-	-	130,436
Total assets	\$ 327,520	\$ 32,002	\$ 69,997	\$ 168,545
Liabilities				
Accounts payable	\$ 1,170	\$ -	\$ 18,770	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,167	62,510	343,841	-
Total liabilities	6,337	62,510	362,611	-
Deferred Inflows of Resources				
Property taxes	-	16,001	34,999	19,055
Total deferred inflows of resources	-	16,001	34,999	19,055
Fund Balance				
Fund balance:				
Fund balances, restricted	321,183	-	-	149,490
Fund balances, unrestricted (unassigned)	-	(46,509)	(327,613)	-
Total fund balances	321,183	(46,509)	(327,613)	149,490
Total liabilities and fund equity	\$ 327,520	\$ 32,002	\$ 69,997	\$ 168,545

Revenue		Debt Service	
Welfare	Revolving Loan	Debt Service	
\$ 6,725	\$ 205,860	\$ -	-
-	-	-	-
-	-	-	292,900
-	-	-	-
1,920	-	-	-
<u>\$ 8,645</u>	<u>\$ 205,860</u>	<u>\$ 292,900</u>	
\$ 35	\$ -	\$ -	-
-	-	-	-
-	-	-	87,244
<u>35</u>	<u>-</u>	<u>-</u>	<u>87,244</u>
-	-	-	146,450
-	-	-	146,450
8,610	205,860	59,206	
-	-	-	-
<u>8,610</u>	<u>205,860</u>	<u>59,206</u>	
<u>\$ 8,645</u>	<u>\$ 205,860</u>	<u>\$ 292,900</u>	

City of Harvard, Illinois

Nonmajor Governmental Funds Combining Balance Sheet (Continued)

April 30, 2016

	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
Assets					
Cash	\$ 20,332	\$ 9,362	\$ 567	\$ 1,257	\$ 1,103
Investments, at cost	-	-	-	-	-
Receivables:					
Property tax	40,565	36,853	38,500	69,776	129,450
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 60,897	\$ 46,215	\$ 39,067	\$ 71,033	\$ 130,553
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities		-	-	-	-
Deferred Inflows of Resources					
Property taxes	20,283	18,427	19,250	34,888	64,725
Total deferred inflows of resources	20,283	18,427	19,250	34,888	64,725
Fund balance					
Fund balance:					
Fund balances, reserved	40,614	27,788	19,817	36,145	65,828
Fund balances, unrestricted (unassigned)	-	-	-	-	-
Total fund balances	40,614	27,788	19,817	36,145	65,828
Total liabilities and fund equity	\$ 60,897	\$ 46,215	\$ 39,067	\$ 71,033	\$ 130,553

City of Harvard, Illinois

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

Year ended April 30, 2016

	Total Nonmajor Governmental Funds	Special	
		Park	Road and Bridge
Revenues			
Taxes	\$ 1,409,242	\$ 71,021	\$ 84,154
Fees	36,118	36,118	-
Intergovernmental	2,407	-	-
Interest	4,682	561	-
Other	53,059	3,506	-
Total revenues	1,505,508	111,206	84,154
Expenditures			
General government	762,189	-	-
Public safety	-	-	-
Public works	175,934	-	-
Culture and recreation	185,279	156,589	-
Debt service	614,588	-	-
Total expenditures	1,737,990	156,589	-
Excess of revenues over (under) expenditures	(232,482)	(45,383)	84,154
Other financing sources (uses)			
Operating transfers in	557,077	24,077	-
Operating transfers out	(139,077)	(8,125)	(83,000)
Total other financing sources (uses)	418,000	15,952	(83,000)
Net change in fund balance	185,518	(29,431)	1,154
Fund balance (deficit) - May 1, 2015	(86,814)	(269,556)	(159,860)
Fund balance (deficit) - April 30, 2016	\$ 98,704	\$ (298,987)	\$ (158,706)

Revenue			
Social Security	Illinois Municipal Retirement	Off Street Parking	Regional Transportation Authority
\$ 128,129	\$ 136,921	\$ -	\$ -
-	-	-	-
-	-	-	2,407
-	-	-	-
-	-	-	-
128,129	136,921	-	2,407
259,960	242,249	-	-
-	-	-	-
-	-	-	12,212
-	-	-	-
-	-	-	-
259,960	242,249	-	12,212
(131,831)	(105,328)	-	(9,805)
200,000	155,000	-	15,000
-	-	-	-
200,000	155,000	-	15,000
68,169	49,672	-	5,195
(127,775)	18,011	223,752	(241,046)
\$ (59,606)	\$ 67,683	\$ 223,752	\$ (235,851)

City of Harvard, Illinois

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

Year ended April 30, 2016

	Special		
	Motor Fuel Tax	Audit	Liability Insurance
Revenues			
Taxes	\$ 252,265	\$ 34,653	\$ 68,816
Fees	-	-	-
Intergovernmental	-	-	-
Interest	1,769	-	1
Other	-	-	32,390
Total revenues	254,034	34,653	101,207
Expenditures			
General government	23	-	259,877
Public safety	-	-	-
Public works	162,470	-	-
Culture and recreation	-	-	-
Debt service	-	-	-
Total expenditures	162,493	-	259,877
Excess of revenues over (under) expenditures	91,541	34,653	(158,670)
Other financing sources (uses)			
Operating transfers in	-	-	163,000
Operating transfers out	-	(32,000)	-
Total other financing sources (uses)	-	(32,000)	163,000
Net change in fund balance	91,541	2,653	4,330
Fund balance (deficit) - May 1, 2015	229,642	(49,162)	(331,943)
Fund balance (deficit) - April 30, 2016	\$ 321,183	\$ (46,509)	\$ (327,613)

Revenue			Debt Service
Special Recreation	Welfare	Revolving Loan	Debt Service
\$ 37,877	\$ -	\$ -	\$ 294,211
-	-	-	-
-	-	-	-
-	51	1,359	3
-	6,380	10,783	-
37,877	6,431	12,142	294,214
-	-	80	-
-	-	-	-
-	-	-	-
22,221	6,469	-	-
-	-	-	301,000
22,221	6,469	80	301,000
15,656	(38)	12,062	(6,786)
-	-	-	-
(15,952)	-	-	-
(15,952)	-	-	-
(296)	(38)	12,062	(6,786)
149,786	8,648	193,798	65,992
\$ 149,490	\$ 8,610	\$ 205,860	\$ 59,206

City of Harvard, Illinois

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

Year ended April 30, 2016

	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
Revenues					
Taxes	\$ 40,565	\$ 36,853	\$ 37,750	\$ 67,522	\$ 118,505
Fees	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Interest	189	107	115	169	358
Other	-	-	-	-	-
Total revenues	40,754	36,960	37,865	67,691	118,863
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	450	401	401
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	40,837	37,507	38,500	69,776	126,968
Total expenditures	40,837	37,507	38,950	70,177	127,369
Excess of revenues over (under) expenditures	(83)	(547)	(1,085)	(2,486)	(8,506)
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(83)	(547)	(1,085)	(2,486)	(8,506)
Fund balance - May 1, 2015	40,697	28,335	20,902	38,631	74,334
Fund balance - April 30, 2016	\$ 40,614	\$ 27,788	\$ 19,817	\$ 36,145	\$ 65,828

City of Harvard, Illinois

Schedule of Bonds Payable - Governmental Funds

Year ended April 30, 2016

Year ended April 30	General Obligation Recreation Bonds, Series 2011B		General Obligation Bonds Alternate Revenue Source Series 2012A	
	Principal	Interest	Principal	Interest
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>\$ 830,000</u>	<u>\$ 67,200</u>	<u>\$ 2,815,000</u>	<u>\$ 407,150</u>

General Obligation Bonds Alternate Revenue Source Series 2012B		Debt Certificates Series 2008B	
Principal	Interest	Principal	Interest
\$ 175,000	\$ 57,960	\$ 25,470	\$ 22,333
145,000	53,585	26,760	21,043
145,000	49,960	313,917	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>\$ 1,780,000</u>	<u>\$ 377,536</u>	<u>\$ 366,147</u>	<u>\$ 63,065</u>

City of Harvard, Illinois

Schedule of Bonds Payable - Proprietary Funds

Year ended April 30, 2016

Year ended April 30	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
2017	\$ -	\$ 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	21,600	-	-
2024	-	-	110,000	16,650	-	-
2025	-	-	115,000	11,476	-	-
2026	-	-	125,000	2,925	-	-
2027	-	-	45,000	2,925	-	-
2028	-	-	-	-	-	-
	<u>\$ 455,000</u>	<u>\$ 29,963</u>	<u>\$ 1,060,000</u>	<u>\$ 288,612</u>	<u>\$ 265,000</u>	<u>\$ 20,130</u>



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

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

We have examined management's assertion, included in its representation letter dated October 18, 2016 that the City of Harvard, Illinois (the City) complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended April 30, 2016. Management is responsible for the City's assertion and for compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with statutory requirements.

In our opinion, management's assertion that the City of Harvard, Illinois complied with the aforementioned requirements for the year ended April 30, 2016 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Mayor, City Council, management of the City, the Illinois State Comptroller's Office and the joint review boards and is not intended to be and should not be used by anyone other than these specified parties.

Wipfli LLP

Rockford, Illinois
October 18, 2016



City of Harvard, Illinois

Schedule of Findings and Responses

2016-001

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.

2016-002

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.