

**CITY OF HARVARD**  
**Harvard, Illinois**

**ANNUAL FINANCIAL REPORT**

**April 30, 2012**

CITY OF HARVARD, ILLINOIS

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Harvard, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note A, the City adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective May 1, 2011.

As more fully described in Note L to the financial statements, the City did not adopt the provisions of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended April 30, 2012. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the matter discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Harvard, Illinois as of April 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued a report dated January 23, 2013 on our consideration of City of Harvard, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Schedule of Funding Progress for the Illinois Municipal Retirement Fund, Actuarial Valuations for Police Pension System, and the Schedule of Revenues and Expenditures/Expenses Compared with Budget, all of which are listed in the table of contents as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements of City of Harvard, Illinois taken as a whole. The schedules listed in the table of contents as "Other Supplementary Information" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*

Rockford, Illinois  
January 23, 2013

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

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

We have audited 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, 2012, which collectively comprise the City of Harvard's basic financial statements and have issued our report thereon dated January 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, identified as finding 2012-1, 2012-2, 2012-3 as described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

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

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

A handwritten signature in cursive script that reads "Wipfle LLP".

Rockford, Illinois  
January 23, 2013

## **BASIC FINANCIAL STATEMENTS**

CITY OF HARVARD, ILLINOIS  
STATEMENT OF NET ASSETS  
April 30, 2012

**ASSETS**

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,020,777	\$ 641,423	\$ 1,662,200
Investments	1,102,604	-	1,102,604
Receivables:			
Taxes	2,925,715	-	2,925,715
Accounts	616,131	420,906	1,037,037
Due from other governments	24,399	-	24,399
Internal balances	<u>511,644</u>	<u>(511,644)</u>	<u>-</u>
Total current assets	<u>6,201,270</u>	<u>550,685</u>	<u>6,751,955</u>
Bond issuance costs, net	61,969	52,518	114,487
Capital Assets (net of accumulated depreciation):			
Land (non-depreciable)	8,544,157	128,000	8,672,157
Infrastructure	5,832,303	1,343,891	7,176,194
Buildings and improvements	4,090,712	7,480,472	11,571,184
Machinery and equipment	68,235	152,288	220,523
Furniture and office equipment	35,623	-	35,623
Vehicles	<u>151,327</u>	<u>-</u>	<u>151,327</u>
Total noncurrent assets	<u>18,784,326</u>	<u>9,157,169</u>	<u>27,941,495</u>
Total assets	<u>24,985,596</u>	<u>9,707,854</u>	<u>34,693,450</u>

## LIABILITIES

Current liabilities:				
Accounts payable	47,407	28,694	76,101	
Accrued payroll	81,917	9,572	91,489	
Accrued interest	50,066	-	50,066	
Due to other funds	27,574	480	28,054	
Deferred revenues	1,455,626	-	1,455,626	
Notes payable	971,795	-	971,795	
Current portion long term debt	255,905	117,943	373,848	
Total current liabilities	<u>2,890,290</u>	<u>156,689</u>	<u>3,046,979</u>	
Noncurrent liabilities:				
Compensated absences	252,288	54,295	306,583	
Net pension obligation	765,590	-	765,590	
Notes payable	1,136,484	-	1,136,484	
Capital lease payable	-	45,218	45,218	
Bonds payable	7,502,005	2,850,000	10,352,005	
Total noncurrent liabilities	<u>9,656,367</u>	<u>2,949,513</u>	<u>12,605,880</u>	
Total liabilities	<u>12,546,657</u>	<u>3,106,202</u>	<u>15,652,859</u>	
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,746,168	6,179,650	15,925,818	
Restricted for highways and streets	289,412	-	289,412	
Restricted for debt service	518,727	-	518,727	
Restricted for capital projects	122,504	-	122,504	
Restricted for library	1,281,852	-	1,281,852	
Restricted for police protection	612,921	-	612,921	
Unrestricted	(132,645)	422,002	289,357	
Total net assets	<u>\$ 12,438,939</u>	<u>\$ 6,601,652</u>	<u>\$ 19,040,591</u>	

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF ACTIVITIES  
Year ended April 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General Government	\$ 1,909,253	\$ 359,194	\$ 3,309	\$ -
Public Safety	2,556,918	300,363	-	-
Public Works	1,085,257	110,118	436,448	-
Culture and Recreation	608,929	61,351	204,959	-
Interest expense	416,902	-	-	-
Total governmental activities	<u>\$ 6,577,259</u>	<u>\$ 831,026</u>	<u>\$ 644,716</u>	<u>\$ -</u>
Business-type activities:				
Swimming Pool	\$ 163,948	\$ 54,081	\$ -	\$ -
Waterworks and Sewerage	1,750,627	1,937,844	-	-
Total business-type activities	<u>\$ 1,914,575</u>	<u>\$ 1,991,925</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Taxes:
  - Property taxes
  - State taxes
  - Miscellaneous taxes
- Interest and investment income (losses)
- Miscellaneous
- Total general revenues

Transfers

- Change in net assets

Net assets - beginning - as restated

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (1,546,750)	\$ -	\$ (1,546,750)
(2,256,556)	-	(2,256,556)
(538,691)	-	(538,691)
(342,619)	-	(342,619)
(416,902)	-	(416,902)
<u>(5,101,518)</u>	<u>-</u>	<u>(5,101,518)</u>
-	(109,867)	(109,867)
-	187,217	187,217
<u>-</u>	<u>77,350</u>	<u>77,350</u>
2,920,441	-	2,920,441
2,174,486	-	2,174,486
775,997	-	775,997
137,298	2,007	139,305
167,464	5,567	173,031
<u>6,175,686</u>	<u>7,574</u>	<u>6,183,260</u>
<u>(103,726)</u>	<u>97,158</u>	<u>(6,568)</u>
970,443	182,082	1,152,525
<u>11,468,496</u>	<u>6,419,570</u>	<u>17,888,066</u>
<u>\$ 12,438,939</u>	<u>\$ 6,601,652</u>	<u>\$ 19,040,591</u>

CITY OF HARVARD, ILLINOIS  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
April 30, 2012

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	General Fund	Harvard Diggins Library
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 156,702
Investments	-	1,022,864
Receivables, net of allowances		
Property tax	545,479	210,219
Accounts	616,131	-
Due from other funds	1,713,586	-
Total assets	\$ 2,875,196	\$ 1,389,785
<b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities		
Accounts payable	\$ 47,407	\$ -
Accrued payroll	73,054	3,933
Due to other funds	23,238	-
Notes payable	890,000	-
Deferred revenue	266,616	104,000
Total liabilities	1,300,315	107,933
Fund balances:		
Restricted for:		
Special revenue funds	-	1,281,852
Debt service funds	-	-
Capital projects funds	-	-
Unassigned	1,574,881	-
Total fund balances	1,574,881	1,281,852
Total liabilities and fund balances	\$ 2,875,196	\$ 1,389,785

See Notes to Financial Statements.

Police Protection	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 864,075	\$ 1,020,777
-	79,740	1,102,604
605,035	1,564,982	2,925,715
-	24,400	640,531
310,403	17,850	2,041,839
<u>\$ 915,438</u>	<u>\$ 2,551,047</u>	<u>\$ 7,731,466</u>

\$ -	\$ -	\$ 47,407
-	4,929	81,915
-	1,532,814	1,556,052
-	-	890,000
302,517	782,493	1,455,626
<u>302,517</u>	<u>2,320,235</u>	<u>4,031,000</u>

612,921	289,412	2,184,185
-	518,727	518,727
-	122,504	122,504
-	(699,831)	875,049
<u>612,921</u>	<u>230,812</u>	<u>3,700,466</u>
<u>\$ 915,438</u>	<u>\$ 2,551,047</u>	<u>\$ 7,731,466</u>

CITY OF HARVARD, ILLINOIS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
April 30, 2012

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Total fund balances - governmental funds	\$ 3,700,466
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$21,639,301 and the accumulated depreciation is \$2,916,944.	18,722,357
Other long-term assets are not available to pay for current expenditures, and, therefore are not reported as assets in governmental funds	61,969
Interest on long-term debt is not accrued in governmental funds	(50,066)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. The net pension obligation is also not accrued in the fund financial statements.	<u>(9,995,787)</u>
Total net assets - governmental activities	<u>\$ 12,438,939</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended April 30, 2012

	General Fund	Harvard Diggins Library	Police Protection	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,271,996	\$ 219,908	\$ 588,831	\$ 1,842,075	\$ 5,922,810
Licenses and fees	824,547	22,559	-	16,776	863,882
Intergovernmental	-	-	-	381,182	381,182
Investment income	-	77,697	-	-	77,697
Interest	5,947	-	-	2,763	8,710
Other	231,732	17,969	-	167,489	417,190
Total revenues	<u>4,334,222</u>	<u>338,133</u>	<u>588,831</u>	<u>2,410,284</u>	<u>7,671,471</u>
<b>EXPENDITURES</b>					
General government	854,656	34,081	-	714,754	1,603,491
Public safety	2,560,484	-	-	-	2,560,484
Public works	1,118,057	-	-	925,368	2,043,425
Culture and recreation	-	287,563	-	645,982	933,545
Debt service	21,618	-	-	1,184,244	1,205,863
Total expenditures	<u>4,554,815</u>	<u>321,644</u>	<u>-</u>	<u>3,470,348</u>	<u>8,346,807</u>
Excess (deficiency) of revenues over expenditures	(220,593)	16,489	588,831	(1,060,064)	(675,336)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of refunding bonds	-	-	-	5,610,565	5,610,565
Payment to refunded bond escrow	(1,060,000)	-	-	(5,384,894)	(6,444,894)
Transfers in	697,465	-	-	752,527	1,449,992
Transfers out	(827,844)	-	(573,512)	(152,361)	(1,553,717)
Total other financing sources and uses	<u>(1,190,379)</u>	<u>-</u>	<u>(573,512)</u>	<u>825,837</u>	<u>(938,054)</u>
Net change in fund balances	(1,410,972)	16,489	15,319	(234,226)	(1,613,390)
Fund balances - beginning	<u>2,985,852</u>	<u>1,265,363</u>	<u>597,602</u>	<u>465,038</u>	<u>5,313,855</u>
Fund balances - ending	<u>\$ 1,574,881</u>	<u>\$ 1,281,852</u>	<u>\$ 612,921</u>	<u>\$ 230,812</u>	<u>\$ 3,700,466</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended April 30, 2012

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Excess (deficiency) of revenues received and other sources over (under) expenditures disbursed and other uses - Governmental funds	\$ (1,613,390)
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	48,796
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capitalized fixed assets \$1,557,471 exceeds depreciation expense of \$368,085 in the period.	1,189,386
The increase in the net pension obligation recorded on the government-wide statements is not recorded in the governmental funds because it does not affect current expenditures. This is the increase in the net pension obligation in the period.	(4,007)
The issuance of long-term debt provides current financial resources to governmental funds, however, does not have any effect on net assets.	(305,358)
Debt payments are reported in governmental funds as expenditures. However, the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,655,016</u>
Change in net assets of governmental activities	<u>\$ 970,443</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
April 30, 2012

<b><u>ASSETS</u></b>	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Current assets:</b>			
Cash	\$ 641,424	\$ -	\$ 641,424
Receivables, net of allowance for uncollectible:			
Accounts	420,906	-	420,906
Due from other funds	1,237	-	1,237
Total current assets	1,063,567	-	1,063,567
Bond issuance costs and discounts	52,518	-	52,518
Land	128,000	-	128,000
Property, plant and equipment (net of accumulated depreciation)	7,435,753	1,540,897	8,976,650
Total noncurrent assets	7,616,271	1,540,897	9,157,168
Total assets	8,679,838	1,540,897	10,220,735
 <b><u>LIABILITIES</u></b>			
<b>Current liabilities:</b>			
Due to other funds	480	512,881	513,361
Accounts payable	28,694	-	28,694
Accrued payroll	9,407	165	9,572
Current portion long term debt	117,943	-	117,943
Total current liabilities	156,524	513,046	669,570
 <b>Noncurrent liabilities:</b>			
Compensated absences payable	54,295	-	54,295
Capital lease payable	45,218	-	45,218
General obligation bonds payable	2,850,000	-	2,850,000
Total noncurrent liabilities	2,949,513	-	2,949,513
Total liabilities	3,106,037	513,046	3,619,083
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	4,638,753	1,540,897	6,179,650
Unrestricted	935,048	(513,046)	422,001
Total net assets	\$ 5,573,801	\$ 1,027,851	\$ 6,601,652

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended April 30, 2012

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 1,910,758	\$ 53,961	\$ 1,964,719
<b>Operating expenses:</b>			
Operating	1,331,511	106,916	1,438,428
Depreciation	293,615	57,032	350,647
Total operating expenses	<u>1,625,126</u>	<u>163,948</u>	<u>1,789,075</u>
Operating income (loss)	<u>285,632</u>	<u>(109,987)</u>	<u>175,644</u>
<b>Nonoperating revenues (expenses):</b>			
Utility tax receipts (payments), net	2,238	-	2,238
Grant for capital improvement	-	-	-
Rent receipts	24,846	-	24,846
Miscellaneous income	5,567	120	5,687
Interest income	2,007	-	2,007
Interest expense	<u>(125,498)</u>	<u>-</u>	<u>(125,498)</u>
Total nonoperating revenues	<u>(90,841)</u>	<u>120</u>	<u>(90,721)</u>
<b>Other financing sources (uses)</b>			
Operating transfers in (out)	<u>11,461</u>	<u>85,697</u>	<u>97,158</u>
Net income (loss)	206,252	(24,170)	182,082
Net assets - May 1, 2011	5,142,549	1,052,021	6,194,570
Prior period adjustment	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Net assets - April 30, 2012	<u>\$ 5,573,801</u>	<u>\$ 1,027,851</u>	<u>\$ 6,601,652</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended April 30, 2012

	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,886,683	\$ 53,961	\$ 1,940,644
Payments to suppliers	(1,143,616)	(83,323)	(1,226,939)
Payments to employees	(212,976)	(27,243)	(240,219)
Net cash provided by (used in) operations	<u>530,091</u>	<u>(56,605)</u>	<u>473,486</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>2,007</u>	<u>-</u>	<u>2,007</u>
Net cash provided by investing activities	<u>2,007</u>	<u>-</u>	<u>2,007</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	(125,498)	-	(125,498)
Miscellaneous receipts	32,651	120	32,771
Transfers in (out)	11,461	56,485	67,947
Bond issuance costs	3,488	-	3,488
Proceeds from capital lease	130,000	-	130,000
Principal payments on general obligation bonds	(900,000)	-	(900,000)
Principal payments on capital lease	(41,839)	-	(41,839)
Purchase of property and equipment	(130,000)	-	(130,000)
Net cash provided by (used in) capital and related financing activities	<u>(1,019,737)</u>	<u>56,605</u>	<u>(963,131)</u>
Net increase (decrease) in cash and cash equivalents	(487,638)	-	(487,638)
Beginning cash and cash equivalents	<u>1,129,062</u>	<u>-</u>	<u>1,129,062</u>
Ending cash and cash equivalents	<u>\$ 641,424</u>	<u>\$ -</u>	<u>\$ 641,424</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year ended April 30, 2012

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	Business-type Activities-Enterprise Funds		
	Waterworks and Sewerage Fund	Swimming Pool Fund	Total
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 285,632	\$ (109,987)	\$ 175,644
Adjustments to reconcile operating income to net cash provided by (used in) operations			
Depreciation	293,615	57,032	350,647
Changes in assets and liabilities:			
Accounts receivable	(24,074)	-	(24,074)
Accounts payable	(27,539)	(3,815)	(31,354)
Accrued payroll	2,060	165	2,225
Compensated absences	398	-	398
	<u>\$ 530,091</u>	<u>\$ (56,605)</u>	<u>\$ 473,486</u>
Net cash provided by (used in) operations	<u>\$ 530,091</u>	<u>\$ (56,605)</u>	<u>\$ 473,486</u>

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
April 30, 2012

<u>ASSETS</u>	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
Cash	\$ 245,585	\$ 33,757	\$ 19,499
Investments	6,403,185	-	-
Receivables, net of allowance for uncollectible:			
Note receivable	-	102,792	-
Accrued interest	8,027	-	-
Due from other funds	26,337	-	-
Property tax receivable	365,324	-	-
Total assets	7,048,458	136,549	19,499
<u>LIABILITIES</u>			
Deferred Revenue	181,999	-	-
<u>NET ASSETS</u>			
Held in trust for pension benefits and other purposes	\$ 6,866,459	\$ 136,549	\$ 19,499

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended April 30, 2012

	Police Pension Trust Fund	Non-expendable Trust Fund Apartment Fund	Expendable Trust Fund Scholarship Fund
<b>Additions:</b>			
Contributions-employer taxes	\$ 389,017	\$ -	\$ -
Contributions-employee	137,381	-	-
Investment income:			
Net appreciation (depreciation) in fair value of investments	(6,472)	-	-
Interest, dividends and investment income (loss)	46,003	20,701	332
Total additions	565,929	20,701	332
<b>Deductions:</b>			
Benefits and refunds	264,975	-	-
Other charges and services	26,596	3,770	-
Total deductions	291,571	3,770	-
Net increase	274,358	16,930	332
Transfers In	6,570	-	-
Net assets - beginning	6,585,530	119,618	19,167
Net assets - ending	\$ 6,866,459	\$ 136,549	\$ 19,499

See Notes to Financial Statements.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
April 30, 2012

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A. Summary of Significant Accounting Policies:

**REPORTING ENTITY**

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

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

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

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

**REPORTING ENTITY (CONTINUED)**

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

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

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

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

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

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

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

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

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

The following fund types are used by the City:

**Governmental Funds**

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

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

**Proprietary Fund**

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

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

**Proprietary Fund (Continued)**

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major funds:

**Governmental Funds:**

**General Fund**

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

**Harvard Diggins Library**

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

**Police Protection**

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

**Enterprise Funds:**

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

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

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

**BUDGETS**

The term "budget" used throughout the financial statements represents the estimated revenues and appropriations as set forth in the City's annual appropriation ordinance adopted for the fiscal year ended April 30, 2012. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

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

**CASH AND INVESTMENTS**

Cash consists of demand deposits and savings accounts, both being easily accessible and with short-term duration. Investments as of April 30, 2012 consist of treasury bills, certificates of deposit, and money market accounts in various financial institutions. Investments are stated at fair market value.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

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

**CASH AND INVESTMENTS (CONTINUED)**

Statutes authorize the City to invest in: 1) securities guaranteed by the full faith and credit of the United States of America; 2) deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; 3) short-term obligations of corporations organized in the United States which meet other restrictions as defined in Illinois Revised Statutes Chapter 35, Paragraph 902, as amended; 4) money market funds registered under the Investment Company Act of 1940; 5) short-term discount obligations of the Federal National Mortgage Association; 6) shares or other forms of securities legally issuable by savings and loan associations; 7) various share accounts of a credit union chartered under the laws of the State of Illinois or the laws of the United States provided the principal office of any such credit union is located within the State of Illinois; 8) a Public Treasurer's Investment Pool created under Section 17 of "An Act to revise the law in relation to the State Treasurer", approved April 23, 1873, as amended. Bank and savings and loan investments may only be made in institutions which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivisions, and Illinois insurance company general and separate accounts. For purposes of the statement of cash flows, cash equivalents include money market accounts and any highly liquid instruments purchased with a maturity of less than three months.

**PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Such taxes are payable by taxpayers in two installments on approximately June 1 and September 1 subsequent to the year of levy. The property tax levy passed in December 2011 was allocated fifty percent for each of the two years after the levy year.

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

**FUND BALANCES**

Beginning with fiscal year 2012, the City implemented GASB Statement 54 “*Fund Balance and Reporting and Governmental Fund Type Definitions*”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent.

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

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

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

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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A. Summary of Significant Accounting Policies (Continued):

**COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused vacation time. All vacation pay time is due in the event of termination and is accrued when incurred in the government-wide and proprietary fund financial statements, in accordance with the City's policies. Sick time accrues at the rate of one day for each 30 calendar days of employment. Upon termination, accumulated sick pay will convert into severance pay with the amounts depending on length of service. The liability for sick pay has been accrued in the government-wide and proprietary fund financial statements.

**ESTIMATES**

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

B. Legal Compliance and Accountability:

**BUDGETS**

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

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

The budget may be amended by the governing body.

Expenditures may not legally exceed budgeted appropriations at the fund level. In the General Fund, the departments within the city that were over budget were administration, building services, and public works. Total expenditures of \$4,554,815 exceeded budgeted expenditures of \$4,292,095 by \$262,720 in the General Fund.

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

B. Legal Compliance and Accountability (Continued):

**DEFICIT FUND BALANCES OF INDIVIDUALS FUNDS**

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

<u>Fund</u>	<u>Deficit Balance</u>
Park	\$(201,345)
Road & Bridge	(157,736)
Social Security	(149,579)
Illinois Municipal Retirement	(15,232)
Regional Transportation Authority	(256,773)
Audit	(57,441)
Liability Insurance	(338,763)

C. Deposits and Investments:

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

Occasionally, certain funds participating in the common bank account will incur overdrafts (deficits) in the account. The overdrafts result from expenditures which have been approved by the City Council. A deficit in one fund restricts the cash available for use by other funds in the same common account. The cash overdrafts have been classified as due to/from on the financial statements. As of April 30, 2012, the following funds had overdrafts:

Park Fund	\$323,238
Road & Bridge	193,216
Social Security	189,579
Illinois Municipal Retirement	55,033
RTA	255,396
Audit	72,121
Liability Insurance	368,604
Debt Service	69,131
Pool	512,881

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

C. Deposits and Investments (Continued):

**Deposits.** At year-end, the carrying amount of the City's deposits in checking, money market accounts, savings accounts and certificates of deposit was \$2,174,958 and the bank balance was \$2,304,058. Of the bank balance, \$2,304,058 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, 2012, \$-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, 2012, the City's investments were as follows:

	<b><u>Fair Value</u></b>
Investment in State Investment Pool	\$ 4,244
Long-term Certificates of Deposit	177,432
U.S. Government Obligations	4,020,204
Corporate Bonds	5,000
Unit trusts	168,099
Municipal Bonds	16,062
Exchange traded funds	25,001
Equity Mutual Funds	<u>2,875,830</u>
Total	<u>\$7,291,872</u>

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

**Interest Rate Risk:**

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

C. Deposits and Investments (Continued):

**Interest Rate Risk (Continued):**

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

	<b><u>Remaining Maturity (in Months)</u></b>			<b><u>Total</u></b>
	<b><u>12 Months or Less</u></b>	<b><u>13-60 Months</u></b>	<b><u>60+ Months</u></b>	
External investment pool	\$4,244	\$ -	\$ -	\$ 4,244
Long-term Certificates of Deposit	-	177,432	-	177,432
U.S. Government obligations	-	51,760	3,968,444	4,020,204
Corporate Bonds	-	-	5,000	5,000
Municipal Bonds	-	-	16,062	16,062
Total	<u>\$4,244</u>	<u>\$229,192</u>	<u>\$3,989,506</u>	<u>\$4,222,942</u>

**Credit Risk:**

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

	<b><u>Total as of April 30, 2012</u></b>	<b><u>AAAm</u></b>
External investment pool	<u>\$4,244</u>	<u>\$4,244</u>
Corporate bonds	<u>\$5,000</u>	<u>A</u> <u>\$5,000</u>
Municipal bonds	<u>\$16,062</u>	<u>AA-</u> <u>\$16,062</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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C. Deposits and Investments (Continued):

**Concentration of Credit Risk:**

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

**Custodial Credit Risk:**

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

As of April 30, 2012 there are no investments with custodial credit risk in that all of its investments are insured.

**Foreign Currency Risk:**

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

D. Restricted Fund Balances:

The following restrictions of fund balances existed as of April 30, 2012:

**Fiduciary:**

Non Expendable Trust Fund:

Apartment Fund \$136,549

Expendable Trust Fund:

Scholarship Fund \$19,499

**Pension Trust Funds:**

Police Pension Fund:

Restricted for employees retirement system \$6,866,459

**Special Revenue Funds:**

Highways & Streets \$289,412

Police Protection \$612,921

**Debt Service Fund**

\$518,727

**Capital Projects Fund**

\$122,504

**Harvard Diggins Library**

\$1,281,852

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

E. Property, Plant and Equipment:

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

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

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

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

The governmental activities capital asset activity for the year ended April 30, 2012 is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b><u>May 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>April 30, 2012</u></b>
<b>Cost:</b>				
Land (not depr.)	\$ 8,119,072	\$ 425,085	\$ -	\$ 8,544,157
Infrastructure	5,259,444	1,029,115	-	6,288,559
Buildings & improvements	4,944,893	-	-	4,944,893
Machinery & equipment	622,398	24,657	-	647,055
Office equipment	71,042	-	-	71,042
Vehicles	921,422	59,588	-	981,010
Harvard Diggins				
Library Fixed Assets	<u>143,559</u>	<u>19,026</u>	<u>-</u>	<u>162,585</u>
	<b><u>\$20,081,830</u></b>	<b><u>\$1,557,471</u></b>	<b><u>\$ -</u></b>	<b><u>\$21,639,301</u></b>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

E. Property, Plant and Equipment (Continued):

	<b>Balance</b> <b><u>May 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance</b> <b><u>April 30, 2012</u></b>
<b>Accumulated Depreciation:</b>				
Infrastructure	\$ 299,711	\$156,545	\$ -	\$ 456,256
Buildings & improvements	758,176	96,005	-	854,181
Machinery & equipment	534,228	44,592	-	578,820
Office equipment	55,157	3,613	-	58,770
Vehicles	767,618	62,065	-	829,683
Harvard Diggins				
Library Fixed Assets	<u>133,969</u>	<u>5,265</u>	<u>-</u>	<u>139,234</u>
	<u>\$2,548,859</u>	<u>\$368,085</u>	<u>\$ -</u>	<u>\$2,916,944</u>
<b>Total Capital Assets, Net:</b>				
Land	\$ 8,119,072	\$ 425,085	\$ -	\$ 8,544,157
Infrastructure	4,959,733	872,570	-	5,832,303
Buildings & improvements	4,186,717	(96,005)	-	4,090,712
Machinery & equipment	88,170	(19,935)	-	68,235
Office equipment	15,885	(3,613)	-	12,272
Vehicles	153,804	(2,477)	-	151,327
Harvard Diggins				
Library Fixed Assets	<u>9,590</u>	<u>13,761</u>	<u>-</u>	<u>23,351</u>
	<u>\$17,532,971</u>	<u>\$1,189,386</u>	<u>\$ -</u>	<u>\$18,722,357</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

E. Property, Plant and Equipment (Continued):

The business-type activities capital asset activity for the year ended April 30, 2012 is as follows:

<b>Cost:</b>	<b><u>Balance</u></b> <b><u>May 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>April 30, 2012</u></b>
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,487,416	-	-	1,487,416
Buildings & improvements	9,813,044	-	-	9,813,044
Swimming pool	2,094,816	-	-	2,094,816
Machinery & equipment	1,305,979	130,000	-	1,435,979
Furniture & office equipment	44,106	-	-	44,106
Vehicles	<u>140,750</u>	<u>-</u>	<u>-</u>	<u>140,750</u>
	<b><u>\$15,014,111</u></b>	<b><u>\$130,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$15,144,111</u></b>

**Accumulated Depreciation:**

Infrastructure	\$ 107,902	\$ 35,623	\$ -	\$ 143,525
Buildings & improvements	3,712,192	197,052	-	3,909,244
Swimming pool	466,762	51,382	-	518,144
Machinery & equipment	1,220,688	63,003	-	1,283,691
Furniture & office equipment	42,970	1,136	-	44,106
Vehicles	<u>138,298</u>	<u>2,452</u>	<u>-</u>	<u>140,750</u>
	<b><u>\$5,688,812</u></b>	<b><u>\$350,648</u></b>	<b><u>\$ -</u></b>	<b><u>\$6,039,460</u></b>

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

E. Property, Plant and Equipment (Continued):

	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>
	<b><u>May 1, 2011</u></b>	<b><u>          </u></b>	<b><u>          </u></b>	<b><u>April 30, 2012</u></b>
<b>Total Capital Assets, Net:</b>				
Land (not depr.)	\$ 128,000	\$ -	\$ -	\$ 128,000
Infrastructure	1,379,514	(35,623)	-	1,343,891
Buildings & improvements	6,100,852	(197,052)	-	5,903,800
Swimming pool	1,628,054	(51,382)	-	1,576,672
Machinery & equipment	85,291	66,997	-	152,288
Furniture & office Equipment	1,136	(1,136)	-	-
Vehicles	<u>2,452</u>	<u>(2,452)</u>	<u>-</u>	<u>-</u>
	<b><u>\$9,325,299</u></b>	<b><u>\$(220,648)</u></b>	<b><u>\$ -</u></b>	<b><u>\$9,104,651</u></b>

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

**Governmental activities:**

General government	\$178,940
Public safety	85,433
Public works	91,999
Culture and recreation	<u>11,713</u>
Total depreciation expense, governmental activities	<b><u>\$368,085</u></b>

**Business-type activities:**

Waterworks and Sewerage Department	\$293,615
Swimming Pool	<u>57,033</u>
Total depreciation expense, business-type activities	<b><u>\$350,648</u></b>

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

F. Risk Management:

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

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

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

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

G. Short-Term Debt:

The City has a revolving loan with a local bank. The following is the activity for the year ended April 30, 2012:

Short-term Debt Issue	Fund Debt Retired By	Balances May 1	Additions	Reductions	Balances April 30
\$1,050,000 Line of Credit with a local bank with a variable interest rate at 1.25% above prime. Principal and interest due February 22, 2013. Prime rate at 3.25% on April 30, 2012.	General	<u>\$847,322</u>	<u>\$1,740,000</u>	<u>\$1,697,322</u>	<u>\$890,000</u>

H. Long-Term Debt:

**LEASE OBLIGATIONS**

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

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

H. Long-Term Debt (Continued):

**LEASE OBLIGATIONS (CONTINUED)**

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

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

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending <u>April 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$42,943	\$2,900
2014	33,854	1,368
2015	<u>11,364</u>	<u>97</u>
Total	<u>\$88,161</u>	<u>\$4,365</u>

**GENERAL OBLIGATION BONDS**

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

<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>
\$2,075,000 General Obligation Bonds, dated April 1, 2011 due in annual installments of \$255,000 to \$285,000 plus interest at 2.00% to 4.00% through December 1, 2018.	Debt Service	\$2,075,000	\$ -	\$ 255,000	\$1,820,000

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
<b><u>Governmental Activities (Continued)</u></b>					
\$2,000,000 General Obligation Bond Library Bonds, dated March 1, 1999 due in annual installments of \$80,000 to \$150,000 plus interest at 4.375% to 5.750% through March 1, 2019. Paid off in fiscal year 2012.	Debt Service	1,030,000	-	1,030,000	-
\$3,105,000 General Obligation Bonds (Alternate Revenue Source), dated April 2012, due in annual installments of \$95,000 to \$405,000 plus interest at 2.00% to 3.20% through January 15, 2024.	TIF		- 3,105,000	-	3,105,000
\$2,290,000 General Obligation Bond (Alternate Revenue Source), dated April 2012, due in annual installments of \$165,000 to \$185,000 plus interest at 2.00% to 5.00% through January 15, 2027.	TIF		- 2,290,000	-	2,290,000
\$3,400,000 Debt Certificates Series 2008, interest at 4.25% principal and interest paid semi-annually in January and July through January 15, 2019. Paid off in fiscal year 2012.	TIF	3,173,290	-	3,173,290	-
\$2,500,000 Debt Certificates Series 2008A, interest at 5.00% principal and interest paid semi-annually in January and July through January 15, 2019. Paid off in fiscal year 2012.	TIF	2,345,369	-	2,345,369	-

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
<b><u>Governmental Activities (Continued)</u></b>					
\$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	562,889	-	19,979	542,910
\$650,000 Bank loan dated December, 2008, interest at 6.65%. Principal and interest paid quarterly through December 30, 2013.	General	612,274	-	21,618	590,656
\$185,250 Bank loan dated October, 2010, interest at 4.50%. Principal and interest paid semiannually through August 1, 2015.	TIF	167,155	-	34,223	132,932
\$225,671 Bank loan dated December, 2011, interest at 4.875%. Principal and interest paid monthly through November 1, 2021.	Park	-	225,671	7,542	218,129
\$300,000 Bank loan dated July, 2009, interest at 4.50%. Principal and interest paid semiannually through July 15, 2019.	TIF	<u>286,803</u>	<u>-</u>	<u>10,241</u>	<u>276,562</u>
		<u>\$10,252,780</u>	<u>\$5,620,671</u>	<u>\$6,897,262</u>	<u>\$8,976,189</u>
<b><u>Business-Type Activities</u></b>					
\$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	\$ 645,000	\$ -	\$ 70,000	\$575,000

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

H. Long-Term Debt (Continued):

**GENERAL OBLIGATION BONDS (CONTINUED)**

<u>Issue</u>	<u>Fund Debt Retired By</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances April 30</u>
<b><u>Business-Type Activities (Continued)</u></b>					
\$3,000,000 W&S Revenue Bonds Series 2000, due in annual installments of \$55,000 to \$135,000 plus interest at 5.50% to 6.00% through May 1, 2019. Paid off in fiscal year 2012.	W&S	690,000	-	690,000	-
\$1,475,000 W&S Revenue Bonds Series 2004, due in annual installments of \$15,000 to \$160,000 plus interest at 3.00% to 4.40% through May 1, 2019	W&S	1,090,000	-	115,000	975,000
\$1,700,000 W&S Alternate Source Series 2006, dated September 12, 2006 due in annual installments of \$60,000 to \$130,000 plus interest at 3.90% to 4.50% through May 1, 2026.	W&S	<u>1,445,000</u>	<u>-</u>	<u>70,000</u>	<u>1,375,000</u>
		<u>\$3,870,000</u>	<u>\$ -</u>	<u>\$945,000</u>	<u>\$2,925,000</u>

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

<b><u>Year Ending April 30</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2013	\$ 337,700	\$ 264,820	\$ 75,000	\$121,460
2014	1,161,081	289,572	270,000	112,585
2015	605,150	245,912	285,000	102,785
2016	608,803	228,809	295,000	92,465
2017	698,183	212,863	305,000	80,850
2018 - 2021	3,317,821	560,134	1,005,000	197,077
2022 - 2025	1,917,451	187,820	435,000	85,576
2026 - 2027	<u>330,000</u>	<u>16,625</u>	<u>255,000</u>	<u>11,588</u>
Total	<u>\$8,976,189</u>	<u>\$2,006,555</u>	<u>\$2,925,000</u>	<u>\$804,386</u>

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

H. Long-Term Debt (Continued):

**CHANGES IN LONG-TERM LIABILITIES**

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

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>
Bonds payable	\$13,056,548	\$5,395,000	\$7,768,638	\$10,682,910
Notes payable	1,066,232	225,671	73,624	1,218,279
Capital lease	-	130,000	41,839	88,161
Compensated absences	<u>354,981</u>	<u>-</u>	<u>48,398</u>	<u>306,583</u>
Total	<u>\$14,477,761</u>	<u>\$5,750,671</u>	<u>\$7,932,499</u>	<u>\$12,295,933</u>

The City is subject to a debt limitation of 8.625% of its assessed valuation of \$126,977,941. As of April 30, 2012, the City had \$7,370,658 of remaining legal debt margin.

Total bond issuance costs of \$114,487 are reported net of \$118,007 issuance costs plus \$73,389 in discounts less premiums of \$76,909.

I. Noncommitment Debt:

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

J. Interfund Assets/Liabilities:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental:</b>		
General		\$1,713,586
	Debt service	(69,131)
	RTA	(255,396)
	Motor Fuel Tax	(5,167)
Police protection		310,403
Special recreation		15,930
Welfare		1,920

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

J. Interfund Assets/Liabilities (Continued):

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental (Continued):</b>		
Police Pension	General	(23,238)
	Park	(323,238)
	Road & Bridge	(193,216)
	Social Security	(189,579)
	Illinois Municipal Retirement	(56,362)
	Audit	(72,121)
	Liability Insurance	(368,604)
<b>Fiduciary:</b>		
Police Pension	General and other	26,337
<b>Proprietary:</b>		
Water		1,237
	Water	(480)
	Pool	(512,881)

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, 2012:

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
<b>General Fund:</b>		
Non-Major Governmental Funds	\$ 697,465	\$ (730,688)
Business Type Funds	-	(97,158)
Total General Fund	<u>697,465</u>	<u>(827,845)</u>
<b>Park Fund:</b>		
General Fund	-	(28,409)
<b>Road and Bridge Fund:</b>		
General Fund	-	(82,975)

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

J. Interfund Assets/Liabilities (Continued):

**TRANSFERS (CONTINUED)**

	<u>Operating Transfers in</u>	<u>Operating Transfers out</u>
<b>Police Protection Fund:</b>		
General Fund	-	<u>(573,512)</u>
<b>Police Pension Fund:</b>		
General Fund	<u>6,570</u>	-
<b>IMRF Fund:</b>		
General Fund	<u>198,804</u>	-
<b>Insurance Liability Fund:</b>		
General Fund	<u>145,000</u>	-
<b>FICA:</b>		
General Fund	<u>256,633</u>	-
<b>TIF:</b>		
General Fund	<u>131,000</u>	<u>(20,762)</u>
<b>Audit Fund:</b>		
General Fund	-	<u>(20,216)</u>
<b>RTA Fund:</b>		
General Fund	<u>21,090</u>	-
Total Non Major Governmental Funds	<u>759,097</u>	<u>(725,877)</u>
<b>Water &amp; Sewer Fund:</b>		
General Fund	<u>11,461</u>	-
<b>Pool Fund:</b>		
General Fund	<u>85,697</u>	-
Total Proprietary Funds	<u>97,158</u>	-
Total all funds	<u>\$1,553,720</u>	<u>\$(1,553,720)</u>

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

CITY OF HARVARD, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 April 30, 2012

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K. Pension Plan:

***PLAN DESCRIPTION***

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

***FUNDING POLICY***

As set by statute, the City's Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's contribution rate for calendar year 2011 used by the employer was 15.39 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

***ANNUAL PENSION COST***

For calendar year ending December 31, 2011, the City's actual contributions for pension cost for the Regular were \$238,811. Its required contribution for calendar year 2011 was \$238,811.

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

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC (Contributed)	Net Pension Obligation
12/31/11	\$238,811	100%	\$-0-
12/31/10	231,798	97%	-0-
12/31/09	192,964	100%	-0-

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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K. Pension Plan (Continued):

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

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the City's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City's Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

***FUNDED STATUS AND FUNDING PROGRESS***

As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 62.15 percent funded. The actuarial accrued liability for benefits was \$4,807,371 and the actuarial value of assets was \$2,988,017, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,819,354. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$1,551,727 and the ratio of the UAAL to the covered payroll was 117 percent.

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

**Police Pension**

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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K. Pension Plan (Continued):

**Police Pension (Continued)**

At April 30, 2012, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6
Current employees	<u>17</u>
Total	<u>23</u>

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent of the amount of pension payable at the time of the increase annually thereafter.

Covered employees are required to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. The City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded by the year 2034.

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

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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K. Pension Plan (Continued):

**Police Pension (Continued)**

fund will be required to transfer to the current fund amounts equal to twice the amounts of employee contributions to the plan plus interest at the rate of 6% per year, compounded annually.

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

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

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

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

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

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

**FUNDING STATUS AND ANNUAL PENSION COST**

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

Annual required contribution	\$393,024
Adjustments to annual required contribution	<u>          -</u>
Annual pension cost	393,024
Contributions made	<u>(389,017)</u>
Increase (decrease) in net pension obligation	4,007
Net pension obligation, beginning	<u>761,583</u>
Net pension obligation, ending	<u>\$765,590</u>

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

K. Pension Plan (Continued):

**Police Pension (Continued)**

The annual required contribution for the current year was determined as part of the April 30, 2011 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected salary increases of 5.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll in accordance with section 3-127 of the Illinois Pension Code. The remaining amortization period at April 30, 2012, was 22 years.

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/11	\$393,024	98.98%	\$765,590
4/30/10	401,595	85.93%	761,583
4/30/09	407,245	59.14%	705,061

The funded status of the two plans as of December 31, 2011 for IMRF and as of April 30, 2012 for the Police Pension Plan based on actuarial valuations performed as of the same date is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer APC of the plans as noted earlier above.

	<u>Illinois Municipal Retirement</u>	<u>Police Pension</u>
Actuarial accrued liability (AAL)	\$4,807,371	\$10,100,401
Actuarial value of plan assets	2,988,017	6,585,530
Unfunded actuarial accrued liability (UAAL)	1,819,354	3,514,871
Funded ratio (actuarial value of plan assets/AAL)	62.15%	65.20%
Covered payroll (active plan Members)	1,551,727	1,381,440
UAAL as a percentage of Covered payroll	117.25%	254.44%

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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K. Pension Plan (Continued):

**Police Pension (Continued)**

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

L. Other Postemployment Benefits:

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

M. Pending GASB Statements:

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 57 "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The City is required to implement this standard for the fiscal year ending April 30, 2013.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement 60 "Accounting and Financial Reporting for Service Concession Arrangements." The City is required to implement this standard for the fiscal year ending April 30, 2013.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 61 "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." The City is required to implement this standard for the fiscal year ending April 30, 2013.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The City is required to implement this standard for the fiscal year ending April 30, 2013.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The City is required to implement this standard for the fiscal year ending April 30, 2013.

CITY OF HARVARD, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
April 30, 2012

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M. Pending GASB Statements (Continued):

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53." The City is required to implement this standard for the fiscal year ending April 30, 2013.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 65 "Items Previously Reported as Assets and Liabilities" The City is required to implement this standard for the fiscal year ending April 30, 2013.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement 66 "Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62" The City is required to implement this standard for the fiscal year ending April 30, 2013.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 67 "Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25" The City is required to implement this standard for the fiscal year ending April 30, 2013.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" The City is required to implement this standard for the fiscal year ending April 30, 2013.

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

N. Current Refunding of Existing Debt:

On April 27, 2012 the City issued \$3,105,000 Alternate Revenue Source Bonds, Series 2012A and \$2,290,000 of General Obligation Bonds, Series 2012B. The 2012A bonds bear various fixed rates ranging from 2.00% to 3.20% with annual maturities from January 2014 through January 2024. The 2012B bonds bear various fixed rates ranging from 2.00% to 5.00% with annual maturities from January 2014 through January 2027.

The total net proceeds of \$5,417,693 (after bond premium of \$76,910 and issuance costs of \$32,799) were used to refund all of the City's outstanding Debt Certificates, Series 2008, and the City's Debt Certificates, Series 2008A, as well as issuance costs associated with these.

The refunding was done in order to reduce debt payments. The refunding decreased the City's total debt service payments by \$102,381. The transaction resulted in an economic gain of \$69,582.

O. Prior Period Adjustment:

A prior period adjustment of \$225,000 was made to the Waterworks and Sewerage Fund to account for a principal payment that was incorrectly expensed in the prior year.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

CITY OF HARVARD, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 April 30, 2012

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/11	\$2,988,017	\$4,807,371	\$1,819,354	62.15%	\$1,551,727	117.25%
12/31/10	3,172,920	4,762,559	1,589,639	66.62%	1,572,581	101.08%
12/31/09	3,137,756	4,612,263	1,474,507	68.03%	1,581,674	93.22%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$2,801,276. On a market basis, the funded ratio would be 58.27%.

CITY OF HARVARD, ILLINOIS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 April 30, 2012

**ACTUARIAL VALUATIONS FOR POLICE PENSION SYSTEM**

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

**Police Pension Fund**

Analysis of funding progress for the year ended April 30, 2012.

Actuarial Valuation Date <u>April 30</u>	(1) Actuarial Value of Plan <u>Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>Entry Age</u>	(3) Funded Ratio <u>(1)/(2)</u>	(4) Unfunded Actuarial Accrued Liability <u>(2)-(1)</u>	(5) Annual Covered <u>Payroll</u>	(6) Unfunded Accrued Liability as a Percentage of Covered Payroll <u>(4)/(5)</u>
4/30/12	\$7,226,426	\$11,079,284	65.22%	\$3,852,858	\$1,413,852	272.51%
4/30/11	6,585,530	10,100,401	65.20%	3,514,871	1,381,440	254.44%
4/30/10	5,647,824	9,355,613	60.37%	3,707,789	1,428,249	259.60%
4/30/09	4,764,283	8,629,587	55.21%	3,865,304	1,435,233	269.32%
4/30/08	4,756,716	8,060,376	59.01%	3,303,660	1,317,072	250.83%
4/30/07	4,335,514	7,224,106	60.01%	2,888,592	1,166,441	247.64%
4/30/06	3,982,442	6,094,796	65.34%	2,112,354	916,999	230.36%
4/30/05	3,593,823	5,674,158	63.34%	2,080,335	872,922	238.31%
4/30/04	3,351,143	5,057,717	66.26%	1,706,574	836,808	203.94%
4/30/03	3,082,561	4,584,532	67.24%	1,501,971	838,512	179.12%
4/30/02	2,931,194	4,182,029	70.09%	1,250,835	818,290	152.86%
4/30/01	2,808,747	3,693,049	76.05%	884,302	813,456	108.71%

CITY OF HARVARD, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
April 30, 2012

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**ACTUARIAL VALUATIONS FOR POLICE PENSION SYSTEM**

**Police Pension Fund  
Employer Contributions**

Year Ending <u>April 30</u>	Annual Required <u>Contributions</u>	Employer <u>Contribution</u>	Percent <u>Contributed</u>
4/30/11	\$393,024	\$389,017	98.9%
4/30/10	401,595	345,073	85.9
4/30/09	407,245	240,856	59.1
4/30/08	354,955	209,705	59.1
4/30/07	307,376	209,795	68.3
4/30/06	230,930	179,940	77.9
4/30/05	198,334	171,160	86.3
4/30/04	186,526	120,033	64.4
4/30/03	171,898	118,447	68.9
4/30/02	157,244	109,512	69.6

CITY OF HARVARD, ILLINOIS  
GENERAL FUND  
SCHEDULE OF REVENUES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 650,000	\$ 650,000	\$ 568,016	\$ (81,984)
State income tax	719,000	719,000	913,373	194,373
Hotel/motel tax	9,500	9,500	12,752	3,252
State replacement tax	85,900	85,900	73,807	(12,093)
Sales tax	1,080,000	1,080,000	1,146,724	66,724
Utility tax	575,000	575,000	557,324	(17,676)
Total taxes	<u>3,119,400</u>	<u>3,119,400</u>	<u>3,271,996</u>	<u>152,596</u>
Licenses and fees:				
Liquor licenses	45,000	45,000	57,080	12,080
Contractors license	9,000	9,000	9,332	332
Building fees and permits	40,000	40,000	30,415	(9,585)
Parking permits	96,000	96,000	96,701	701
Police fines	230,000	230,000	224,757	(5,243)
Telephone franchise	260,000	260,000	294,559	34,559
Cable franchise	56,000	56,000	50,544	(5,456)
Mining fees	48,500	48,500	53,625	5,125
DUI fines	2,200	2,200	7,533	5,333
Total licenses and fees	<u>786,700</u>	<u>786,700</u>	<u>824,547</u>	<u>37,847</u>
Interest	<u>3,000</u>	<u>3,000</u>	<u>5,947</u>	<u>2,947</u>
Other revenues:				
Donations	3,000	3,000	-	(3,000)
Miscellaneous	56,500	56,500	101,167	44,667
Police reimbursement	56,000	56,000	68,073	12,073
Zoning hearings and platting fees	10,000	10,000	3,400	(6,600)
Escrow from developers	21,500	21,500	31,804	10,304
Rent	20,000	20,000	20,010	10
Health insurance reimbursement	5,600	5,600	7,278	1,678
Total other revenues	<u>172,600</u>	<u>172,600</u>	<u>231,732</u>	<u>59,132</u>
Total revenues	<u>\$ 4,081,700</u>	<u>\$ 4,081,700</u>	<u>\$ 4,334,222</u>	<u>\$ 252,522</u>

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures:</b>				
General government:				
Administration:				
Salaries - officials	\$ 102,000	\$ 102,000	\$ 100,630	\$ (1,370)
Salaries - clerical	73,500	73,500	75,846	2,346
Overtime - clerical	2,500	2,500	-	(2,500)
Health insurance	44,800	44,800	58,734	13,934
Mayoral expense	1,800	1,800	1,800	-
Attorney fees	40,000	40,000	67,900	27,900
Engineering fees	35,000	35,000	4,310	(30,690)
Service agreements	8,500	8,500	4,429	(4,071)
Equipment maintenance	10,000	10,000	5,024	(4,976)
Building maintenance	100,000	100,000	100,422	422
Office supplies	8,000	8,000	3,955	(4,045)
Postage	2,500	2,500	3,368	868
Dues and subscriptions	7,500	7,500	6,417	(1,083)
Public notices	3,000	3,000	2,014	(986)
ZBA notices	2,500	2,500	720	(1,780)
Printing	3,500	3,500	3,677	177
Telephone	15,000	15,000	17,412	2,412
Miscellaneous	22,600	22,600	12,423	(10,177)
Economic development	66,000	66,000	95,889	29,889
Professional fees	35,000	35,000	55,396	20,396
Interest expense	25,000	25,000	60,721	35,721
Contingencies	10,000	10,000	18,586	8,586
Total administration	<u>618,700</u>	<u>618,700</u>	<u>699,673</u>	<u>80,973</u>
Building services:				
Salaries	109,250	109,250	115,664	6,414
Health insurance	39,200	39,200	36,914	(2,286)
Training	-	-	-	-
Uniforms	600	600	142	(458)
Contingencies	2,250	2,250	2,262	12
Total building services	<u>151,300</u>	<u>151,300</u>	<u>154,983</u>	<u>3,683</u>
Total general government	<u>770,000</u>	<u>770,000</u>	<u>854,656</u>	<u>84,656</u>

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public safety:				
Police department:				
Salaries - officers	1,505,000	1,505,000	1,430,692	(74,308)
Salaries - clerical	290,000	290,000	300,806	10,806
Crossing guards	22,000	22,000	14,078	(7,922)
Overtime	250,000	250,000	253,401	3,401
Pension expense	-	-	-	-
Health insurance	300,000	300,000	268,682	(31,318)
Health examinations	2,000	2,000	37	(1,963)
Uniforms	25,000	25,000	17,877	(7,123)
Attorney fees	49,250	49,250	48,892	(358)
Vehicle maintenance	15,750	15,750	13,021	(2,729)
Equipment maintenance	10,000	10,000	11,350	1,350
Radio maintenance	2,500	2,500	627	(1,873)
Advertising	2,500	2,500	1,134	(1,366)
Ammunition	7,000	7,000	7,039	39
Material purchases	5,250	5,250	2,950	(2,300)
Office supplies	8,500	8,500	9,909	1,409
Investigation supplies	14,500	14,500	13,403	(1,097)
Dues and subscriptions	2,000	2,000	1,985	(16)
Telephone	10,000	10,000	8,049	(1,951)
Gas, oil, and grease	50,000	50,000	55,137	5,137
Police commission expense	7,300	7,300	1,956	(5,345)
Miscellaneous	20,000	20,000	4,854	(15,146)
Special programs	15,000	15,000	11,931	(3,069)
Data base user fees	1,000	1,000	1,200	200
New equipment	97,000	97,000	81,476	(15,524)
<b>Total public safety</b>	<u>2,711,550</u>	<u>2,711,550</u>	<u>2,560,484</u>	<u>(151,066)</u>

CITY OF HARVARD, ILLINOIS  
GENERAL FUND (CONTINUED)  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Original Budget	Final Budget	Actual	Over (Under) Budget
<b>Expenditures (Continued):</b>				
Public works:				
Highways and streets:				
Salaries	277,000	277,000	261,642	(15,358)
Overtime	20,000	20,000	11,739	(8,261)
Health insurance	60,000	60,000	55,370	(4,630)
Uniforms	3,100	3,100	2,319	(781)
Vehicle maintenance	35,000	35,000	34,522	(478)
Building maintenance	116,000	116,000	97,834	(18,166)
Radio maintenance	-	-	-	-
Tools	5,000	5,000	2,126	(2,874)
Material purchases	10,000	10,000	2,390	(7,610)
Telephone	5,000	5,000	1,569	(3,431)
Electricity	110,000	110,000	102,484	(7,516)
Gas, oil and grease	45,000	45,000	39,228	(5,772)
New equipment	18,000	18,000	15,518	(2,483)
Miscellaneous	47,000	47,000	43,020	(3,980)
Fuel for building	-	-	-	-
Capital projects	-	-	448,297	448,297
Debt payment	59,445	59,445	21,618	(37,827)
Total public works	810,545	810,545	1,139,675	329,130
Total expenditures	\$ 4,292,095	\$ 4,292,095	\$ 4,554,815	\$ 262,720
<b>Other financing sources (uses):</b>				
Operating transfers in	\$ 670,000	\$ 670,000	\$ 697,465	\$ 27,465
Operating transfers out	(519,800)	(519,800)	(827,844)	(308,044)
Total other financing sources (uses)	\$ 150,200	\$ 150,200	\$ (130,379)	\$ (280,579)

CITY OF HARVARD, ILLINOIS  
HARVARD DIGGINS LIBRARY  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Original & Final Budget	Actual	Over (Under) Budget
<b>Revenues:</b>			
Property taxes	\$ 208,000	\$ 207,336	\$ (664)
Replacement taxes	13,000	12,572	(428)
Book sales	2,500	1,322	(1,178)
Equipment receipts	4,000	5,182	1,182
Fine receipts	5,500	5,765	265
Meeting room rent	-	910	910
Gifts/donations	1,500	6,670	5,170
Non-resident fees	9,600	9,380	(220)
Gain on sale of investments	-	154,168	154,168
Unrealized gain on investments	48,000	(109,676)	(157,676)
Interest income	-	42,828	42,828
Miscellaneous income	1,000	1,676	676
Total revenues	\$ 293,100	\$ 338,133	\$ 45,033
<b>Expenditures:</b>			
Printed material	\$ 24,996	\$ 19,555	\$ (5,441)
Supplies	5,100	6,335	1,235
Program and Promotion	6,200	3,478	(2,722)
Furniture and equipment	6,000	1,110	(4,890)
Postage	700	621	(79)
Audio-Visual material	12,300	6,205	(6,095)
Automation charges	15,304	12,747	(2,557)
Staff development	400	440	40
Contract services	5,700	4,520	(1,180)
Memberships/dues	1,000	1,174	174
Technology Charges	500	1,650	1,150
Salaries	168,500	158,266	(10,234)
Employment taxes	13,500	532	(12,968)
Insurance	30,200	26,531	(3,669)
Utilities	1,560	895	(665)
Telephone	8,500	10,536	2,036
Accounting & audit fees	1,200	-	(1,200)
Staff expenses	100	180	80
Maintenance	21,300	23,908	2,608
Electronic resources	7,300	29,088	21,788
Public information	1,600	1,406	(194)
Board expenses	600	244	(356)
Miscellaneous	21,350	12,223	(9,127)
Total expenditures	\$ 353,910	\$ 321,644	\$ (32,266)

CITY OF HARVARD, ILLINOIS  
POLICE PROTECTION  
SCHEDULE OF EXPENDITURES COMPARED WITH BUDGET  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Operating revenues:</b>			
Property taxes	\$ -	\$ 588,831	\$ 588,831
Total revenues	<u>\$ -</u>	<u>\$ 588,831</u>	<u>\$ 588,831</u>
<b>Other financing sources (uses):</b>			
Operating transfers in (out)	\$ -	\$ (573,512)	\$ (573,512)

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF HARVARD, ILLINOIS  
WATER AND SEWERAGE FUND  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
OTHER SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Final Budget	Actual	Over (Under) Budget
<b>Operating revenues:</b>			
Charges for water and sewer services			
Water billings	\$ 1,600,000	\$ 1,663,455	\$ 63,455
Tap on permits	20,000	3,206	(16,794)
Penalties	35,000	38,634	3,634
Plumbing permits	5,000	1,263	(3,737)
Maintenance charges	210,000	200,926	(9,074)
Moving charges	10,000	1,340	(8,660)
Sale of material	2,000	1,934	(66)
Total operating revenues	\$ 1,882,000	\$ 1,910,758	\$ 28,758
<b>Operating expenses:</b>			
Utilities department:			
Salaries	\$ 304,000	\$ 315,962	\$ 11,962
Overtime	15,000	13,288	(1,712)
Compensated absences expense	-	-	-
Health insurance	64,000	63,207	(793)
Training	-	-	-
Travel expense	-	-	-
Uniforms	2,300	1,754	(546)
Professional fees	40,000	26,527	(13,473)
Engineering fees	20,000	22,555	2,555
Building maintenance	40,000	37,602	(2,398)
Maintenance of tower/plant	35,000	2,385	(32,615)
Equipment/water main maintenance	27,000	13,946	(13,054)
Lift station maintenance	30,000	32,269	2,269
Lab supplies	9,500	7,990	(1,510)
Material purchases	5,000	3,121	(1,879)
Dues and subscriptions	1,000	509	(491)
Telephone	12,000	14,417	2,417
Electricity	210,000	180,957	(29,043)
Fuel for building	15,000	8,290	(6,710)
Gas, oil and grease	7,000	9,625	2,625
Chemicals	85,000	76,274	(8,726)
Miscellaneous	3,500	4,766	1,266
New equipment	-	-	-
Permit fees	17,500	17,500	-
Total utilities department	942,800	852,945	(89,855)

CITY OF HARVARD, ILLINOIS  
WATER AND SEWERAGE FUND (CONTINUED)  
SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
OTHER SUPPLEMENTARY INFORMATION  
Year ended April 30, 2012

	Final Budget	Actual	Over (Under) Budget
<b>Operating expenses:</b>			
Maintenance and administration department:			
Salaries	\$ 135,500	\$ 101,937	\$ (33,563)
Salaries, clerical	101,000	103,916	2,916
Overtime	15,000	9,581	(5,419)
Health insurance	66,000	47,832	(18,168)
Uniforms	2,500	2,402	(98)
Vehicle maintenance	25,000	17,883	(7,117)
Storm sewer maintenance	10,000	8,120	(1,880)
Sanitary sewer maintenance	25,000	21,146	(3,854)
Water main maintenance	55,000	49,941	(5,059)
Office supplies	1,000	912	(88)
Material purchases	2,500	250	(2,250)
Gas, oil and grease	3,000	1,172	(1,828)
Postage	5,000	7,184	2,184
Miscellaneous	1,000	148	(852)
Telephone	4,375	2,404	(1,971)
Infrastructure	67,500	60,684	(6,816)
Equipment/meters sweeper	80,500	23,055	(57,445)
Rent	20,000	20,000	-
Total maintenance and administration department	<u>619,875</u>	<u>478,566</u>	<u>(141,309)</u>
Total operating expenses	<u>\$ 1,562,675</u>	<u>\$ 1,331,511</u>	<u>\$ (231,164)</u>
<b>Nonoperating revenues (expenses):</b>			
Utility tax receipts (payments), net	\$ -	\$ 2,238	\$ 2,238
Grant for capital improvement	-	-	-
Rent receipts	-	24,846	24,846
Miscellaneous income	37,175	5,567	(31,608)
Interest income	2,500	2,007	(493)
Interest expense	(354,000)	(125,498)	228,502
Total nonoperating revenues (expenses)	<u>\$ (314,325)</u>	<u>\$ (90,841)</u>	<u>\$ 223,484</u>
<b>Other financing sources (uses):</b>			
Operating transfers in (out)	<u>\$ 5,000</u>	<u>\$ 11,461</u>	<u>\$ 6,461</u>

CITY OF HARVARD, ILLINOIS  
 POOL FUND  
 SCHEDULE OF REVENUES AND EXPENSES COMPARED WITH BUDGET  
 OTHER SUPPLEMENTARY INFORMATION  
 Year ended April 30, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Operating revenues:</b>			
Charges for pool services:			
Daily tickets	\$ 18,500	\$ 19,837	\$ 1,337
Pool passes	21,500	18,031	(3,469)
Lessons	9,650	6,050	(3,600)
Pool parties	<u>6,000</u>	<u>4,107</u>	<u>(1,893)</u>
Total pool services revenue	<u>55,650</u>	<u>48,025</u>	<u>(7,625)</u>
Concession sales	<u>9,500</u>	<u>5,936</u>	<u>(3,564)</u>
Total operating revenues	<u>\$ 65,150</u>	<u>\$ 53,961</u>	<u>\$ (11,189)</u>
<b>Operating expenses:</b>			
Salaries	\$ 34,000	\$ 27,243	\$ (6,757)
Maintenance and repairs	26,000	24,789	(1,211)
Concession stand	7,500	2,410	(5,090)
Utilities	33,000	22,781	(10,219)
Miscellaneous	1,000	2,329	1,329
Chemicals	15,000	7,792	(7,208)
Water	5,800	6,926	1,126
New equipment	<u>3,000</u>	<u>12,647</u>	<u>9,647</u>
Total operating expenses	<u>\$ 125,300</u>	<u>\$ 106,916</u>	<u>\$ (18,384)</u>
<b>Nonoperating revenues (expenses):</b>			
Miscellaneous income	<u>\$ 1,000</u>	<u>\$ 120</u>	<u>\$ (880)</u>
Total nonoperating revenues (expenses)	<u>\$ 1,000</u>	<u>\$ 120</u>	<u>\$ (880)</u>
<b>Other financing sources (uses):</b>			
Operating transfers out	\$ -	\$ -	\$ -
Operating transfers in	<u>36,800</u>	<u>85,697</u>	<u>48,897</u>
Total other financing sources (uses)	<u>\$ 36,800</u>	<u>\$ 85,697</u>	<u>\$ 48,897</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
April 30, 2012

	<u>Total</u>	<u>Special</u>	
	Nonmajor Governmental Funds	Park	Road and Bridge
<b><u>ASSETS</u></b>			
Cash	\$ 864,075	\$ -	\$ -
Investments, at cost	79,740	79,740	-
Receivables:			
Property tax	1,564,982	91,411	70,960
Accounts	24,399	-	-
Due from other funds	17,850	-	-
	<u>\$ 2,551,047</u>	<u>\$ 171,151</u>	<u>\$ 70,960</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	4,930	3,553	-
Due to other funds	1,532,814	323,238	193,216
Deferred revenues	782,493	45,706	35,481
	<u>2,320,237</u>	<u>372,497</u>	<u>228,697</u>
<b><u>FUND BALANCE</u></b>			
Fund balance:			
Fund balances, restricted	289,412	-	-
Fund balances, unrestricted (unassigned)	(58,602)	(201,345)	(157,736)
	<u>230,810</u>	<u>(201,345)</u>	<u>(157,736)</u>
Total liabilities and fund equity	<u>\$ 2,551,047</u>	<u>\$ 171,151</u>	<u>\$ 70,960</u>

Revenue

<u>Social Security</u>	<u>Illinois Municipal Retirement</u>	<u>Off Street Parking</u>	<u>Regional Transportation Authority</u>
\$ -	\$ -	\$ 223,753	\$ -
-	-	-	-
80,000	70,142	-	-
-	6,059	-	-
-	-	-	-
<u>\$ 80,000</u>	<u>\$ 76,201</u>	<u>\$ 223,753</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	1,377
189,579	56,362	-	255,396
39,999	35,071	-	-
<u>229,578</u>	<u>91,433</u>	<u>-</u>	<u>256,773</u>
-	-	-	-
<u>(149,579)</u>	<u>(15,232)</u>	<u>223,753</u>	<u>(256,773)</u>
<u>(149,579)</u>	<u>(15,232)</u>	<u>223,753</u>	<u>(256,773)</u>
<u>\$ 80,000</u>	<u>\$ 76,201</u>	<u>\$ 223,753</u>	<u>\$ -</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
April 30, 2012

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
<b><u>ASSETS</u></b>				
Cash	\$ 276,239	\$ -	\$ -	\$ 92,224
Investments, at cost	-	-	-	-
Receivables:				
Property tax	-	29,360	59,681	35,000
Accounts	18,340	-	-	-
Due from other funds	-	-	-	15,930
Total assets	\$ 294,579	\$ 29,360	\$ 59,681	\$ 143,154
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	5,167	72,121	368,604	-
Deferred revenues	-	14,680	29,840	17,500
Total liabilities	5,167	86,801	398,444	17,500
<b><u>FUND BALANCE</u></b>				
Fund balance:				
Fund balances, restricted	289,412	-	-	-
Fund balances, unrestricted (unassigned)	-	(57,441)	(338,763)	125,654
Total fund balances	289,412	(57,441)	(338,763)	125,654
Total liabilities and fund equity	\$ 294,579	\$ 29,360	\$ 59,681	\$ 143,154

Revenue			Debt Service
Welfare	Economic Development	Revolving Loan	Debt Service
\$ 13,451	\$ 9,466	\$ 102,792	\$ -
-	-	-	-
-	-	-	291,976
-	-	-	-
1,920	-	-	-
<u>\$ 15,371</u>	<u>\$ 9,466</u>	<u>\$ 102,792</u>	<u>\$ 291,976</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	69,131
-	-	-	145,988
<u>-</u>	<u>-</u>	<u>-</u>	<u>215,119</u>
-	-	-	-
<u>15,371</u>	<u>9,466</u>	<u>102,792</u>	<u>76,857</u>
<u>15,371</u>	<u>9,466</u>	<u>102,792</u>	<u>76,857</u>
<u>\$ 15,371</u>	<u>\$ 9,466</u>	<u>\$ 102,792</u>	<u>\$ 291,976</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
April 30, 2012

	Debt			
	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	SSA #1 Park Pointe
<b><u>ASSETS</u></b>				
Cash	\$ 359	\$ 1,116	\$ 86,446	\$ 21,869
Investments, at cost	-	-	-	-
Receivables:				
Property tax	104,076	217,092	203,854	40,565
Accounts	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 104,434	\$ 218,208	\$ 290,300	\$ 62,434
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	52,038	108,546	101,927	20,283
	52,038	108,546	101,927	20,283
Total liabilities	52,038	108,546	101,927	20,283
<b><u>FUND BALANCE</u></b>				
Fund balance:				
Fund balances, reserved	-	-	-	-
Fund balances, unrestricted (unassigned)	52,395	109,661	188,373	42,151
	52,395	109,661	188,373	42,151
Total fund balances	52,395	109,661	188,373	42,151
Total liabilities and fund equity	\$ 104,434	\$ 218,208	\$ 290,300	\$ 62,434

Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 11,486	\$ 639	\$ -	\$ 2,446	\$ 21,789
-	-	-	-	-
36,853	37,475	-	71,289	125,250
-	-	-	-	-
-	-	-	-	-
<u>\$ 48,339</u>	<u>\$ 38,113</u>	<u>\$ -</u>	<u>\$ 73,736</u>	<u>\$ 147,039</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
18,426	18,738	-	35,645	62,625
<u>18,426</u>	<u>18,738</u>	<u>-</u>	<u>35,645</u>	<u>62,625</u>
-	-	-	-	-
29,913	19,376	-	38,091	84,414
<u>29,913</u>	<u>19,376</u>	<u>-</u>	<u>38,091</u>	<u>84,414</u>
<u>\$ 48,339</u>	<u>\$ 38,113</u>	<u>\$ -</u>	<u>\$ 73,736</u>	<u>\$ 147,039</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
Year ended April 30, 2012

	Total	Special	
	Nonmajor Governmental Funds	Park	Road and Bridge
<b>Revenues:</b>			
Taxes	\$ 1,842,075	\$ 97,374	\$ 83,054
Fees	16,776	13,519	-
Intergovernmental	381,182	195,782	-
Interest	2,763	277	-
Other	167,489	29,773	-
Total revenues	<u>2,410,284</u>	<u>336,725</u>	<u>83,054</u>
<b>Expenditures:</b>			
General government	714,754	-	-
Public safety	-	-	-
Public works	925,368	-	105
Culture and recreation	645,982	597,804	-
Debt service	1,184,244	-	-
Total expenditures	<u>3,470,349</u>	<u>597,804</u>	<u>105</u>
Excess of revenues over (under) expenditures	<u>(1,060,065)</u>	<u>(261,079)</u>	<u>82,949</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	752,527	-	-
Proceeds on long term debt	5,610,565	225,671	-
Payment to refund bond escrow agent	(5,384,894)	-	-
Operating transfers out	(152,361)	(28,409)	(82,975)
Total other financing sources (uses)	<u>825,836</u>	<u>197,262</u>	<u>(82,975)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(234,228)</u>	<u>(63,817)</u>	<u>(26)</u>
Fund balance - May 1, 2011	<u>465,038</u>	<u>(137,528)</u>	<u>(157,710)</u>
Fund balance - April 30, 2012	<u>\$ 230,810</u>	<u>\$ (201,345)</u>	<u>\$ (157,736)</u>

Revenue

<u>Social Security</u>	<u>Illinois Municipal Retirement</u>	<u>Off Street Parking</u>	<u>Regional Transportation Authority</u>
\$ 67,557	\$ 89,640	\$ -	\$ -
-	-	-	3,257
-	-	-	6,759
-	-	-	-
-	-	-	982
<u>67,557</u>	<u>89,640</u>	<u>-</u>	<u>10,998</u>
249,574	240,184	-	-
-	-	-	-
-	-	-	29,625
-	-	-	-
-	-	-	-
<u>249,574</u>	<u>240,184</u>	<u>-</u>	<u>29,625</u>
<u>(182,016)</u>	<u>(150,544)</u>	<u>-</u>	<u>(18,627)</u>
256,633	198,804	-	21,090
-	-	-	-
-	-	-	-
-	-	-	-
<u>256,633</u>	<u>198,804</u>	<u>-</u>	<u>21,090</u>
74,617	48,260	-	2,462
<u>(224,196)</u>	<u>(63,492)</u>	<u>223,753</u>	<u>(259,236)</u>
<u>\$ (149,579)</u>	<u>\$ (15,232)</u>	<u>\$ 223,753</u>	<u>\$ (256,773)</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
Year ended April 30, 2012

	Special			
	Motor Fuel Tax	Audit	Liability Insurance	Special Recreation
<b>Revenues:</b>				
Taxes	\$ 257,807	\$ 24,772	\$ 50,357	\$ 34,946
Fees	-	-	-	-
Intergovernmental	178,641	-	-	-
Interest	956	-	-	-
Other	2,944	-	25,551	-
Total revenues	<u>440,348</u>	<u>24,772</u>	<u>75,908</u>	<u>34,946</u>
<b>Expenditures:</b>				
General government	-	-	224,483	-
Public safety	-	-	-	-
Public works	628,646	-	-	-
Culture and recreation	-	-	-	26,309
Debt service	-	-	-	-
Total expenditures	<u>628,646</u>	<u>-</u>	<u>224,483</u>	<u>26,309</u>
Excess of revenues over (under) expenditures	<u>(188,298)</u>	<u>24,772</u>	<u>(148,575)</u>	<u>8,637</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	145,000	-
Proceeds on long term debt	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-
Operating transfers out	-	(20,216)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(20,216)</u>	<u>145,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(188,298)</u>	<u>4,556</u>	<u>(3,575)</u>	<u>8,637</u>
Fund balance - May 1, 2011	<u>477,710</u>	<u>(61,997)</u>	<u>(335,188)</u>	<u>117,017</u>
Fund balance - April 30, 2012	<u>\$ 289,412</u>	<u>\$ (57,441)</u>	<u>\$ (338,763)</u>	<u>\$ 125,654</u>

Revenue			Debt Service
Welfare	Economic Development	Revolving Loan	Debt Service
\$ -	\$ -	\$ -	\$ 302,827
-	-	-	-
-	-	-	-
56	29	236	-
15,002	-	56,773	-
<u>15,058</u>	<u>29</u>	<u>57,010</u>	<u>302,827</u>
-	-	-	514
-	-	-	-
-	-	-	-
21,869	-	-	-
-	-	2,000	297,950
<u>21,869</u>	<u>-</u>	<u>2,000</u>	<u>298,464</u>
<u>(6,812)</u>	<u>29</u>	<u>55,010</u>	<u>4,363</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(6,812)	29	55,010	4,363
<u>22,183</u>	<u>9,437</u>	<u>47,783</u>	<u>72,494</u>
<u>\$ 15,371</u>	<u>\$ 9,466</u>	<u>\$ 102,792</u>	<u>\$ 76,857</u>

CITY OF HARVARD, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (CONTINUED)  
Year ended April 30, 2012

	Debt Service			
	TIF #1 Downtown Redevelopment	TIF #2 Industrial Park Fund	TIF #3 South	SSA #1 Park Pointe
<b>Revenues:</b>				
Taxes	\$ 123,331	\$ 197,121	\$ 198,692	\$ 40,565
Fees	-	-	-	-
Intergovernmental	-	-	-	-
Interest	82	100	583	87
Other	1,000	34,853	-	-
Total revenues	<u>124,413</u>	<u>232,074</u>	<u>199,275</u>	<u>40,652</u>
<b>Expenditures:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	265,842	-
Culture and recreation	-	-	-	-
Debt service	254,064	222,176	89,291	41,012
Total expenditures	<u>254,064</u>	<u>222,176</u>	<u>355,133</u>	<u>41,012</u>
Excess of revenues over (under) expenditures	<u>(129,650)</u>	<u>9,898</u>	<u>(155,858)</u>	<u>(360)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	110,000	21,000	-	-
Proceeds on long term debt	3,090,023	2,294,871	-	-
Payment to refund bond escrow agent	(3,090,023)	(2,294,871)	-	-
Operating transfers out	-	(20,762)	-	-
Total other financing sources (uses)	<u>110,000</u>	<u>238</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(19,650)</u>	<u>10,136</u>	<u>(155,858)</u>	<u>(360)</u>
Fund balance - May 1, 2011	<u>72,046</u>	<u>99,525</u>	<u>344,231</u>	<u>42,511</u>
Fund balance - April 30, 2012	<u>\$ 52,395</u>	<u>\$ 109,661</u>	<u>\$ 188,373</u>	<u>\$ 42,151</u>

Debt Service		Capital Projects		
SSA #2 Park Pointe 3A	SSA #4 Park Pointe 3B	Capital Improvement Fund	SSA #3 Shadowcreek	SSA #5 Shadowcreek
\$ 36,853	\$ 38,025	\$ -	\$ 72,288	\$ 126,864
-	-	-	-	-
-	-	-	-	-
53	37	-	72	196
-	-	610	-	-
<u>36,906</u>	<u>38,062</u>	<u>610</u>	<u>72,361</u>	<u>127,060</u>
-	-	-	-	-
-	-	-	-	-
-	350	-	400	400
-	-	-	-	-
<u>37,413</u>	<u>38,575</u>	<u>-</u>	<u>73,288</u>	<u>128,475</u>
<u>37,413</u>	<u>38,925</u>	<u>-</u>	<u>73,688</u>	<u>128,875</u>
<u>(508)</u>	<u>(863)</u>	<u>610</u>	<u>(1,327)</u>	<u>(1,815)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(508)	(863)	610	(1,327)	(1,815)
<u>30,421</u>	<u>20,239</u>	<u>(610)</u>	<u>39,418</u>	<u>86,229</u>
<u>\$ 29,913</u>	<u>\$ 19,376</u>	<u>\$ -</u>	<u>\$ 38,091</u>	<u>\$ 84,414</u>

CITY OF HARVARD, ILLINOIS  
SCHEDULE OF BONDS PAYABLE - GOVERNMENTAL FUNDS  
Year ended April 30, 2012

<u>Year ended</u> <u>April 30</u>	<u>General Obligation Recreation</u> <u>Bonds, Series 2011B</u>		<u>General Obligation Bonds</u> <u>Alternate Revenue Source</u> <u>Series 2012A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 235,000	\$ 59,325	\$ -	\$ 62,472
2014	245,000	54,625	95,000	87,170
2015	250,000	48,500	95,000	85,270
2016	260,000	41,000	100,000	83,370
2017	265,000	33,200	215,000	81,370
2018	280,000	22,600	330,000	75,995
2019	285,000	11,400	350,000	67,745
2020	-	-	365,000	58,995
2021	-	-	375,000	48,045
2022	-	-	385,000	36,795
2023	-	-	390,000	25,245
2024	-	-	405,000	12,960
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 1,820,000</u>	<u>\$ 270,650</u>	<u>\$ 3,105,000</u>	<u>\$ 725,432</u>

<b>General Obligation Bonds</b>		<b>Debt Certificates</b>	
<b>Alternate Revenue Source</b>		<b>Series 2008B</b>	
<b>Series 2012B</b>			
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ 48,848	\$ 20,905	\$ 26,899
165,000	68,160	21,963	25,841
170,000	64,860	23,075	24,729
175,000	61,460	24,243	23,560
175,000	57,960	25,470	22,333
145,000	53,585	26,760	21,044
145,000	49,960	400,495	19,689
150,000	46,335	-	-
155,000	41,835	-	-
160,000	37,185	-	-
165,000	32,225	-	-
175,000	23,975	-	-
180,000	17,850	-	-
185,000	11,550	-	-
145,000	5,075	-	-
-	-	-	-
<u>\$ 2,290,000</u>	<u>\$ 620,863</u>	<u>\$ 542,910</u>	<u>\$ 164,094</u>

CITY OF HARVARD, ILLINOIS  
 SCHEDULE OF BONDS PAYABLE - PROPRIETARY FUNDS  
 Year ended April 30, 2012

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<u>Year ended</u> <u>April 30</u>	<b>Waterworks and Sewerage Revenue Refunding Bonds, Series 2004</b>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 120,000	\$ 38,540
2014	130,000	33,540
2015	135,000	28,240
2016	135,000	22,671
2017	145,000	16,721
2018	150,000	10,340
2019	160,000	3,520
2020	-	-
2021	-	-
2022	-	-
2023	-	-
2024	-	-
2025	-	-
2026	-	-
	<u>\$ 975,000</u>	<u>\$ 153,572</u>

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

<u>Principal</u>	<u>Interest</u>
\$ 75,000	\$ 59,450
75,000	56,450
80,000	53,450
85,000	50,250
85,000	46,638
90,000	43,025
95,000	39,200
100,000	35,162
105,000	30,787
105,000	26,194
110,000	21,600
115,000	16,650
125,000	11,475
130,000	5,850
<u>\$ 1,375,000</u>	<u>\$ 496,181</u>

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

<u>Principal</u>	<u>Interest</u>
\$ 75,000	\$ 17,370
75,000	16,095
80,000	14,295
80,000	12,375
85,000	9,735
90,000	6,930
90,000	3,465
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>\$ 575,000</u>	<u>\$ 80,265</u>

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

Illinois Department of Revenue  
Springfield, Illinois

We have audited the basic financial statements of the City of Harvard, Illinois for the year ended April 30, 2012, and have issued our report thereon dated January 23, 2013. The basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the eligibility for costs incurred incidental to the implementation of the redevelopment plan and redevelopment projects associated with the Downtown TIF District, Industrial Park TIF District, and South TIF District pursuant to Subsection (q) of Section 11-74.4-3 of the Illinois Tax Incremental Redevelopment Allocation Act.

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

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

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

Rockford, Illinois  
January 23, 2013

CITY OF HARVARD, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
April 30, 2012

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	Comment	Corrective Action or Other Explanation
2012 - 1	We noted that the City does not have a complete or adequate segregation of duties.	Due to limited resources the City acknowledges that there is not adequate segregation of duties. City Council will continue an active role in oversight responsibility.
2012 - 2	The current format of the bank reconciliation makes reconciliation of the general ledger balance and the bank balance difficult. This is a significant deficiency in the system of controls over cash.	The City will continue to improve on the preparation of the bank reconciliations.
2012 - 3	Due to the limited number of personnel available in the organization, management with the authorization of the City Council has requested that our firm prepare the financial statements and footnote disclosures for them to review and approve.	This does not violate professional independence standards as management and the City Council takes responsibility for the statements and is the most cost effective option for the organization.