

CITY OF HARVEY, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
APRIL 30, 2018

CITY OF HARVEY, ILLINOIS

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FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Other Supplementary Information
- Supplemental Schedules

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the City's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

October 30, 2019

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, Illinois, as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Firefighters' Pension Trust Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighters' Pension Trust Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 Harvey, Illinois, as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The City has an accumulated unassigned deficit in the General Fund of \$57,725,035 as of April 30, 2018, which has resulted from operating deficits over the last several years. The deficits raise significant liquidity risks regarding the City's ability to meet its financial obligations as they come due without raising revenues, cutting costs of services provided, and effectuating financial restructuring. The liquidity risks are disclosed in the notes to the financial statements Note 2.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harvey, Illinois' basic financial statements. The combining and individual fund financial statements and budgetary comparison schedules, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters – Continued

Other Information – Continued

The combining and individual fund financial statements and budgetary comparison schedules and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and budgetary comparison schedules and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

Our discussion and analysis of the City of Harvey's financial performance provides an overview of the City of Harvey's financial activities for the fiscal year ended April 30, 2018. Please read it in conjunction with the City of Harvey's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

- The City of Harvey's net position increased as a result of this year's operations. Net position of business-type activities decreased by \$1,050,142, or 13.9 percent and net position of the governmental activities increased by \$4,467,503, or 2.8 percent.
- During the year, government-wide revenues for the primary government totaled \$46,313,355, while expenses totaled \$42,895,994, resulting in an increase to net position of \$3,417,361.
- The City of Harvey's net position totaled (\$149,709,334) on April 30, 2018, which includes (\$11,897,258) net investment in capital assets, \$16,616,704 subject to external restrictions, and (\$154,428,780) unrestricted net position that may be used to meet the ongoing obligations to citizens and creditors.
- The General Fund reported a deficit this year of \$2,115,303, resulting in ending fund balance of (\$57,725,035), a decrease of 3.8 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15-18) provide information about the activities of the City of Harvey as a whole and present a longer-term view of the City of Harvey's finances. Fund financial statements begin on page 19. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Harvey's operations in more detail than the government-wide statements by providing information about the City of Harvey's most significant funds. The remaining statements provide financial information about activities for which the City of Harvey acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the City of Harvey's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 15-18 of this report.

The Statement of Net Position reports information on all of the City of Harvey's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Harvey is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the City of Harvey's property tax base and the condition of the City of Harvey's infrastructure, is needed to assess the overall health of the City of Harvey.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Harvey that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Harvey include general government, public safety, public works, and community development. The business-type activities of the City of Harvey include water, sewer and parking operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Harvey, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Harvey can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City of Harvey's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Harvey maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Motor Fuel Tax Fund, Debt Service Fund, Capital Projects Fund, TIF I Dixie Square Fund and TIF II Center Street Fund, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Harvey adopts an annual appropriated budget for all of the governmental funds except the Road Fund, the Special Assessment Fund, the Motor Fuel Tax Capital Projects Fund, the Hotel/Motel Fund, the TIF VI Dixie Highway Corridor Fund, and the Community Development Fund. A budgetary comparison schedule for the budgeted funds has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary Funds

The City of Harvey maintains only enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Harvey utilizes enterprise funds to account for its water, sewer, and parking operations.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Proprietary Funds – Continued

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, which is considered to be a major fund. Individual fund data for the three nonmajor enterprise funds are provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Harvey's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-85 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Harvey's I.M.R.F. and police and fire employee pension obligations, other post-employment benefit plan and budgetary comparison schedule for the General Fund and Motor Fuel Tax Fund. Required supplementary information can be found on pages 86-98 of this report. Combining and individual fund statements and schedules can be found on pages 99-125 of this report.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the City of Harvey, liabilities/deferred inflows exceeded assets/deferred outflows by \$153,126,695.

	Net Position					
	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current/Other Assets	\$ (8,894,067)	(6,453,040)	40,133,791	37,009,822	31,239,724	30,556,782
Capital Assets	6,398,540	6,753,368	5,711,666	6,140,224	12,110,206	12,893,592
Total Assets	(2,495,527)	300,328	45,845,457	43,150,046	43,349,930	43,450,374
Deferred Outflows of Resources	12,832,228	10,967,890	38,057	287,288	12,870,285	11,255,178
Total Assets/ Deferred Outflows	10,336,701	11,268,218	45,883,514	43,437,334	56,220,215	54,705,552
Long-Term Debt	114,962,901	122,877,029	23,068,991	28,820,674	138,031,892	151,697,703
Other Liabilities	17,063,959	19,002,176	15,567,058	7,056,678	32,631,017	26,058,854
Total Liabilities	132,026,860	141,879,205	38,636,049	35,877,352	170,662,909	177,756,557
Deferred Inflows of Resources	34,508,511	30,055,186	758,129	20,504	35,266,640	30,075,690
Total Liabilities/ Deferred Inflows	166,535,371	171,934,391	39,394,178	35,897,856	205,929,549	207,832,247
Net Position						
Net Investment in Capital Assets	(11,882,690)	(12,846,574)	(14,568)	71,382	(11,897,258)	(12,775,192)
Restricted	16,616,704	15,725,119	-	-	16,616,704	15,725,119
Unrestricted (Deficit)	(160,932,684)	(163,544,718)	6,503,904	7,468,096	(154,428,780)	(156,076,622)
Total Net Position	(156,198,670)	(160,666,173)	6,489,336	7,539,478	(149,709,334)	(153,126,695)

A large portion of the City of Harvey's net position, (\$11,897,258), reflects its investment in capital assets (for example, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Harvey uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Harvey's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$16,616,704, of the City of Harvey's net position represents resources that are subject to external restrictions on how they may be used. The remaining (\$154,428,780) represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Change in Net Position					
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 5,604,582	5,423,235	18,138,250	17,937,182	23,742,832	23,360,417
Operating Grants/Contrib.	705,626	717,003	-	-	705,626	717,003
Capital Grants/Contrib.	-	-	-	-	-	-
General Revenues						
Property Taxes	13,848,151	16,407,518	-	-	13,848,151	16,407,518
Utility Taxes	1,262,113	1,253,594	-	-	1,262,113	1,253,594
Telecommunication Taxes	427,043	491,646	-	-	427,043	491,646
Sales Taxes	2,157,244	2,174,476	-	-	2,157,244	2,174,476
Income Taxes	2,285,700	2,394,240	-	-	2,285,700	2,394,240
Other General Revenues	1,885,288	2,020,732	(642)	174,213	1,884,646	2,194,945
Total Revenues	28,175,747	30,882,444	18,137,608	18,111,395	46,313,355	48,993,839
Expenses						
General Government	7,539,433	7,512,054	-	-	7,539,433	7,512,054
Public Safety	8,765,127	18,515,054	-	-	8,765,127	18,515,054
Public Works	4,670,590	7,580,540	-	-	4,670,590	7,580,540
Community Development	63,849	83,576	-	-	63,849	83,576
Interest on Long-Term Debt	2,112,964	2,288,326	-	-	2,112,964	2,288,326
Water	-	-	19,212,055	22,468,552	19,212,055	22,468,552
Sewer	-	-	84,347	198,629	84,347	198,629
Parking	-	-	447,629	97,543	447,629	97,543
Total Expenses	23,151,963	35,979,550	19,744,031	22,764,724	42,895,994	58,744,274
Change in Net Position						
Before Transfers	5,023,784	(5,097,106)	(1,606,423)	(4,653,329)	3,417,361	(9,750,435)
Transfers	(556,281)	(871,541)	556,281	871,541	-	-
Change in Net Position	4,467,503	(5,968,647)	(1,050,142)	(3,781,788)	3,417,361	(9,750,435)
Net Position - Beginning	(160,666,173)	(154,697,526)	7,539,478	11,321,266	(153,126,695)	(143,376,260)
Net Position - Ending	(156,198,670)	(160,666,173)	6,489,336	7,539,478	(149,709,334)	(153,126,695)

The net position of the City of Harvey's governmental activities increased by 2.8 percent (\$160,666,173 deficit in 2017 compared to a \$156,198,670 deficit in 2018). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled a deficit \$160,932,684 at April 30, 2018 for the governmental activities.

The net position of business-type activities decreased by 13.9 percent (\$7,539,478 in 2017 compared to \$6,489,336 in 2018).

CITY OF HARVEY, ILLINOIS

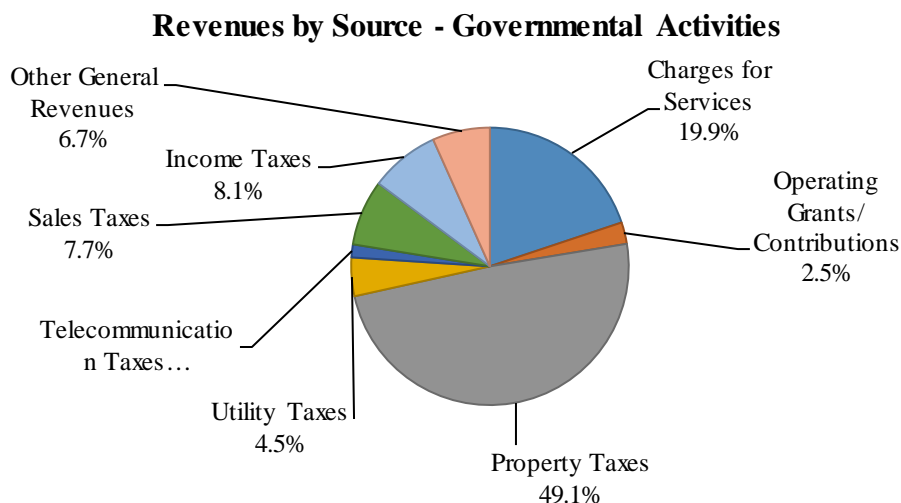
Management's Discussion and Analysis April 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

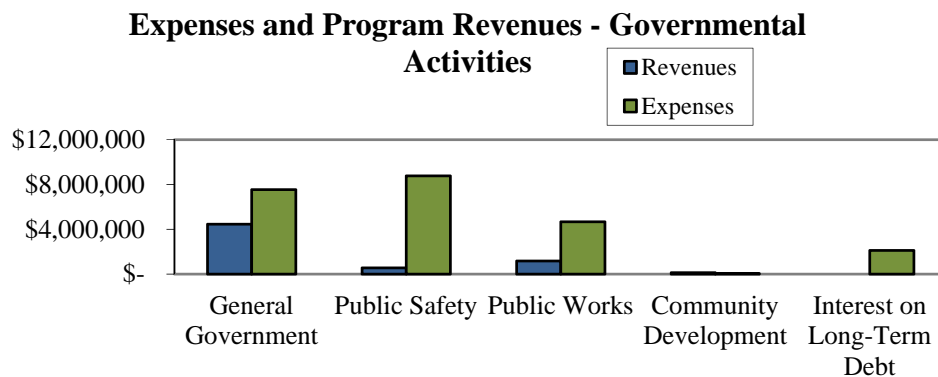
Governmental Activities

Revenues for governmental activities totaled \$28,175,747, while the cost of all governmental functions totaled \$23,151,963. This results in a surplus of \$5,023,784 prior to transfers out of \$556,281. In 2017, expenses of \$35,979,550 exceeded revenues of \$30,882,444 resulting in a deficit of \$5,097,106 prior to transfers out of \$871,541. Expenses for the public safety function decreased due mainly to a large decrease in net pension liability related to the firefighters' pension. Revenues came in \$2,706,697 lower than 2017, primarily due to a decrease in property taxes.

The following table graphically depicts the major revenue sources of the City of Harvey. It depicts very clearly the reliance of property taxes to fund governmental activities. It also clearly identifies the less significant percentage the City receives from income and sales taxes.



The 'Expenses and Program Revenues' Table identifies those governmental functions where program expenses greatly exceed revenues.



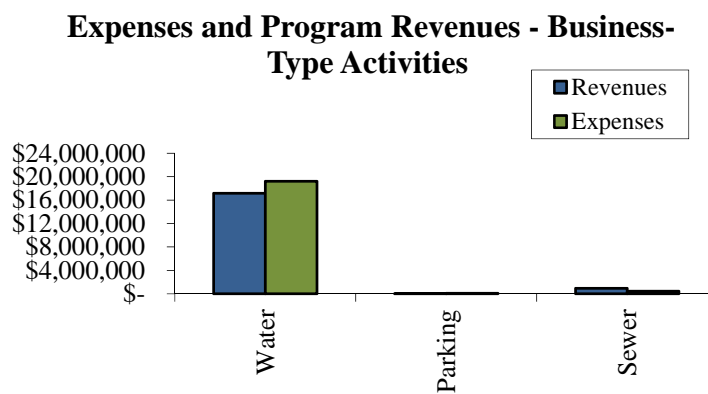
CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type activities

Business-Type activities posted total revenues of \$18,137,608, while the cost of all business-type activities totaled \$19,744,031. This results in a deficit of \$1,606,423 prior to transfers in of \$556,281. In 2017, expenses of \$22,764,724 exceeded revenues of \$18,111,395, resulting in a deficit of \$4,653,329 prior to transfers in of \$871,541.



The above graph compares program revenues to expenses for utility operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Harvey uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Harvey's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City of Harvey's governmental funds reported combining ending fund balances of (\$39,926,509), which is \$3,007,481 lower than last year's total of (\$36,919,028). Of the (\$39,926,509) total, (\$59,747,333) of the fund balance constitutes unrestricted fund balance.

The General Fund reported a deficit in fund balance for the year of \$2,115,303, a decrease of 3.8 percent. The City had budgeted for a deficit of \$7,989,650, but came in \$1.3 million dollars over budget in revenues and \$4.4 million dollars under budget in expenditures which contributed to the overall deficit of \$2.1 million. These variances are further outlined on the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued

Governmental Funds – Continued

The General Fund is the chief operating fund of the City. At April 30, 2018, unassigned fund balance in the General Fund was (\$58,168,644).

The Motor Fuel Tax Fund reported a deficit in the current year of \$175,698, due primarily due to actual expenditures exceeding planned expenditures in the current year by 166,224.

The Debt Service Fund reported a decrease/deficit fund balance of \$1,573,709 in the current year as transfers to/from other funds to cover the debt service expenditures were not made by the City.

The Capital Projects Fund reported a deficit in the current year of \$227,675 due to capital expenditures.

The TIF I Dixie Square Fund reported no change in the current year. The TIF expired on July 1, 2016 and the City reporting all excess TIF incremental tax revenues as a payable due back to the County. As of the fiscal year end, this amount remains unpaid.

The TIF II Center Street Fund had a surplus of \$591,440. This was due to property taxes received being greater than capital outlay expenditures and debt service payments.

Proprietary Funds

The City of Harvey's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City reports the Water Fund as a major proprietary fund. The Water Fund accounts for all of the operations of the water system. Water is purchased from the City of Chicago. The spread between purchase and sale rates is intended to finance the operations of the utility system, including labor costs, supplies, and infrastructure maintenance.

The City of Harvey intends to run the fund at a breakeven rate. Periodically, there will be an annual surplus or draw down due to timing of capital projects. The deficit in the Water Fund during the current fiscal year was \$1,482,280, while the previous fiscal year reported a deficit of \$4,509,447. Unrestricted net position in the Water Fund totaled \$4,479,530 at April 30, 2018.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Harvey Council made no budget amendments to the General Fund during the year. General Fund actual revenues for the year totaled \$22,786,785, compared to budgeted revenues of \$21,464,700. Revenues for taxes, intergovernmental revenues, and charges for services were \$1,254,487 higher than budgeted.

The General Fund actual expenditures for the year were \$4,419,148 lower than budgeted (\$24,518,202 actual compared to \$28,937,350 budgeted). This is due mainly to the general government and public safety expenditures that were under budget in the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Harvey's investment in capital assets for its governmental and business type activities as of April 30, 2018 was \$12,110,206 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and property, machinery and equipment, vehicles and infrastructure.

	Capital Assets - Net of Depreciation					
	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 227,134	227,134	608,738	608,738	835,872	835,872
Construction in Progress	3,093,042	3,093,042	-	-	3,093,042	3,093,042
Buildings and Property	1,327,955	1,395,010	670,575	700,088	1,998,530	2,095,098
Machinery and Equipment	528,321	715,153	86,908	106,318	615,229	821,471
Vehicles	624,657	703,623	4,345,445	-	4,970,102	703,623
Infrastructure	597,431	619,406	-	4,725,080	597,431	5,344,486
Total	6,398,540	6,753,368	5,711,666	6,140,224	12,110,206	12,893,592

This year's major additions included:

Machinery and Equipment	\$ 42,648
Vehicles	130,546
	<u>173,194</u>

Additional information on the City of Harvey's capital assets can be found in note 3 on pages 53 - 54 of this report.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration

At year-end, the City of Harvey had total outstanding debt of \$55,440,118 as compared to \$63,924,776 the previous year, due to annual repayments on outstanding long-term debt and the demand bonds being called by the bank. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 25,391,750	26,683,750	5,718,250	6,056,250	31,110,000	32,740,000
General Obligation Refunding						
Capital Appreciation Bonds	-	-	-	-	-	-
Tax Increment Financing						
Revenue Bonds	6,460,000	7,710,000	-	-	6,460,000	7,710,000
Demand Bonds	-	-	208,582	625,747	208,582	625,747
Installment Contracts	-	-	17,661,536	22,849,029	17,661,536	22,849,029
Total	31,851,750	34,393,750	23,588,368	29,531,026	55,440,118	63,924,776

Additional information on the City of Harvey's long-term debt can be found in Note 3 on pages 56-60 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, including tax rates, and fees that will be charged for its various activities. One of those factors is the economy. The City is faced with a similar economic environment as many of the other local municipalities are faced with, including inflation and unemployment rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Harvey's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to City of Harvey, 15320 Broadway Avenue, Harvey, Illinois 60426.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements

Governmental Funds

Proprietary Funds

Fiduciary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF HARVEY, ILLINOIS

Statement of Net Position

April 30, 2018

See Following Page

CITY OF HARVEY, ILLINOIS

**Statement of Net Position
April 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 3,960,512	417,212	4,377,724
Cash at Paying Agent	-	8,042	8,042
Receivables - Net of Allowances	17,624,943	2,310,268	19,935,211
Due from Other Governments	183,893	-	183,893
Internal Balances	(35,252,065)	35,252,065	-
Prepays/Inventories	138,376	69,235	207,611
Total Current Assets	(13,344,341)	38,056,822	24,712,481
Noncurrent Assets			
Capital Assets			
Nondepreciable	3,320,176	608,738	3,928,914
Depreciable	20,609,191	24,879,671	45,488,862
Accumulated Depreciation	(17,530,827)	(19,776,743)	(37,307,570)
	6,398,540	5,711,666	12,110,206
Other Assets			
Net Pension Asset - IMRF	4,450,274	2,076,969	6,527,243
Total Noncurrent Assets	10,848,814	7,788,635	18,637,449
Total Assets	(2,495,527)	45,845,457	43,349,930
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	81,545	38,057	119,602
Deferred Items - Police Pension	8,168,212	-	8,168,212
Deferred Items - Firefighters' Pension	4,582,471	-	4,582,471
Total Deferred Outflows of Resources	12,832,228	38,057	12,870,285
Total Assets and Deferred Outflows of Resources	10,336,701	45,883,514	56,220,215

The notes to the financial statements are an integral part of this statement.

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 12,037,466	14,043,699	26,081,165
Accrued Payroll	191,519	25,791	217,310
Accrued Interest Payable	788,441	419,092	1,207,533
Deposits Payable	801,115	510,839	1,311,954
Due to Other Governments	28,718	-	28,718
Current Portion of Long-Term Debt	3,216,700	567,637	3,784,337
Total Current Liabilities	17,063,959	15,567,058	32,631,017
Noncurrent Liabilities			
Compensated Absences Payable	2,185,289	32,221	2,217,510
Net Pension Liability - Police Pension	32,360,697	-	32,360,697
Net Pension Liability - Firefighters' Pension	49,689,213	-	49,689,213
Self Insurance Claims Payable	985,472	-	985,472
General Obligation Bonds Payable - Net	24,622,230	5,375,234	29,997,464
Installment Contracts	-	17,661,536	17,661,536
Revenues Bonds Payable	5,120,000	-	5,120,000
Total Noncurrent Liabilities	114,962,901	23,068,991	138,031,892
Total Liabilities	132,026,860	38,636,049	170,662,909
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	1,624,426	758,129	2,382,555
Deferred Items - Police Pension	9,351,107	-	9,351,107
Deferred Items - Firefighters' Pension	10,009,628	-	10,009,628
Property Taxes	13,523,350	-	13,523,350
Total Deferred Inflows of Resources	34,508,511	758,129	35,266,640
Total Liabilities and Deferred Inflows of Resources	166,535,371	39,394,178	205,929,549
NET POSITION			
Net Investment in Capital Assets	(11,882,690)	(14,568)	(11,897,258)
Restricted			
Grant	5,351	-	5,351
Public Safety	289,518	-	289,518
Public Works	5,228,530	-	5,228,530
Capital Projects	11,093,305	-	11,093,305
Unrestricted (Deficit)	(160,932,684)	6,503,904	(154,428,780)
Total Net Position	(156,198,670)	6,489,336	(149,709,334)

The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

Statement of Activities

For the Fiscal Year Ended April 30, 2018

		Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
	Expenses			
Governmental Activities				
General Government	\$ 7,539,433	4,393,790	60,100	-
Public Safety	8,765,127	553,200	-	-
Public Works	4,670,590	526,583	645,526	-
Community Development	63,849	131,009	-	-
Interest on Long-Term Debt	2,112,964	-	-	-
Total Governmental Activities	23,151,963	5,604,582	705,626	-
Business-Type Activities				
Water	19,212,055	17,174,136	-	-
Pace Bus Terminal Parking	23,096	3,721	-	-
Commuter Parking Lot	61,251	34,812	-	-
Sewer	447,629	925,581	-	-
Total Business-Type Activities	19,744,031	18,138,250	-	-
Total Primary Government	42,895,994	23,742,832	705,626	-

General Revenues

Taxes

Property Taxes

Utility Taxes

Telecommunication Taxes

Other Taxes

Intergovernmental - Unrestricted

State Sales Taxes

Income Taxes

Local Use Taxes

Replacement Taxes

Interest Income

Miscellaneous

Transfers - Internal Activity

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses)/Revenues		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
(3,085,543)	-	(3,085,543)
(8,211,927)	-	(8,211,927)
(3,498,481)	-	(3,498,481)
67,160	-	67,160
(2,112,964)	-	(2,112,964)
(16,841,755)	-	(16,841,755)
-	(2,037,919)	(2,037,919)
-	(19,375)	(19,375)
-	(26,439)	(26,439)
-	477,952	477,952
-	(1,605,781)	(1,605,781)
(16,841,755)	(1,605,781)	(18,447,536)
13,848,151	-	13,848,151
1,262,113	-	1,262,113
427,043	-	427,043
395,801	-	395,801
2,157,244	-	2,157,244
2,285,700	-	2,285,700
665,005	-	665,005
657,352	-	657,352
27,585	(642)	26,943
139,545	-	139,545
(556,281)	556,281	-
21,309,258	555,639	21,864,897
4,467,503	(1,050,142)	3,417,361
(160,666,173)	7,539,478	(153,126,695)
(156,198,670)	6,489,336	(149,709,334)

The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

Balance Sheet - Governmental Funds April 30, 2018

	General	Special Revenue Motor Fuel Tax	Debt Service
ASSETS			
Cash and Investments	\$ 914,540	156,548	157,289
Receivables - Net of Allowances			
Taxes	12,267,778	-	2,948,670
Accounts	2,342,130	-	-
Other	66,365	-	-
Due from Other Governments	178,509	-	-
Advances to Other Funds	10,364	5,774,961	301,106
Prepays/Inventories	138,376	-	-
Total Assets	15,918,062	5,931,509	3,407,065
LIABILITIES			
Accounts Payable	3,006,236	702,979	2,119,668
Accrued Payroll	191,519	-	-
Deposits Payable	801,115	-	-
Due to Other Governments	28,718	-	-
Advances from Other Funds	58,953,265	-	-
Total Liabilities	62,980,853	702,979	2,119,668
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	10,662,244	-	2,861,106
Total Liabilities and Deferred Inflows of Resources	73,643,097	702,979	4,980,774
FUND BALANCES			
Nonspendable	148,740	-	-
Restricted	294,869	5,228,530	-
Assigned	-	-	-
Unassigned	(58,168,644)	-	(1,573,709)
Total Fund Balances	(57,725,035)	5,228,530	(1,573,709)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	15,918,062	5,931,509	3,407,065

The notes to the financial statements are an integral part of this statement.

Capital Projects				
Capital Projects	TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
9,428	577	2,714,443	7,687	3,960,512
-	-	-	-	15,216,448
-	-	-	-	2,342,130
-	-	-	-	66,365
-	-	-	5,384	183,893
2,579,382	4,119,887	4,578,905	4,309,398	21,674,003
-	-	-	-	138,376
2,588,810	4,120,464	7,293,348	4,322,469	43,581,727
33,430	4,120,464	17,128	-	9,999,905
-	-	-	-	191,519
-	-	-	-	801,115
-	-	-	-	28,718
-	-	-	10,364	58,963,629
33,430	4,120,464	17,128	10,364	69,984,886
-	-	-	-	13,523,350
33,430	4,120,464	17,128	10,364	83,508,236
-	-	-	-	148,740
-	-	7,276,220	4,317,085	17,116,704
2,555,380	-	-	-	2,555,380
-	-	-	(4,980)	(59,747,333)
2,555,380	-	7,276,220	4,312,105	(39,926,509)
2,588,810	4,120,464	7,293,348	4,322,469	43,581,727

The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities

April 30, 2018

Total Governmental Fund Balances	\$ (39,926,509)
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	6,398,540
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The net pension assets of the pension funds are included in the governmental activities in the Statement of Net Position.	
Net Pension Asset - IMRF	4,450,274

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	(1,542,881)
Deferred Items - Police Pension	(1,182,895)
Deferred Items - Firefighters' Pension	(5,427,157)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest Payable	(788,441)
Compensated Absences Payable	(2,731,611)
Net Pension Liability - Police Pension	(32,360,697)
Net Pension Liability - Firefighters' Pension	(49,689,213)
Self Insurance Claims Payable	(985,472)
Settlement Installment Payable	(171,378)
General Obligation Bonds Payable - Net	(25,781,230)
Revenue Bonds Payable	<u>(6,460,000)</u>

Net Position of Governmental Activities	<u>(156,198,670)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended April 30, 2018**

See Following Page

CITY OF HARVEY, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended April 30, 2018**

		Special Revenue	
	General	Motor Fuel Tax	Debt Service
Revenues			
Taxes	\$ 11,205,373	-	1,944,506
Licenses and Permits	1,305,118	-	-
Intergovernmental	5,825,401	645,526	-
Charges for Services	3,770,713	-	-
Fines and Forfeits	528,751	-	-
Interest	11,884	-	-
Miscellaneous	139,545	-	-
Total Revenues	22,786,785	645,526	1,944,506
Expenditures			
Current			
General Government	6,867,912	-	1,800
Public Safety	14,421,552	-	-
Public Works	3,034,343	821,224	-
Community Development	63,849	-	-
Capital Outlay	130,546	-	-
Debt Service			
Principal Retirement	-	-	1,292,000
Interest and Fiscal Charges	-	-	1,668,134
Total Expenditures	24,518,202	821,224	2,961,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,731,417)	(175,698)	(1,017,428)
Other Financing Sources (Uses)			
Disposal of Capital Assets	175,380	-	-
Transfers In	-	-	-
Transfers Out	(559,266)	-	(556,281)
	(383,886)	-	(556,281)
Net Change in Fund Balances	(2,115,303)	(175,698)	(1,573,709)
Fund Balances - Beginning	(55,609,732)	5,404,228	-
Fund Balances - Ending	(57,725,035)	5,228,530	(1,573,709)

The notes to the financial statements are an integral part of this statement.

Capital Projects				
Capital Projects	TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
-	451,131	1,836,053	496,045	15,933,108
-	-	-	-	1,305,118
-	-	-	-	6,470,927
-	-	-	-	3,770,713
-	-	-	-	528,751
(43)	4	15,721	19	27,585
-	-	-	-	139,545
(43)	451,135	1,851,774	496,064	28,175,747
-	-	-	-	6,869,712
-	-	-	-	14,421,552
227,632	451,135	24,209	6,600	4,565,143
-	-	-	-	63,849
-	-	-	-	130,546
-	-	995,000	255,000	2,542,000
-	-	241,125	300,266	2,209,525
227,632	451,135	1,260,334	561,866	30,802,327
(227,675)	-	591,440	(65,802)	(2,626,580)
-	-	-	-	175,380
-	-	-	559,266	559,266
-	-	-	-	(1,115,547)
-	-	-	559,266	(380,901)
(227,675)	-	591,440	493,464	(3,007,481)
2,783,055	-	6,684,780	3,818,641	(36,919,028)
2,555,380	-	7,276,220	4,312,105	(39,926,509)

The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

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

For the Fiscal Year Ended April 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (3,007,481)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	173,194
Depreciation Expense	(528,022)

An decrease in a net pension asset is not considered to be an decrease in a financial assets in the governmental funds.	1,976,273
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Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF	(2,664,984)
Change in Deferred Items - Police Pension	7,875,352
Change in Deferred Items - Firefighters' Pension	(7,458,440)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds.

Deductions to Net Pension Liability - Police Pension	(8,722,509)
(Additions) to Net Pension Liability - Firefighters' Pension	14,112,699
Deductions to Settlement Installment Payable	238,642
(Additions) to Self Insurance Claims	(165,782)
Retirement of Debt	2,542,000
Amortization of Debt Related Items	26,712

Changes to accrued interest on long-term debt in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

69,849

Changes in Net Position of Governmental Activities	4,467,503
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The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Net Position - Proprietary Funds
For the Fiscal Year Ended April 30, 2018**

See Following Page

CITY OF HARVEY, ILLINOIS

**Statement of Net Position - Proprietary Funds
April 30, 2018**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 417,212	-	417,212
Cash at Paying Agent	8,042	-	8,042
Receivables - Net of Allowances			
Customer Billings and Unbilled Services	2,152,672	157,596	2,310,268
Advances to Other Funds	33,185,557	2,066,508	35,252,065
Prepays	69,208	27	69,235
Total Current Assets	35,832,691	2,224,131	38,056,822
Noncurrent Assets			
Capital Assets			
Nondepreciable	126,488	482,250	608,738
Depreciable	17,889,499	6,990,172	24,879,671
Accumulated Depreciation	(13,052,817)	(6,723,926)	(19,776,743)
	4,963,170	748,496	5,711,666
Other Assets			
Net Pension Asset - IMRF	2,076,969	-	2,076,969
Total Noncurrent Assets	7,040,139	748,496	7,788,635
Total Assets	42,872,830	2,972,627	45,845,457
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	38,057	-	38,057
Total Assets and Deferred Outflows of Resources	42,910,887	2,972,627	45,883,514

The notes to the financial statements are an integral part of this statements.

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CITY OF HARVEY, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds For the Fiscal Year Ended April 30, 2018

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 17,174,136	964,114	18,138,250
Operating Expenses			
Operations	15,536,745	504,912	16,041,657
Depreciation and Amortization	396,886	27,064	423,950
Total Operating Expenses	15,933,631	531,976	16,465,607
Operating Income	1,240,505	432,138	1,672,643
Nonoperating Revenues (Expenses)			
Interest Income	(642)	-	(642)
Other Income - Penalties & Fees	(1,620,630)	-	(1,620,630)
Interest Expense	(1,657,794)	-	(1,657,794)
	(3,279,066)	-	(3,279,066)
Income Before Transfers	(2,038,561)	432,138	(1,606,423)
Transfers In	556,281	-	556,281
Change in Net Position	(1,482,280)	432,138	(1,050,142)
Net Position - Beginning	5,198,746	2,340,732	7,539,478
Net Position - Ending	3,716,466	2,772,870	6,489,336

The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended April 30, 2018**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 15,734,950	404,334	16,139,284
Payments to Employees	(714,690)	(41,307)	(755,997)
Payments to Suppliers	(6,770,423)	(381,219)	(7,151,642)
	8,249,837	(18,192)	8,231,645
Cash Flows from Noncapital Financing Activities			
Transfers In	556,281	-	556,281
Cash Flows from Capital and Related Financing Activities			
Principal Retirement	(5,942,658)	-	(5,942,658)
Debt Issuance	(1,620,630)	-	(1,620,630)
Interest Payments	(1,657,794)	-	(1,657,794)
	(9,221,082)	-	(9,221,082)
Cash Flows from Investing Activities			
Interest Received	(642)	-	(642)
Net Change in Cash and Cash Equivalents	(415,606)	(18,192)	(433,798)
Cash and Cash Equivalents - Beginning	840,860	18,192	859,052
Cash and Cash Equivalents - Ending	425,254	-	425,254
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income	1,240,505	432,138	1,672,643
Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expense	396,886	27,064	423,950
Other (Income)	(695,062)	193,152	(501,910)
(Increase) Decrease in Current Assets	(1,439,186)	(559,780)	(1,998,966)
Increase (Decrease) in Current Liabilities	8,746,694	(110,766)	8,635,928
Net Cash Provided by Operating Activities	8,249,837	(18,192)	8,231,645

The notes to the financial statement are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Fiduciary Net Position
April 30, 2018**

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,015,026
Investments	
U.S. Treasuries	4,882,934
U.S. Agencies	1,175,758
Corporate Bonds	1,670,026
Common Stock	3,330,149
Equity Securities	2,063,195
Equity Mutual Funds	10,819,320
Receivables	
Accrued Interest	55,697
Due from Other	10,377
Due from Other Funds	23,265,367
Reserve Uncollectible - Interfund	(23,233,930)
Prepays	<u>15,178</u>
Total Assets	26,069,097
LIABILITIES	
Accounts Payable	<u>23,615</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>26,045,482</u></u>

The notes to the financial statement are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended April 30, 2018

	Pension Trust
Additions	
Contributions - Employer	\$ 2,558,342
Contributions - Plan Members	588,121
Total Contributions	<u>3,146,463</u>
Investment Income	
Interest Earned	689,702
Net Change in Fair Value	944,628
	<u>1,634,330</u>
Less Investment Expenses	<u>(134,175)</u>
Net Investment Income	<u>1,500,155</u>
Miscellaneous Income	<u>75</u>
Total Additions	<u>4,646,693</u>
Deductions	
Administration	335,388
Benefits and Refunds	4,094,338
Total Deductions	<u>4,429,726</u>
Change in Fiduciary Net Position	216,967
Net Position Restricted for Pensions	
Beginning	<u>25,828,515</u>
Ending	<u><u>26,045,482</u></u>

The notes to the financial statement are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harvey (the City), Illinois is located in Cook County and was first incorporated in 1890 under the provisions of the constitution and general statutes of the State of Illinois. The City operates under a Council administrator form of government. The City Council consists of six elected members that exercise all powers of the City but are accountable to their constituents of all their actions. The City provides the following services as authorized by the charter: police protection, fire protection, public works operations, road and bridge maintenance and general administration.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the City's accounting policies established in GAAP and used by the City are described below.

REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Harvey
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In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 61, "The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34," and includes all component units that have a significant operational or financial relationship with the District. Based upon the criteria set forth in the GASB Statement No. 61, there are no component units included in the reporting entity.

Police Pension Employees Retirement System

The City's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the City's Mayor, one elected pension beneficiary and two elected police employees constitute the pension board. The participants are required to contribute a percentage of salary as established by state statute and the City is obligated to fund all remaining PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the City, the PPERS is reported as if it were part of the primary City because its sole purpose is to provide retirement benefits for the City's police employees. The PPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the PPERS.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

REPORTING ENTITY – Continued

Firefighters' Pension Employees Retirement System

The City's sworn firefighters participate in the Firefighters' Pension Employees Retirement System (FPERS). FPERS functions for the benefit of those employees and is governed by a five-member pension board, with two members appointed by the City's Mayor, two elected from active participants of the Fund, and one elected from the retired members of the Fund. The participants are required to contribute a percentage of salary as established by state statute and the City is obligated to fund all remaining FPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the City is authorized to approve the actuarial assumptions used in the determination of contribution levels. Although it is legally separate from the City, the FPERS is reported as if it were part of the primary government because its sole purpose is to provide retirement benefits for the City's sworn firefighters. The FPERS is reported as a fiduciary fund, and specifically a pension trust fund, due to the fiduciary responsibility exercised over the FPERS.

BASIS OF PRESENTATION

Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire safety, highway and street maintenance and reconstruction, building code enforcement, public improvements, economic development, planning and zoning, and general administrative services are classified as governmental activities. The City's water, parking, and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations.

The City's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Government-Wide Statements – Continued

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, public works, etc.). The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which include 1) changes to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, permits and charges for services, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

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 comprise its assets/deferred outflows, liabilities/deferred inflows, fund equity/net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either have debt outstanding or a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. 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. The following is a description of the governmental funds of the City:

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. The General Fund is a major fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City maintains one special revenue fund. The Motor Fuel Tax Fund, a major fund, is used to account for the operations of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided by the City's share of gasoline taxes.

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. The Debt Service Fund, a major fund, is used to account for the accumulation of financial resources for the payment of principal and interest on the City's long-term debt.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

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). The City maintains ten capital projects funds. The Capital Projects Fund, a major fund, is used to account for the proceeds of debt used for the acquisition of construction of capital projects. The TIF I Dixie Square, also a major fund, is used to account for the restricted incremental property taxes of the Dixie Square Tax Incremental Financing District. The TIF II Center Street Fund, also a major fund, is used to account for the incremental property taxes of the TIF II Tax Incremental Financing District and the use of those funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) 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 a pricing policy designed to recover similar costs. The City maintains four enterprise funds. The Water Fund, a major fund, is used to account for the provision of water to the residents of the City. All activity necessary to provide such services is accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity by the City for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

Pension Trust Funds are used to account for assets held in a trustee capacity by the City for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay pension costs. Resources are contributed by police force members at rates fixed by state statutes and by the government through an annual property tax levy. The Firefighters' Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the City's Fire Department.

The City's pension trust funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary and pension trust funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary and pension trust fund equity is classified as net position.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. The City recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70.

A sixty day availability period is used for revenue recognition for all other governmental fund revenues. Income tax will exceed the sixty day recognition period due to the State of Illinois and the long delay with releasing these funds. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, franchise taxes, licenses, interest revenue, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary and pension trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. 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. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds “Statement of Cash Flows,” cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, franchise taxes, and grants. Business-type activities report charges for services as their major receivables.

Prepays/Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. Prepays/inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type prepaids/inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more, depending on asset class, are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Property	5 - 40 Years
Machinery and Equipment	5 - 40 Years
Vehicles	5 - 20 Years
Infrastructure	15 - 40 Years

Compensated Absences

The City accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave that is estimated to be taken as “terminal leave” prior to retirement.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

Deferred outflow/inflow of resources represents an acquisition/reduction of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense)/inflow of resources (revenue) until that future time.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted – All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

- Prior to July 31, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the previous May 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.
- Subsequently, the budget is legally enacted through passage of an ordinance prior to July 31.
- Formal budgetary integration is employed as a management control device during the year for General, Motor Fuel Tax, Debt Service, TIF I Dixie Square, TIF II Center Street, Hotel/Motel, TIF IV Dixie Sibley, TIF III Cresco Business Park, TIF V RPM Wyman Gordon, TIF VII Arco/147th Street, Water, Pace Bus Terminal Parking, Commuter Parking Lot and Sewer Funds.
- Budgets for those funds were adopted on a basis consistent with generally accepted accounting principles.
- Budgetary authority lapses at year-end.
- State law requires that “expenditures be made in conformity with appropriation/budget.” As under the Budget Act, transfers between line items and department may be made by administrative action. Amounts to be transferred between funds would require City Board approval. The level of legal control is generally considered to be the fund budget in total.
- Budget amounts are as originally adopted.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget as of the date of this report:

Fund	Excess
TIF I Dixie Square	\$ 448,935
MFT	166,224
Hotel/Motel	4,000
Water	775,548
Commuter Parking Lot	16,254

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continued

DEFICIT FUND BALANCE

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

Fund	Deficit
General	\$ 57,725,035
Debt Service	1,573,709
TIF VI Dixie Highway Corridor	4,980

LIQUIDITY RISK

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they come due. The City faces significant risks threatening its ability to generate cash from revenues sufficient to pay operating expenditures and debt service. Four of the City's largest revenue streams, distributable state aid, property taxes, municipal income taxes, and municipal sales taxes, are especially susceptible during times of major economic downturns and have declined in recent years. Also, the number of residents leaving the City and home foreclosures has adversely impacted City property valuations and property and income tax collections. Further stressing the City's liquidity are legacy costs such as pension retirement benefits and debt service. As the City's tax base and revenues decline, the legacy costs become an increasing percentage of the General Fund budget, reducing funding available for essential services such as public safety.

As a result of the ongoing operating deficits over the past several years, the City had an accumulated unassigned General Fund deficit of \$57.7 million at April 30, 2018.

In addition, the City's General Fund has borrowed a total of \$58.9 million from other City funds, such as the Water Fund and TIF Funds (See Note 3 Interfund Receivables, Payables, and Transfers), over the past several fiscal years to provide additional liquidity. Due to the General Fund being unable to pay back the Water Fund, the City has also been unable to maintain its payments to the City of Chicago for the current water invoices and settlement payments (See Note 4 Contingent Liabilities - Litigation). Also, due to a lack of cash, the General Fund owed the Police Pension Fund \$1.0 million and the Firefighters' Pension Fund \$1.1 million at April 30, 2018. The lack of payments to the pension funds has caused the pension funds to file litigation against the City (See Note 4 Contingent Liabilities - Litigation). In addition, the City defaulted on several bond payments during the year (See Note 4 Contingent Liabilities - Bond Default).

Liquidity improvement is dependent upon the elimination of the City's accumulated deficit, reduction of operating and legacy costs, effectuating financial restructuring measures, improving revenues or enhancing collections, and improvement in the local economy and tax base. If the City is unable to make improvements in these areas, the City's financial status could deteriorate further and its options to improve its fiscal health may be limited.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds.

The deposits and investments of the Pension Funds are held separately from those of other City funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's plan net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with plan net position of \$2.5 million or more may invest up to forty-five percent of plan net position in separate accounts of life insurance companies and mutual funds. Pension Funds with plan net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with plan net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012

Permitted Deposits and Investments – Statutes authorize the City to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and the Illinois Metropolitan Investment Fund.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

The Illinois Metropolitan Investment Fund (IMET) is a non-for-profit investment trust formed pursuant to the Illinois Municipal Code. IMET is managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an Investment Company. Investments in IMET are valued at the share price, the price for which the investment could be sold.

City Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the City's deposits for governmental and business-type activities totaled \$4,363,834 and the bank balances totaled \$4,268,914. In addition, the City has \$21,932 invested in IMET at year-end, which is measured at net asset value per share as determined by the Pool.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not specifically identify limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment in IMET has an average maturity of one year to three years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not address credit risk. At year-end, the City's investment in IMET Investment Trust 1-3 Year Fund is rated Aaa by Moody's.

Concentration Risk. This is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy does not address concentration risk. At year-end, there were no investments that represent more than 5 percent of the total cash and investment portfolio.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy does not mitigate custodial credit risk for deposits. At year-end, \$209,279 of the bank balance of deposits was not covered by collateral, federal depository or equivalent insurance.

For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not mitigate custodial credit risk for investments and the City's investment in IMET is not subject to custodial credit risk.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$1,301,595 and the bank balances totaled \$1,301,595.

Investments. At year-end, the Fund has the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 3,807,135	922,690	1,780,240	1,104,205	-
U.S. Agencies	757,266	253,644	388,704	-	114,918
Corporate Bonds	432,051	104,525	327,526	-	-
Illinois Funds	74,986	74,986	-	-	-
	<u>5,071,438</u>	<u>1,355,845</u>	<u>2,496,470</u>	<u>1,104,205</u>	<u>114,918</u>

The Fund has the following recurring fair value measurements as of April 30, 2018:

Investments by Fair Value Level	Fair Value Measurements Using			
	Totals	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	\$ 3,807,135	3,807,135	-	-
U.S. Agencies	757,266	-	757,266	-
Corporate Bonds	432,051	-	432,051	-
Equity Securities				
Common Stock	3,330,149	-	3,330,149	-
Equity Mutual Funds	6,403,744	6,403,744	-	-
Total Investments by Fair Value Level	<u>14,730,345</u>	<u>10,210,879</u>	<u>4,519,466</u>	<u>-</u>
Investments Measured at the Net Asset Value (NAV)				
Illinois Funds	<u>74,986</u>			
Total Investments Measured at Fair Value	<u>14,805,331</u>			

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Investments – Continued. Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. The investment portfolio shall remain sufficiently liquid to enable the Fund to meet all operating requirements which may be reasonably anticipated.

Credit Risk. The Fund helps limit its exposure to credit risk by primarily investing only in investments authorized by Articles 1 and 3 of the Illinois Pension Code, as amended from time to time, and as authorized by other applicable law, including but not limited to Sections 1-113.2 through 1-113.4 of the Illinois Pension Code (40 ILCS 5/1-113.2-1-113.4). Illinois Funds are rated AAA by Standard & Poor's. The investments in the securities of U.S. Agencies were all rated Aaa by Moody's Investor Services or were small issues that were unrated and the investments in the corporate bonds were rated Baa1 to A3 by Moody's Investor Services. The investments in the securities of the U.S. Treasuries were not rated.

Custodial Credit Risk. The Fund's investment policy states that except for bank managed money market mutual funds, deposits in excess of federally insured limits in financial institutions will be required to be secured by some form of collateral. At April 30, 2018, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance.

Concentration Risk. The Fund's investment policy states the Fund shall diversity investments to avoid incurring unreasonable risks from the practice of concentrating investments in specific security types and/or individual financial institutions. In addition to the securities and fair values listed above, the Fund also has \$6,403,744 invested in equity mutual funds and \$3,330,149 invested in common stock. At year-end, the Fund does not have any investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of net plan position available for retirement benefits.

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	32.00%	1.00%
Domestic Equities	42.00%	6.75%
International Equities	15.00%	6.00%
Blended	8.00%	1.50%
Cash and Cash Equivalents	0.00%	0.00%

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Police Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Risk – Continued. Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in May 2017 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2018 are listed in the table above.

Rate of Return

For the fiscal year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$638,445 and the bank balances totaled \$596,787.

Investments. The Fund assumes any callable securities will not be called. At year-end, the Fund has the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 1,075,799	38,054	571,498	220,729	245,518
U.S. Agencies	418,492	9,983	25,036	12,728	370,745
Corporate Bonds	1,237,975	45,503	390,964	635,307	166,201
	2,732,266	93,540	987,498	868,764	782,464

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

The Fund has the following recurring fair value measurements as of April 30, 2018:

Investments by Fair Value Level	Totals	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	\$ 1,075,799	1,075,799	-	-
U.S. Agencies	418,492	-	418,492	-
Corporate Bonds	1,237,975	-	1,237,975	-
Equity Securities				
Equity Securities	2,063,195	2,063,195	-	-
Equity Mutual Funds	4,415,576	4,415,576	-	-
Total Investments by Fair Value Level	9,211,037	7,554,570	1,656,467	-

Debt Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. In accordance with the Fund's investment policy, the fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity while at the same time matching investment maturities to projected fund liabilities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund helps limit its exposure to credit risk by primarily investing in securities issued by the United States Government and/or its agencies that are implicitly guaranteed by the United States Government. The Fund's investment policy establishes criteria for allowable investments; those criteria follow the requirements of the Illinois Pension Code. The investments in the securities of U.S. Government Agencies were all rated AAA, and Corporate Bonds are rated BBB or better by Standard & Poor's or by Moody's Investors Services or were small issues that were unrated or underrated. Unrated (N/R) and underrated investments are listed in the following table.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Unrated investments are listed on the following table:

Investment Type	Par Value	Interest Rate	Maturity Date	Standard and Poor's	Moody's Investors Services
Federal Home Loan Mortgage Corp.	\$ 2,307	5.500%	August 1, 2035	N/R	N/R
Federal Home Loan Mortgage Corp.	6,624	6.500%	August 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	13,613	6.500%	September 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	2,795	6.500%	September 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	4,319	6.000%	November 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	748	6.000%	November 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	1,114	6.000%	March 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	617	6.000%	August 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	1,424	6.500%	November 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	1,360	5.500%	May 1, 2038	N/R	N/R
Federal Home Loan Mortgage Corp.	3,254	5.000%	September 1, 2038	N/R	N/R
Federal Home Loan Mortgage Corp.	3,693	5.000%	February 1, 2039	N/R	N/R
Federal Home Loan Mortgage Corp.	2,286	4.500%	April 1, 2039	N/R	N/R
Federal Home Loan Mortgage Corp.	27,052	3.500%	July 1, 2044	N/R	N/R
Federal Home Loan Mortgage Corp.	16,071	3.500%	December 1, 2044	N/R	N/R
Federal Home Loan Mortgage Corp.	22,278	3.500%	December 1, 2045	N/R	N/R
Federal Home Loan Mortgage Corp.	17,766	3.500%	December 1, 2045	N/R	N/R
Federal Home Loan Mortgage Corp.	3,321	3.000%	March 1, 2046	N/R	N/R
Federal Home Loan Mortgage Corp.	24,178	3.000%	December 1, 2046	N/R	N/R
Federal National Mortgage Assoc.	2,884	3.500%	August 1, 2032	N/R	N/R
Federal National Mortgage Assoc.	651	5.500%	July 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	21,369	6.000%	July 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	34,298	6.500%	August 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	1,899	6.000%	October 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	1,824	5.500%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	1,373	6.000%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	129	5.500%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	442	5.500%	December 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	478	6.000%	December 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	4,950	6.000%	January 1, 2037	N/R	N/R
Federal National Mortgage Assoc.	3,021	6.000%	April 1, 2037	N/R	N/R

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Unrated investments are listed on the following table – Continued:

Investment Type	Par Value	Interest Rate	Maturity Date	Standard and Poor's	Moody's Investors Services
Federal National Mortgage Assoc.	618	6.000%	September 1, 2037	N/R	N/R
Federal National Mortgage Assoc.	744	6.500%	January 1, 2038	N/R	N/R
Federal National Mortgage Assoc.	2,500	5.000%	May 1, 2038	N/R	N/R
Federal National Mortgage Assoc.	5,129	5.000%	April 1, 2039	N/R	N/R
Federal National Mortgage Assoc.	3,013	4.500%	July 1, 2039	N/R	N/R
Federal National Mortgage Assoc.	18,480	5.500%	February 1, 2040	N/R	N/R
Federal National Mortgage Assoc.	22,026	5.000%	June 1, 2040	N/R	N/R
Federal National Mortgage Assoc.	20,641	3.500%	September 1, 2045	N/R	N/R
Federal National Mortgage Assoc.	29,621	3.500%	November 1, 2045	N/R	N/R
Federal National Mortgage Assoc.	25,271	3.000%	April 1, 2046	N/R	N/R

The Pension Fund's investment policy also prescribes to the "prudent person" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, nor for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return."

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Pension Fund's deposits may not be returned to it. At April 30, 2018, \$335,170 of the bank balance of the deposits was uninsured and uncollateralized. The Pension Fund's investment policy requires that all deposits in excess of FDIC insurable limits be secured by collateral in order to protect deposits from default.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Money market mutual funds and equity mutual funds are not subject to custodial credit risk. While not required by the investment policy, the Pension Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Pension Fund, to act as custodian for its securities and collateral.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Risk. This is the risk of loss attributed to the magnitude of the Pension Fund's investment in a single issuer. In accordance with the investment policy, "Risk management is achieved primarily through asset allocation established by the Board, thus dampening individual asset risk. Since the Board has chosen to use a multiple manager approach across multiple asset classes, the need for broad diversification within individual portfolios, although not entirely eliminated, is somewhat reduced." In addition to the securities and fair values listed previously, the Fund also has \$2,063,195 invested in various individual equity securities. At April 30, 2018, the Pension Fund does not have any investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of net plan position available for retirement benefits. Agency investments represent a large portion of the portfolio; however the investments are diversified by maturity date and as mentioned earlier are backed by the issuing organization. Although unlike Treasuries, agency securities do not have the "full faith and credit" backing of the U.S. Government, they are considered to have a moral obligation of implicit backing and are supported by Treasury lines of credit and increasingly stringent federal regulation. The Pension Board has diversified its equity mutual fund holdings as follows:

Equity Mutual Funds	Fair Value
iShares Core MSCI Emerging Markets ETF Fund	\$ 833,819
iShares Russell 1000 Growth ETF Fund	618,937
BlackRock Strategic Income Fund	595,423
First Trust North America Energy Infrastructure ETF Fund	559,873
Vanguard Extended Market Index ETF Fund	505,672
First Eagle Overseas Fund	465,905
Wells Fargo Advantage Absolute Return Fund	448,701
MFS International New Discovery Fund	372,681
iShares Russell 2000 ETF Fund	<u>14,565</u>
Total Equity Mutual Funds	<u><u>4,415,576</u></u>

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Firefighters' Pension Fund Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Concentration Risk – Continued.

The Fund's investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Equivalents	3.00%	2.50%
U.S. Fixed Income	32.00%	2.49%
U.S. Corporate High Yield	3.00%	4.12%
U.S. Large Cap Equity	11.50%	6.59%
U.S. Small/Mid Cap Equity	10.50%	7.49%
U.S. Preferred Securities	3.50%	3.64%
International Developed Markets Equity	11.00%	10.18%
Emerging Markets Equity	9.00%	9.07%
Real Estate	10.00%	7.70%
Tactical All Asset	2.50%	5.57%
MLP's	4.00%	9.43%

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in April 2018 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2018 are listed in the table above.

Rate of Return

For the year ended April 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

PROPERTY TAXES

Property taxes for 2017 attach as an enforceable lien on January 1, 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). Tax bills are prepared by the County and are payable in two installments, on or about March 1 and August 1. The County collects such taxes and remits them periodically.

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 227,134	-	-	227,134
Construction in Progress	3,093,042	-	-	3,093,042
	<u>3,320,176</u>	<u>-</u>	<u>-</u>	<u>3,320,176</u>
Depreciable Capital Assets				
Buildings and Property	7,943,103	-	-	7,943,103
Machinery and Equipment	4,644,948	42,648	-	4,687,596
Vehicles	7,184,590	130,546	-	7,315,136
Infrastructure	663,356	-	-	663,356
	<u>20,435,997</u>	<u>173,194</u>	<u>-</u>	<u>20,609,191</u>
Less Accumulated Depreciation				
Buildings and Property	6,548,093	67,055	-	6,615,148
Machinery and Equipment	3,929,795	229,480	-	4,159,275
Vehicles	6,480,967	209,512	-	6,690,479
Infrastructure	43,950	21,975	-	65,925
	<u>17,002,805</u>	<u>528,022</u>	<u>-</u>	<u>17,530,827</u>
Total Net Depreciable Capital Assets	<u>3,433,192</u>	<u>(354,828)</u>	<u>-</u>	<u>3,078,364</u>
Total Net Capital Assets	<u>6,753,368</u>	<u>(354,828)</u>	<u>-</u>	<u>6,398,540</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 229,250
Public Safety	193,325
Public Works	<u>105,447</u>
	<u>528,022</u>

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 608,738	-	-	608,738
Depreciable Capital Assets				
Buildings and Property	1,365,626	-	-	1,365,626
Machinery and Equipment	2,181,954	-	-	2,181,954
Infrastructure	21,332,091	-	-	21,332,091
	24,879,671	-	-	24,879,671
Less Accumulated Depreciation				
Buildings and Property	665,538	29,513	-	695,051
Machinery and Equipment	2,075,636	19,410	-	2,095,046
Infrastructure	16,607,011	379,635	-	16,986,646
	19,348,185	428,558	-	19,776,743
Total Net Depreciable Capital Assets	5,531,486	(428,558)	-	5,102,928
Total Net Capital Assets	6,140,224	(428,558)	-	5,711,666

Depreciation expense was charged to business-type activities as follows:

Water	\$ 401,494
Sewer	<u>27,064</u>
	<u>428,558</u>

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Advances

Interfund advances as of the date of this report are as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 10,364
Motor Fuel Tax	General	5,774,961
Debt Service	General	301,106
Capital Projects	General	2,579,382
TIF I Dixie Square	General	4,119,887
TIF II Center Street	General	4,578,905
Nonmajor Governmental	General	4,309,398
Water	General	33,185,557
Nonmajor Business-Type	General	2,066,508
Police Pension	General	936,276
Police Pension	Governmental Activities	8,064,908
Firefighters' Pension	General	1,101,285
Firefighters' Pension	Governmental Activities	<u>13,162,898</u>
		<u><u>80,191,435</u></u>

Interfund advances represent payments of tax increment financing expenditures on behalf of these funds. These amounts will be paid over several years.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfers In	Transfers Out	Amount
Nonmajor Governmental	General	\$ 559,266 (2)
Water	Debt Service	<u>556,281 (1)</u>
		<u><u>1,115,547</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

LONG-TERM DEBT

Demand Bonds

The City issued as part of the South Suburban Joint Action Water Agency issued variable-rate demand bonds. Once the project was deemed not feasible, the bank called the bonds and the City was responsible for the payment of the bonds. The amount recorded as a long-term liability includes the amount of principal paid by the City on the bonds and the total remaining called balance of the bonds. See Intergovernmental Agreement footnote disclosure. The outstanding balance of the bonds at April 30, 2018 is as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Demand Bonds of 2012, due in semi-annual installments of \$208,582 to \$417,165 plus interest at 7.50% to 9.50% through May 5, 2018.	Water	<u>\$ 625,747</u>	-	417,165	<u>208,582</u>

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for operations. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds issued for business-type activities are reported in the proprietary funds as they are expected to be repaid from proprietary revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Bonds of 2002B, due in annual installments of \$305,000 to \$420,000 plus interest at 5.25% to 5.60% through May 1, 2023.	Debt Service	\$ 2,225,000	-	325,000	1,900,000
General Obligation Refunding Bonds of 2002C, due in annual installments of \$65,000 to \$750,000 plus interest at 2.00% to 5.00% through February 1, 2020.	Debt Service	\$ 568,750	-	182,000	386,750
	Water	1,056,250	-	338,000	718,250
General Obligation Refunding Bonds of 2007A, due in annual installments of \$540,000 to \$2,840,000 plus interest at 5.50% to 5.625% through December 1, 2032.	Debt Service	17,275,000	-	-	17,275,000
	Water	5,000,000	-	-	5,000,000
General Obligation Refunding Bonds of 2007B, due in annual installments of \$295,000 to \$1,275,000 plus interest at 7.25% to 7.75% through December 1, 2024.	Debt Service	6,615,000	-	785,000	5,830,000
		32,740,000	-	1,630,000	31,110,000

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Revenue Bonds

The City also issued bonds for which the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Hotel-Motel Tax and Sales Tax Revenue Bonds of 2008A, due in annual installments of \$160,000 to \$525,000 plus interest at 6.875% through August 1, 2028.	Hotel/Motel	\$ 4,495,000	-	255,000	4,240,000
Tax Increment Allocation Revenue Bonds of 2010, due in annual installments of \$860,000 to \$1,150,000 plus interest of 7.50% through December 1, 2019.	TIF II Center Street	\$ 3,215,000	-	995,000	2,220,000
		7,710,000	-	1,250,000	6,460,000

Installment Payable

The installment payable relates to the settlement reached between the City and the City of Chicago (“Chicago”) for balances owed by the City for past water purchases. See Litigation footnote disclosure for additional details. As of April 30, 2018, there is no set repayment schedule for the installment payable. The outstanding balance of the installment payable at April 30, 2018 is as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
City of Chicago Installment Payable	Water	\$ 22,849,029	-	5,187,493	17,661,536

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 2,731,611	-	-	2,731,611	546,322
Net Pension Liability - Police Pension	23,638,188	8,722,509	-	32,360,697	-
Net Pension Liability - Firefighters' Pension	63,801,912	-	14,112,699	49,689,213	-
Self Insurance Claims Payable	819,690	1,708,677	1,542,895	985,472	-
Settlement Installment Payable	410,020	-	238,642	171,378	171,378
General Obligation Bonds	26,683,750	-	1,292,000	25,391,750	1,159,000
Plus/Less Unamortized Items:					
Premium	416,192	-	26,712	389,480	-
Revenue Bonds	7,710,000	-	1,250,000	6,460,000	1,340,000
	<u>126,211,363</u>	<u>10,431,186</u>	<u>18,462,948</u>	<u>118,179,601</u>	<u>3,216,700</u>
Business-Type Activities					
Compensated Absences	40,276	-	-	40,276	8,055
General Obligation Bonds	6,056,250	-	338,000	5,718,250	351,000
Plus Unamortized Items:					
Premium	12,592	-	4,608	7,984	-
Demand Bonds	625,747	-	417,165	208,582	208,582
Installment Payable	22,849,029	-	5,187,493	17,661,536	-
	<u>29,583,894</u>	<u>-</u>	<u>5,947,266</u>	<u>23,636,628</u>	<u>567,637</u>

For the governmental activities, the compensated absences, the net pension liabilities, the self-insurance claims, and the settlement installment payable are liquidated by the General Fund. The general obligation bonds and revenue bonds are being paid by the Debt Service, TIF II Center Street and Hotel/Motel Funds.

For the business-type activities, the Water Fund liquidates the compensated absences. The Water Fund makes payments on the general obligation bonds, the demand bonds, and the installment payable.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Governmental Activities				Business-Type Activities			
	General Obligation Bonds		Revenue Bonds		General Obligation Bonds		Demand Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,159,000	1,536,901	1,340,000	448,719	351,000	311,269	208,582	3,303
2020	1,232,750	1,461,210	1,440,000	349,219	367,250	295,473	-	-
2021	1,543,176	1,380,002	310,000	242,344	126,824	278,580	-	-
2022	1,731,751	1,278,814	330,000	220,344	158,249	271,606	-	-
2023	1,845,527	1,165,507	355,000	196,797	169,473	262,902	-	-
2024	1,520,426	1,044,682	375,000	171,703	179,574	253,580	-	-
2025	1,693,788	940,808	405,000	144,890	121,212	243,704	-	-
2026	1,504,534	818,962	430,000	116,187	435,466	237,038	-	-
2027	1,589,843	736,214	460,000	85,594	460,157	213,086	-	-
2028	1,675,151	648,772	490,000	52,938	484,849	187,778	-	-
2029	1,768,215	556,638	525,000	18,047	511,785	161,112	-	-
2030	1,869,035	457,176	-	-	540,965	132,324	-	-
2031	1,973,731	352,044	-	-	571,269	101,894	-	-
2032	2,082,306	241,030	-	-	602,694	69,760	-	-
2033	2,202,517	123,892	-	-	637,483	35,860	-	-
Totals	25,391,750	12,742,652	6,460,000	2,046,782	5,718,250	3,055,966	208,582	3,303

Legal Debt Margin

Article VII, Section 6(k) of the 1970 Illinois Constitution governs the computation of legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to the incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property...(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: indebtedness which is outstanding on the effective date (July 1, 1971) of this constitution or which is thereafter approved by referendum...shall not be included in the foregoing percentage amounts.”

To date the Illinois General Assembly has set no limits for home rule municipalities. The City is a home rule municipality.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES

Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2018:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 6,398,540
Less Capital Related Debt:	
General Obligation Bonds of 2002B	(1,900,000)
General Obligation Refunding Bonds of 2002C	(386,750)
General Obligation Refunding Bonds of 2007A	(9,775,000)
General Obligation Refunding Bonds of 2007B	(5,830,000)
Unamortized Premium	<u>(389,480)</u>
Net Investment in Capital Assets	<u><u>(11,882,690)</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	5,711,666
Less Capital Related Debt:	
General Obligation Refunding Bonds of 2002C	(718,250)
General Obligation Refunding Bonds of 2007A	(5,000,000)
Unamortized Premium	<u>(7,984)</u>
Net Investment in Capital Assets	<u><u>(14,568)</u></u>

Fund Balance Classifications

In the governmental funds financial statements, the City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City first utilizes committed, then assigned and then unassigned fund balance when an expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Nonspendable Fund Balance. Consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES – Continued

Fund Balance Classifications – Continued

Restricted Fund Balance. Consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance. Consists of resources constrained (issuance of an ordinance) to specific purposes by the government itself, using its highest level of decision-making authority, the City Council; 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 Balance. Consists of amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by a) the City Council itself or b) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. The City's highest level of decision-making authority is the City Council, who is authorized to assign amounts to a specific purpose.

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	General	Special Revenue Motor Fuel Tax	Debt Service	Capital Projects	TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
Fund Balances								
Nonspendable								
Advances	\$ 10,364	-	-	-	-	-	-	10,364
Prepays/Inventories	138,376	-	-	-	-	-	-	138,376
	148,740	-	-	-	-	-	-	148,740
Restricted								
Grant	5,351	-	-	-	-	-	-	5,351
Public Safety	289,518	-	-	-	-	-	-	289,518
Public Works	-	5,228,530	-	-	-	-	-	5,228,530
Capital Projects	-	-	-	-	-	6,776,220	4,317,085	11,093,305
Debt Service	-	-	-	-	-	500,000	-	500,000
	294,869	5,228,530	-	-	-	7,276,220	4,317,085	17,116,704
Assigned								
Capital Projects	-	-	-	2,555,380	-	-	-	2,555,380
Unassigned	(58,168,644)	-	(1,573,709)	-	-	-	(4,980)	(59,747,333)
Total Fund Balances	(57,725,035)	5,228,530	(1,573,709)	2,555,380	-	7,276,220	4,312,105	(39,926,509)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION

INTERGOVERNMENTAL AGREEMENT – SOUTH SUBURBAN JAWA

On July 9, 2012, the City entered into an intergovernmental agreement with the municipalities of Alsip, Blue Island, Calumet Park, Markham, Midlothian, and Robbins to create the South Suburban Joint Action Water Agency (SSJAWA). On August 16, 2012, the members combined to issue \$5,550,000 of Variable Rate Demand Bonds, Series 2012. The Bonds included an Indenture of Trust with a corresponding Letter of Credit and Reimbursement Agreement with the bank. These bonds were subject to a feasibility study to determine the economics and viability of the project. Should the project be deemed not feasible, each member community would be responsible for paying their proportionate share of the debt service through the final maturity date. If the project would be deemed feasible, SSJAWA would issue Water Revenue Bonds secured by purchase contracts from the member municipalities and their wholesale customers. Proceeds from these Water Revenue Bonds issued by the Agency would retire the remaining balance on the \$5,500,000 Variable Rate Demand bonds. The City's portion of these bonds is \$2,130,000. The City's bonds had a variable interest rate and were due in installments from \$95,950 to \$337,730 through February 1, 2025.

In May 2015, the bank informed the members that the project was no longer deemed feasible and that a mandatory purchase of the bonds became necessary as a result of the expiration of the Letter of Credit and the failure of SSJAWA to provide an Alternate Letter of Credit. At the direction of the bank, the balance in SSJAWA's project fund was used to pay a portion of the outstanding balance. The remaining outstanding bonds balance would be repaid in monthly interest payments with 7.5% to 9.5% interest and May and November principal payments through May 2018. The City's remaining portion at May 2015 was \$1,251,494 with annual principal payments due of \$208,582. In May 2015, various members began to leave SSJAWA, and the intergovernmental agreement has dissolved. The City is still obligated to pay the outstanding debt and it will be repaid with property taxes levied.

Due to the SSJAWA project not being deemed feasible by the bank, the bonds have been recorded as a long-term liability in Water Fund of \$625,747 (Note 3). The amount recorded as a long-term liability includes the amount of principal paid by the City on the original bonds and the total remaining called balance of the bonds. The outstanding balance of the bonds at April 30, 2018 is \$208,582.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to the City's employees.

The City is self-insured for a portion of its general liability and property damage claims. Under this program, the City has a self-insurance retention of between \$75,000 and \$100,000 for each general liability and property damage claim based on type of claim. A purchased insurance policy covers losses after the self-retention portion is paid up to \$1,000,000 each property damage claim. All administration and claim processing are done by and independent administrator.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

RISK MANAGEMENT – Continued

The City carries commercial coverage for its workers' compensation and employee health insurance claims. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The City currently reports all of its risk management activities in the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported that was determined using historical claims data.

As of April 30, 2018, the amount of these liabilities total \$985,472 which is the City's best estimate based on available information. Changes in the reported liability since April 30, 2018 resulted in the following:

Claims Payable - April 30, 2016	\$ 1,366,726
Incurred Claims	538,970
Claims Paid	<u>(1,086,006)</u>
Claims Payable - April 30, 2017	819,690
Incurred Claims	1,708,677
Claims Paid	<u>(1,542,895)</u>
Claims Payable - April 30, 2018	<u><u>985,472</u></u>

CONTINGENT LIABILITIES

Litigation

The City is a defendant in various lawsuits as outlined below:

City of Chicago vs. City of Harvey

On January 20, 2015, a settlement was reached between the City and the City of Chicago ("Chicago") for balances owed by the City for past water purchases. The settlement dictated that the City will pay to Chicago the outstanding balance of \$18,506,313, plus 3% simple interest per annum, over the course of seven years in equal monthly installments of \$243,920 due on the first of each month beginning on February 1, 2015. In addition, the City will pay to Chicago 50% of any Water Fund surplus based on the audited financial statements. The City has also agreed to pay all current invoices by the due date, provide access to Chicago of the City's financial system for the Water Fund, and provide quarterly financial statements and the annual audited financial statements to Chicago.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Litigation – Continued

City of Chicago vs. City of Harvey – Continued

Starting in September 2016, the City stopped making payments to Chicago for the settlement. In January 2017, the Court decreed that the penalties and fees would be reinstated resulting in the balance due to be \$21,724,071 with 6% interest accruing per 735 ILCS 5/2-1303 for interest paid on default judgments. In addition, the communities that would be provided water from the City (the “Downstream Communities”) that used to pay the City for its water would now pay Chicago directly. The amounts paid would be used to reduce the settlement liability rather than the current bills with no formal repayment schedule. The City would be required to pay the entire current bills. In addition, the Downstream Communities would keep up to 15% in an escrow that the City could request when repairs or capital costs were to occur that affected the Downstream Communities. In February 2017, the Court decreed that the amount of the current water bills owed from the City to Chicago for September 2016 through November 2016 of \$2,961,844 would be added to the settlement liability balance.

On August 4, 2017, the court ordered the appointment of a third-party receiver to be put in charge of the City’s Water Fund operations, accounting, and cash handling. On December 7, 2017, the receiver negotiated an updated repayment agreement for the City to make payments monthly of \$100,000 toward the outstanding balance of the settlement along with the current water bill owed by the City and an additional payment of \$50,000 to \$100,000 per month for the non-arrearage portion until it is fully paid. This agreement also permitted the Downstream Communities to begin paying the receiver in full and no longer withholding a portion in escrow.

As of the opinion date, the receiver and Chicago are still negotiating the final terms of the repayment to determine if the previous interest and fees will be waived. At fiscal year ended April 30, 2018, the balance of the installment payable in the Water Fund is \$17,661,536, which includes all outstanding interest and fees owed to Chicago by the City.

Subsequent to the fiscal year, the City of Chicago obtained an additional amended judgment on December 19, 2018, that added \$10,437,148 to the settlement liability balance for unpaid water charges and penalties from March 2018 through December 2018. The unpaid amount that relates to the year-ended April 30, 2018 is recorded as accounts payable in the Water Fund.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Litigation – Continued

U.S. Securities and Exchange Commission vs. City of Harvey, Illinois and Joseph T. Letke

In relation to the development project at 17040 South Halsted Street, the City issued the Hotel-Motel Tax and Sales Tax Bonds 2008, TIF Revenue Bonds 2009A, and TIF Revenue Bonds 2010 in the fiscal years ended April 30, 2009, April 30, 2010, and April 30, 2011, respectively. On June 24, 2014, the SEC filed a complaint in federal court against the City and its now-former Comptroller, alleging that: the Comptroller and the City engaged in a scheme to defraud investors in connection with these bond offerings; and the City misled investors in the offering documents for the 2009 and 2010 bonds as well as for a prospective 2014 bond offering.

On December 10, 2014, the court entered an agreed-upon final judgment, settling the lawsuit. Pursuant to the terms of the agreement between the SEC and the City, the City “consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint.” The City’s ongoing obligations for a three-year period under the Final Judgment include retaining: (a) an Independent Consultant to recommend policies and procedures intended to strengthen internal controls and oversight over City’s financial reporting, use of proceeds from the issuance of municipal bonds, and disclosures in connection with preliminary and final offerings of any future securities offering for which City is an issuer or obligated person, and to evaluate and report to the court regarding City’s implementation of these recommendations; (b) an Independent Auditing Firm to assist the City in completing annual audits of financial statements and to provide the court annual audits and evaluations of the effectiveness of the City’s internal controls over financial reporting; and (c) an Independent Disclosure Counsel to make recommendations designed to ensure that any preliminary and final offering documents are accurate and complete and to ensure that the terms of the final judgment are disclosed in any such offering documents. The Court will continue to monitor that the City will follow the terms of the Final Judgment through the remainder of the three-year term that expired on January 15, 2018.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Litigation – Continued

Settlement Agreement for the City of Harvey Board of Trustees of the Firefighters' Pension Fund, City of Harvey Board of Trustees of the Police Pension Fund, Amalgamated Bank of Chicago, not individually but as Trustee for the holders of the City of Harvey Series 2008A Hotel-Motel and Sales Tax Revenue Bonds, the Comptroller of the State of Illinois and the City of Harvey, Illinois

In prior years, the Firefighters' Pension and Police Pension have sued the City for inadequately funding the pension funds to statutorily required amounts, which is a violation of the Illinois Pension Code. In September 2015, the Courts ruled in favor of the pension funds in both cases. The final judgment for the Firefighters' Pension was \$12,376,489 and for the Police Pension was \$7,334,182. The balances included both property taxes that were not levied for the pensions as well as Personal Property Replacement Tax (PPRT) owed to the pension funds that were collected by the City. The Illinois Comptroller office began to withhold 100% of the Home Rule Taxes and other Local Share State Taxes from the City until an agreement had been reached for how to allocate these dollars as other stakeholders including Amalgamated Bank and the Illinois Municipal Retirement Fund (IMRF) were also being impacted.

On July 23, 2018, a settlement agreement was entered into by and between the Board of Trustees of the Harvey Police Pension Fund, the Board of Trustees of the Harvey Firefighters Pension Fund, Amalgamated Bank of Chicago, not individually but as Trustee for the holders of the City of Harvey Series 2008A Hotel-Motel and Sales Tax Revenue Bonds (the "Trustee"), Comptroller of the State of Illinois (the "Comptroller"), and the City of Harvey. Under the terms of the settlement agreement, the City authorized and directed that all PPRT paid to the City be remitted to Amalgamated Bank of Chicago, not individually but as escrow agent for the City (the "Escrow Agent"). The Escrow Agent is to pay 12.2% of the PPRT directly to both the Police Pension Fund and to the Firefighters' Pension Fund. The Comptroller will also intercept and remit to the Escrow Agent all payments from (1) the Local Government Distributive Fund, which consists of the Local Share of State Income Tax and the Local Share of State Use Tax, that would otherwise be remitted to the City pursuant to 30 ILCS 115/2, (2) the Municipal Telecommunications Tax Fund that would otherwise be remitted to the City pursuant to 35 ILCS 636/5-50, and (3) the Local Government Video Gaming Distributive Fund that would otherwise be remitted to the City pursuant to 230 ILCS 40/75 (collectively, the "Other State Payments"). The Escrow Agent is to remit 25% of the Other State Payments directly to the Police Pension Fund and 10% to the Firefighters' Pension Fund until the Police Pension Fund's amended claim has been paid in full, and at that time the Firefighters' Pension Fund's share will increase to 35%. The remaining 65% is remitted to the City.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Litigation – Continued

Also, in the terms of the settlement agreement, the Trustee shall accumulate all Hotel-Motel Taxes of the City, all sales, use, and occupation taxes that would otherwise be remitted to the City for the purpose of paying the principal and interest payments due on the Hotel/Motel and Sales Tax Revenue Bonds, Series 2008A. On a quarterly basis, the Trustee shall calculate the Excess Pledged Revenues, as defined as any amounts accumulated in excess of the amount sufficient to make said principal and interest payments, and remit 25% of the Excess Pledged Revenues directly to the Police Pension Fund, 10% to the Firefighters' Pension Fund, and the remaining 65%, less amounts needed to establish or replenish a separate \$30,000 IMRF reserve fund, to the City or its designee. Upon satisfaction of the Police Pension Fund's amended claim, the Firefighters' Pension fund will receive 35% of the Excess Pledged Revenues until its claim is satisfied.

As of April 30, 2018, the City of Harvey owed (1) the Police Pension Fund \$9,001,184, of which \$870,490 is recorded in the General Fund for current PPRT due accumulated to date and the remaining \$8,064,908 is recorded in the Government-Wide financial statements, and (2) the Firefighters' Pension Fund \$14,232,746, of which \$1,069,848 is recorded in the General Fund for current PPRT due accumulated to date and the remaining \$13,162,898 is recorded in the Government-Wide financial statements. The receivable balance in the pension funds has been offset by an allowance for doubtful accounts in order to recognize revenue when the cash is received.

Doe v. City of Harvey, Case Nos. 12-CV-1094, 12-CV-2069, and 14-CV-8424, United States District Court for the Northern District of Illinois

In August 2015, the City agreed to a settlement in connection with the cases for a total of \$1,441,250 to be paid to the plaintiffs for incidents that occurred from 1997 to 2008. Insurance will cover \$580,208 of the balance. The remaining \$861,042 will be paid by the City in forty-two installments of \$20,501. The payments begin in August 2015, and the final payment will be in January 2019. The amount has been recorded in the Government-Wide financial statements as a long-term liability. Balance outstanding at April 30, 2018 is \$171,378.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Bond Default

The City defaulted during the fiscal year on its bond payments for the following: 2002B GO Bonds November 1, 2017 payment of \$386,103; 2007A GO Bonds June 1, 2017 and December 1, 2017 payments of \$620,538 and \$620,538, respectively; and 2007B GO Bonds June 1, 2017 and December 1, 2017 for \$254,369 and \$1,039,369, respectively. The outstanding balance is included as accounts payable in the Debt Service fund at April 30, 2018.

TIF Expiration

Dixie Square TIF expired on July 1, 2016. As of the opinion date, the City has not formally closed or extended the TIF with State and the County. Among the requirements to close a TIF is to pay to the County any surplus TIF incremental tax revenues at the expiration of the TIFs.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS

The City contributes to three defined benefit pension plans: the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system, the Police Pension Plan which is a single-employer pension plan, and the Firefighters' Pension Plan which is a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for all three plans are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly. Separate reports are issued for the Police and Firefighters' Pension Plans and may be obtained by writing to the City at 15320 Broadway Avenue, Harvey, Illinois 60426. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained on-line at www.imrf.org. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly.

The aggregate amount of pension expense recognized for the three pension plans is:

IMRF	\$ 243,716
Police Pension	1,703,214
Firefighters' Pension	<u>(4,897,501)</u>
	<u><u>(2,950,571)</u></u>

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

Plan Administration. All employees (other than those covered by the Police and Firefighters' Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

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

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

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

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

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Plan Membership. As of December 31, 2017, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	112
Inactive Plan Members Entitled to but not yet Receiving Benefits	67
Active Plan Members	<u>68</u>
Total	<u><u>247</u></u>

Contributions. As set by statute, the City's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. For the year-ended April 30, 2018, the City's contribution was 1.94% of covered payroll.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2017, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.39 to 14.25%
Cost of Living Adjustments	2.50%
Inflation	2.50%

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Actuarial Assumptions – Continued. For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	28.00%	3.00%
Domestic Equities	37.00%	6.85%
International Equities	18.00%	6.75%
Real Estate	9.00%	5.75%
Blended	7.00%	2.65% - 7.35%
Cash and Cash Equivalents	1.00%	2.25%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate Sensitivity

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension (Asset)	\$ (4,033,649)	(6,527,243)	(8,579,613)

Changes in the Net Pension (Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension (Asset) (A) - (B)
Balances at December 31, 2016	\$ 24,787,445	27,849,649	(3,062,204)
Changes for the Year:			
Service Cost	303,898	-	303,898
Interest on the Total Pension Liability	1,814,498	-	1,814,498
Difference Between Expected and Actual Experience of the Total Pension Liability	(553,605)	-	(553,605)
Changes of Assumptions	(735,581)	-	(735,581)
Contributions - Employer	-	30,593	(30,593)
Contributions - Employees	-	144,510	(144,510)
Net Investment Income	-	5,063,740	(5,063,740)
Benefit Payments, Including Refunds of Employee Contributions	(1,492,184)	(1,492,184)	-
Other (Net Transfer)	-	(944,594)	944,594
Net Changes	(662,974)	2,802,065	(3,465,039)
Balances at December 31, 2017	24,124,471	30,651,714	(6,527,243)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

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

For the year ended April 30, 2018, the City recognized pension expense of \$243,716. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 81,184	(345,412)	(264,228)
Change in Assumptions	-	(458,953)	(458,953)
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	-	(1,578,190)	(1,578,190)
	81,184	(2,382,555)	(2,301,371)
Pension Contributions Made Subsequent to the Measurement Date	38,418	-	38,418
Total Deferred Amounts Related to IMRF	119,602	(2,382,555)	(2,262,953)

\$38,418 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the reporting year ended April 30, 2019.

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

Fiscal Year	Net Deferred (Inflows) of Resources
2019	\$ (597,754)
2020	(513,659)
2021	(577,993)
2022	(611,965)
2023	-
Thereafter	-
Total	(2,301,371)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan

Plan Descriptions

Plan Administration. The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the City Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

Plan Membership. At April 30, 2018, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	49
Inactive Plan Members Entitled to but not yet Receiving Benefits	6
Active Plan Members	<u>44</u>
Total	<u><u>99</u></u>

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

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 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 eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit 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 compounded annually thereafter.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a 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 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended April 30, 2018, the City's contribution was 23.71% of covered payroll.

Concentrations. At year-end, the Police Pension Plan does not have any investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of net plan position available for retirement benefits.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of April 30, 2018, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.75%
Salary Increases	Service-Based
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment projected to valuation date using Scale BB. The actuarial assumptions used in the April 30, 2018 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated October 5, 2017.

Discount Rate

A Single Discount Rate of 4.34% was used to measure the total pension liability, and the discount rate in the prior valuation was 5.68%. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.75%, the municipal bond rate is 3.97%, and the resulting single discount rate is 4.34%.

CITY OF HARVEY, ILLINOIS**Notes to the Financial Statements
April 30, 2018****NOTE 4 – OTHER INFORMATION – Continued****EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued****Police Pension Plan – Continued****Discount Rate Sensitivity**

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

	1% Decrease (3.34%)	Current Discount Rate (4.34%)	1% Increase (5.34%)
Net Pension Liability	\$ 40,239,543	32,360,697	26,044,315

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2017	\$ 39,579,267	15,941,079	23,638,188
Changes for the Year:			
Service Cost	1,309,289	-	1,309,289
Interest on the Total Pension Liability	2,272,694	-	2,272,694
Difference Between Expected and Actual Experience of the Total Pension Liability	(536,895)	-	(536,895)
Changes of Assumptions	7,644,069	-	7,644,069
Contributions - Employer	-	801,584	(801,584)
Contributions - Employees	-	308,865	(308,865)
Contributions - Other	-	75	(75)
Net Investment Income	-	1,072,235	(1,072,235)
Benefit Payments, Including Refunds of Employee Contributions	(1,771,853)	(1,771,853)	-
Administrative Expense	-	(216,111)	216,111
Net Changes	8,917,304	194,795	8,722,509
Balances at April 30, 2018	48,496,571	16,135,874	32,360,697

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

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

For the year ended April 30, 2018, the City recognized pension expense of \$1,648,741. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 333,759	(709,781)	(376,022)
Change in Assumptions	7,554,722	(8,641,326)	(1,086,604)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	279,731	-	279,731
Total Deferred Amounts Related to Police Pension	8,168,212	(9,351,107)	(1,182,895)

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

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2019	\$ (794,077)
2020	(804,633)
2021	(1,000,440)
2022	1,416,255
2023	-
Thereafter	-
Total	(1,182,895)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan

Plan Descriptions

Plan Administration. The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-1) and may be amended only by the Illinois legislature. The City accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the City Mayor, one member is elected by pension beneficiaries and two members are elected by active fire employees.

Plan Membership. At April 30, 2018, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	64
Inactive Plan Members Entitled to but not yet Receiving Benefits	13
Active Plan Members	<u>26</u>
Total	<u><u>103</u></u>

Benefits Provided. The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 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 eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter 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 compounded annually thereafter.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a 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 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' 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 and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended April 30, 2018, the City's contribution was 87.75% of covered payroll.

Significant Investments. At year-end, the Firefighters' Pension Plan does not have any investments (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of net plan position available for retirement benefits.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation performed, as of April 30, 2018, using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.50%
Salary Increases	3.75% - 46.23%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates are based on the assumption study prepared by the independent actuary in 2017. The table combines observed experience of Illinois Firefighters with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

Discount Rate

A Single Discount Rate of 5.32% was used to measure the total pension liability and the prior year used 3.89%. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.50%, the municipal bond rate is 3.97%, and the resulting single discount rate is 5.32%.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Discount Rate Sensitivity

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

	1% Decrease (4.32%)	Current Discount Rate (5.32%)	1% Increase (6.32%)
Net Pension Liability	\$ 58,552,455	49,689,213	45,524,860

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2017	\$ 73,689,348	9,887,436	63,801,912
Changes for the Year:			
Service Cost	1,176,309	-	1,176,309
Interest on the Total Pension Liability	2,835,849	-	2,835,849
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience of the Total Pension Liability	(3,809,025)	-	(3,809,025)
Changes of Assumptions	(11,971,175)	-	(11,971,175)
Contributions - Employer	-	1,756,758	(1,756,758)
Contributions - Employees	-	279,256	(279,256)
Net Investment Income	-	427,920	(427,920)
Benefit Payments, Including Refunds of Employee Contributions	(2,322,485)	(2,322,485)	-
Administrative Expense	-	(119,277)	119,277
Net Changes	(14,090,527)	22,172	(14,112,699)
Balances at April 30, 2018	59,598,821	9,909,608	49,689,213

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

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

For the year ended April 30, 2018, the City recognized pension revenue of \$4,897,501. At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 354,914	1,594,475	(1,239,561)
Change in Assumptions	3,687,036	8,351,772	(4,664,736)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	540,521	63,381	477,140
Total Deferred Amounts Related to Firefighters' Pension	4,582,471	10,009,628	(5,427,157)

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

Fiscal Year	Net Deferred Outflows/ (Inflows) of Resources
2019	\$ (5,551,311)
2020	489,399
2021	(405,558)
2022	40,313
2023	-
Thereafter	-
Total	(5,427,157)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2018

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

The City has evaluated its potential other post-employment benefits liability. Former employees who choose to retain their rights to health insurance through the City are required to pay 100% of the current premium. However, no former employees have chosen to stay in the City's health insurance plan. There has been 0% utilization; therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Additionally, the City had no former employees for which the City was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the City has not recorded any post-employment benefit liability as of April 30, 2018.

SUBSEQUENT EVENT

After the fiscal year-end April 30, 2018, the City defaulted on its bond payments for the 2002B GO Bonds at May 1, 2018, November 1, 2018, and May 1, 2019, 2007A GO Bonds at June 1, 2018, December 1, 2018, and June 1, 2019, and 2007B GO Bonds at June 1, 2018, December 1, 2018, and June 1, 2019 for \$54,490, \$392,490, \$43,310, \$620,537, \$620,537, \$620,537, \$225,913, \$855,913 and \$201,500, respectively. These payments were still outstanding at the opinion date.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Employer Contributions
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Schedule of Changes in the Employer's Net Pension Liability
 - Illinois Municipal Retirement Fund
 - Police Pension Fund
 - Firefighters' Pension Fund
- Schedule of Investment Returns
 - Police Pension Fund
 - Firefighters' Pension Fund
- Budgetary Comparison Schedules
 - General Fund
 - Motor Fuel Tax – Special Revenue Fund

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted on a basis consistent with generally accepted accounting principles.

CITY OF HARVEY, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information Schedule of Employer Contributions April 30, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 189,788	\$ 189,788	\$ -	\$ 3,323,783	5.71%
2016	147,806	249,956	102,150	3,199,267	7.81%
2017	49,684	49,684	-	3,073,264	1.62%
2018	26,937	56,916	29,979	2,937,752	1.94%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	26 Years
Asset Valuation Method	5-Year Smoothed Market; 20% Corridor
Inflation	2.75%
Salary Increases	3.75% - 14.50%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012)

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Employer Contributions April 30, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 1,031,559	\$ 216,675	\$ (814,884)	\$ 3,646,731	5.94%
2016	1,220,938	110,219	(1,110,719)	3,776,616	2.92%
2017	1,890,827	1,105,604	(785,223)	3,574,929	30.93%
2018	1,975,917	735,723	(1,240,194)	3,102,749	23.71%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	23 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	6.75%
Retirement Age	50-70
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Employer Contributions

April 30, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 2,070,500	\$ 720,764	\$ (1,349,736)	\$ 3,188,558	22.60%
2016	2,405,480	398,566	(2,006,914)	3,297,935	12.09%
2017	2,599,894	1,849,026	(750,868)	3,254,289	56.82%
2018	2,648,040	1,756,758	(891,282)	2,002,048	87.75%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	24 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	3.75% - 46.23%
Investment Rate of Return	6.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	RP-2014 mortality table for blue collar workers

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability April 30, 2018

	12/31/14
Total Pension Liability	
Service Cost	\$ 363,143
Interest	1,636,718
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(505,541)
Change of Assumptions	819,879
Benefit Payments, Including Refunds of Member Contributions	(1,250,577)
Net Change in Total Pension Liability	1,063,622
Total Pension Liability - Beginning	22,266,626
Total Pension Liability - Ending	23,330,248
Plan Fiduciary Net Position	
Contributions - Employer	\$ 189,788
Contributions - Members	155,726
Net Investment Income	1,651,805
Benefit Payments, Including Refunds of Member Contributions	(1,250,577)
Other (Net Transfer)	(73,127)
Net Change in Plan Fiduciary Net Position	673,615
Plan Net Position - Beginning	27,531,304
Plan Net Position - Ending	28,204,919
Employer's Net Pension Liability (Asset)	\$ (4,874,671)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.89%
Covered Payroll	\$ 3,323,783
Employer's Net Pension Liability as a Percentage of Covered Payroll	(146.66%)

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

12/31/15	12/31/16	12/31/17
356,490	325,564	303,898
1,716,206	1,744,053	1,814,498
-	-	-
(371,551)	315,214	(553,605)
-	-	(735,581)
(1,251,483)	(1,377,296)	(1,492,184)
449,662	1,007,535	(662,974)
23,330,248	23,779,910	24,787,445
23,779,910	24,787,445	24,124,471
249,956	68,613	30,593
143,948	139,875	144,510
138,881	1,812,338	5,063,740
(1,251,483)	(1,377,296)	(1,492,184)
(664,991)	384,889	(944,594)
(1,383,689)	1,028,419	2,802,065
28,204,919	26,821,230	27,849,649
26,821,230	27,849,649	30,651,714
(3,041,320)	(3,062,204)	(6,527,243)
112.79%	112.35%	127.06%
3,199,267	3,109,423	3,021,932
(95.06%)	(98.48%)	(216.00%)

CITY OF HARVEY, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability

April 30, 2018

	4/30/15
Total Pension Liability	
Service Cost	\$ 1,970,450
Interest	1,764,538
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(469,066)
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)
Net Change in Total Pension Liability	1,635,895
Total Pension Liability - Beginning	44,322,358
Total Pension Liability - Ending	45,958,253
Plan Fiduciary Net Position	
Contributions - Employer	\$ 216,675
Contributions - Members	361,391
Contributions - Other	-
Net Investment Income	1,036,455
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)
Administrative Expense	(116,692)
Net Change in Plan Fiduciary Net Position	(132,198)
Plan Net Position - Beginning	16,721,121
Plan Net Position - Ending	16,588,923
Employer's Net Pension Liability	\$ 29,369,330
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.10%
Covered Payroll	\$ 3,646,731
Employer's Net Pension Liability as a Percentage of Covered Payroll	805.36%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

4/30/16	4/30/17	4/30/18
2,014,804	2,399,513	1,309,289
1,830,616	1,868,801	2,272,694
-	-	-
667,515	(206,516)	(536,895)
2,878,930	(14,402,209)	7,644,069
(1,584,446)	(1,845,994)	(1,771,853)
5,807,419	(12,186,405)	8,917,304
45,958,253	51,765,672	39,579,267
51,765,672	39,579,267	48,496,571
110,219	1,105,604	801,584
324,861	376,040	308,865
-	-	75
(292,842)	1,427,291	1,072,235
(1,584,446)	(1,845,994)	(1,771,853)
(114,811)	(153,766)	(216,111)
(1,557,019)	909,175	194,795
16,588,923	15,031,904	15,941,079
15,031,904	15,941,079	16,135,874
36,733,768	23,638,188	32,360,697
29.04%	40.28%	33.27%
3,776,616	3,574,929	3,102,749
972.66%	661.22%	1042.97%

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability April 30, 2018

	<u>4/30/15</u>
Total Pension Liability	
Service Cost	\$ 1,583,616
Interest	2,290,794
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(2,011,098)</u>
Net Change in Total Pension Liability	1,863,312
Total Pension Liability - Beginning	<u>62,752,017</u>
Total Pension Liability - Ending	<u><u>64,615,329</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 720,764
Contributions - Members	343,183
Contributions - Other	-
Net Investment Income	561,902
Benefit Payments, Including Refunds of Member Contributions	(2,011,098)
Administrative Expense	<u>(82,327)</u>
Net Change in Plan Fiduciary Net Position	(467,576)
Plan Net Position - Beginning	<u>11,421,795</u>
Plan Net Position - Ending	<u><u>10,954,219</u></u>
Employer's Net Pension Liability	<u><u>\$ 53,661,110</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	16.95%
Covered Payroll	\$ 3,188,558
Employer's Net Pension Liability as a Percentage of Covered Payroll	1682.93%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

4/30/16	4/30/17	4/30/18
1,789,745	1,734,576	1,176,309
2,149,985	2,963,146	2,835,849
-	-	-
255,396	486,306	(3,809,025)
10,044,000	(6,220,396)	(11,971,175)
(2,012,611)	(2,116,128)	(2,322,485)
12,226,515	(3,152,496)	(14,090,527)
64,615,329	76,841,844	73,689,348
76,841,844	73,689,348	59,598,821
398,566	1,849,026	1,756,758
325,795	277,574	279,256
-	4,321	-
(281,071)	705,977	427,920
(2,012,611)	(2,116,128)	(2,322,485)
(94,296)	(123,936)	(119,277)
(1,663,617)	596,834	22,172
10,954,219	9,290,602	9,887,436
9,290,602	9,887,436	9,909,608
67,551,242	63,801,912	49,689,213
12.09%	13.42%	16.63%
3,297,935	3,254,289	2,002,048
2048.29%	1960.55%	2481.92%

CITY OF HARVEY, ILLINOIS

Police Pension Fund

**Required Supplementary Information
Schedule of Investment Returns
April 30, 2018**

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	4.05%
2016	(1.63%)
2017	10.04%
2018	7.54%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Investment Returns

April 30, 2018

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	5.19%
2016	(2.73%)
2017	7.64%
2018	4.49%

Note: This schedule is intended to show information for ten years. Information for additional years will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 10,730,000	10,730,000	11,205,373
Licenses and Permits	1,348,700	1,348,700	1,305,118
Intergovernmental	5,675,000	5,675,000	5,825,401
Charges for Services	3,142,000	3,142,000	3,770,713
Fines and Forfeitures	430,000	430,000	528,751
Interest	4,000	4,000	11,884
Miscellaneous	135,000	135,000	139,545
Total Revenues	21,464,700	21,464,700	22,786,785
Expenditures			
General Government	8,211,431	8,211,431	6,867,912
Public Safety	17,043,378	17,043,378	14,421,552
Public Works	3,362,541	3,362,541	3,034,343
Community Development	90,000	90,000	63,849
Capital Outlay	230,000	230,000	130,546
Total Expenditures	28,937,350	28,937,350	24,518,202
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,472,650)	(7,472,650)	(1,731,417)
Other Financing Sources (Uses)			
Disposal of Capital Assets	35,000	35,000	175,380
Transfers Out	(552,000)	(552,000)	(559,266)
	(517,000)	(517,000)	(383,886)
Net Change in Fund Balance	(7,989,650)	(7,989,650)	(2,115,303)
Fund Balance - Beginning			(55,609,732)
Fund Balance - Ending			(57,725,035)

CITY OF HARVEY, ILLINOIS

Motor Fuel Tax - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 655,000	655,000	645,526
Expenditures			
Public Works			
Personnel Services	-	-	377,685
Contractual Services	655,000	655,000	443,539
	655,000	655,000	821,224
Net Change in Fund Balance	-	-	(175,698)
Fund Balance - Beginning			5,404,228
Fund Balance - Ending			5,228,530

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – Major Governmental Funds
- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedule – Major Enterprise Fund
- Combining Statements – Nonmajor Enterprise Funds
- Budgetary Comparison Schedules – Nonmajor Enterprise Funds
- Combining Statements – Pension Trust Funds

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUND

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary funds or capital projects funds) that are legally restricted to expenditure for specified purposes.

Motor Fuel Tax Fund

The Motor Fuel Tax Fund is used to account for the operations of street maintenance programs and capital projects as authorized by the Illinois Department of Transportation. Financing is provided by the City's share of gasoline taxes.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal and interest on the City's long-term debt.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Proprietary Funds.

Capital Projects Fund

The Capital Projects Fund is used to account for the proceeds of debt used for the acquisition of construction of capital projects. This Fund changed names from the Economic Development Fund as shown in prior years.

TIF I Dixie Square Fund

The TIF I Dixie Square Fund is used to account for the incremental property taxes of the Dixie Square Tax Incremental Financing District and the use of those funds.

TIF II Center Street Fund

The TIF II Center Street Fund is used to account for the incremental property taxes of the TIF II Tax Incremental Financing District and the use of those funds.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CAPITAL PROJECTS FUNDS – Continued

Hotel/Motel Fund

The Hotel Motel Fund is used to account for the proceeds of the debt issuance and the uses of those funds.

Community Development Fund

The Community Development Fund is used to account for expenditures associated with redevelopment projects within the City of Harvey. Financing is provided by grant revenue.

TIF IV Dixie Sibley Fund

The TIF IV Dixie Sibley Capital Project Fund is used to account for the incremental property taxes of the Dixie Sibley Tax Incremental Financing District and the use of those funds.

TIF III Cresco Business Park Fund

The TIF III Cresco Business Park Fund is used to account for the incremental property taxes of the Cresco Business Park Tax Incremental Financing District and the use of those funds.

TIF V RPM Wyman Gordon Fund

The TIF V RPM Wyman Gordon Fund is used to account for the incremental property taxes of the TIF V RPM Business Park Tax Incremental Financing District and the use of those funds.

TIF VI Dixie Highway Corridor Fund

The TIF VI Dixie Highway Corridor Fund is used to account for the incremental property taxes of the TIF VI Dixie Highway Corridor Tax Incremental Financing District and the use of those funds.

TIF VII Arco/147th Street Fund

The TIF VII Arco/147th Street Fund is used to account for the incremental property taxes of the TIF VII Arco/147th Street Tax Incremental Financing District and the use of those funds.

ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

ENTERPRISE FUNDS - Continued

Water Fund

The Water Fund is used to account for the provision of water to the residents of the City. All activity necessary to provide such services is accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

Pace Bus Terminal Parking Fund

The Pace Bus Terminal Parking Fund is used to account for the receipt of parking charges and for related expenses.

Commuter Parking Lot Fund

The Commuter Parking Lot Fund is used to account for the receipt of parking charges at the 155th Street lot and for related expenses.

Sewer Fund

The Sewer Fund is used to account for the provision of sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations and maintenance, billing, and collections.

PENSION TRUST FUNDS

Police Pension Fund

The Police Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the police force at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

Firefighters' Pension Fund

The Firefighters' Pension Fund is used to account for the accumulation of resources to be used for retirement annuity payments to employees on the fire department at appropriate amounts and times in the future. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by an annual actuarial study.

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
Taxes			
Property	\$ 7,300,000	7,300,000	7,738,297
RE Transaction Tax	60,000	60,000	96,906
Utility	1,200,000	1,200,000	1,262,113
Telecommunication	455,000	455,000	427,043
Video Gaming Tax	65,000	65,000	82,349
Casino	1,370,000	1,370,000	1,382,119
Franchise	140,000	140,000	131,995
Hotel/Motel	140,000	140,000	84,551
	10,730,000	10,730,000	11,205,373
Licenses and Permits			
Licenses			
Vehicles	450,000	450,000	373,471
Liquor	115,000	115,000	105,962
Business	130,000	130,000	193,700
Vending Machines	35,000	35,000	39,436
Contractors	55,000	55,000	65,966
Permits			
Building	500,000	500,000	510,318
Electric	1,600	1,600	7,506
Plumbing	2,100	2,100	5,209
Other	60,000	60,000	3,550
	1,348,700	1,348,700	1,305,118
Intergovernmental			
Federal/State Grant	-	-	60,100
Replacement Tax	800,000	800,000	657,352
State Sales Tax	2,000,000	2,000,000	2,157,244
State Income Tax	2,300,000	2,300,000	2,285,700
State Use Tax	575,000	575,000	665,005
	5,675,000	5,675,000	5,825,401

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
Charges for Services			
Debris Usage/Mowing Fees	\$ 2,000	2,000	700
Refuse Collection Fees	1,950,000	1,950,000	1,924,745
Garbage Can Replacement Fee	1,000	1,000	-
Towing Collection Fees	235,000	235,000	275,540
Vacant Property Registration Fees	80,000	80,000	73,002
Public Safety Registration	50,000	50,000	173,208
Inspection Point of Sale	50,000	50,000	65,775
Birth/Death Certificate Fees	32,000	32,000	30,539
Fire Service Fees	250,000	250,000	229,164
Fuel Tax Distributors	140,000	140,000	148,499
Rental Unit Inspections	57,000	57,000	47,875
Photostats	18,000	18,000	12,371
Rents	40,000	40,000	58,736
Special Events	10,000	10,000	27,401
911 Tax on Users	112,000	112,000	89,492
Other	115,000	115,000	613,666
	3,142,000	3,142,000	3,770,713
Fines and Forfeitures			
Housing Court	50,000	50,000	65,043
Police	380,000	380,000	463,708
	430,000	430,000	528,751
Interest			
Investment Income	4,000	4,000	11,884
Miscellaneous			
Refunds/Reimbursements	50,000	50,000	64,459
Miscellaneous	85,000	85,000	75,086
	135,000	135,000	139,545
Total Revenues	21,464,700	21,464,700	22,786,785

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
General Government			
Mayor			
Personnel Services	\$ 76,168	76,168	72,384
Other Services/Expenditures	15,500	15,500	11,950
	91,668	91,668	84,334
Mayor's Office			
Personnel Services	232,021	232,021	207,215
Commodities	12,000	12,000	3,715
Contractual Services	58,900	58,900	57,224
Other Services/Expenditures	36,000	36,000	23,552
Equipment	2,000	2,000	1,629
	340,921	340,921	293,335
Legal Department			
Contractual Services	250,000	250,000	529,221
Aldermen			
Personnel Services	350,002	350,002	319,903
Other Services/Expenditures	150,000	150,000	28,526
	500,002	500,002	348,429
City Clerk			
Personnel Services	205,854	205,854	194,162
Commodities	4,000	4,000	6,118
Contractual Services	6,000	6,000	3,561
Other Services/Expenditures	3,100	3,100	2,260
Equipment	2,500	2,500	-
	221,454	221,454	206,101
City Treasurer			
Personnel Services	27,043	27,043	25,896
Commodities	600	600	(6,791)
Contractual Services	1,950	1,950	1,782
Other Services/Expenditures	750	750	100
	30,343	30,343	20,987

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
General Government - Continued			
Finance Department			
Contractual Services	\$ 638,800	638,800	639,815
Other Services/Expenditures	60,000	60,000	84,300
Equipment	60,000	60,000	-
	758,800	758,800	724,115
Planning and Development			
Personnel Services	499,443	499,443	454,219
Commodities	6,500	6,500	7,803
Contractual Services	361,800	361,800	159,378
Other Services/Expenditures	8,500	8,500	20,785
Equipment	12,000	12,000	-
	888,243	888,243	642,185
Miscellaneous Grant			
Personnel Services	-	-	4
Miscellaneous Appropriations/Specific Purpose			
Personnel Services	-	-	651,373
Contractual Services	2,080,000	2,080,000	1,126,412
Other Services/Expenditures	3,050,000	3,050,000	2,241,416
	5,130,000	5,130,000	4,019,201
Total General Government	8,211,431	8,211,431	6,867,912
Public Safety			
Police Department			
Personnel Services	8,320,123	8,320,123	7,434,852
Commodities	145,000	145,000	115,430
Contractual Services	562,700	562,700	521,015
Other Services/Expenditures	60,000	60,000	25,218
Equipment	24,000	24,000	2,960
	9,111,823	9,111,823	8,099,475

CITY OF HARVEY, ILLINOIS**General Fund****Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Public Safety - Continued			
Fire Department			
Personnel Services	\$ 7,225,296	7,225,296	5,691,001
Commodities	16,600	16,600	10,027
Contractual Services	207,800	207,800	235,268
Other Services/Expenditures	15,000	15,000	4,489
Equipment	10,000	10,000	-
	<u>7,474,696</u>	<u>7,474,696</u>	<u>5,940,785</u>
911 Emergency Surcharge			
Personnel Services	428,959	428,959	357,921
Contractual Services	27,900	27,900	23,371
	<u>456,859</u>	<u>456,859</u>	<u>381,292</u>
Total Public Safety	<u>17,043,378</u>	<u>17,043,378</u>	<u>14,421,552</u>
Public Works			
Streets Administration			
Personnel Services	116,203	116,203	110,048
Commodities	-	-	1,947
Contractual Services	-	-	1,293
	<u>116,203</u>	<u>116,203</u>	<u>113,288</u>
Street Maintenance Department			
Personnel Services	854,394	854,394	317,836
Commodities	162,000	162,000	152,713
Contractual Services	1,757,000	1,757,000	1,982,703
Other Services/Expenditures	-	-	92
Equipment	5,000	5,000	42,648
	<u>2,778,394</u>	<u>2,778,394</u>	<u>2,495,992</u>

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2018

	Budget		Actual
	Original	Final	
Public Works - Continued			
Public Property/Utility Maintenance			
Personnel Services	368,244	368,244	317,284
Commodities	-	-	1,317
Contractual Services	99,700	99,700	106,162
Equipment	-	-	300
	467,944	467,944	425,063
 Total Public Works	 3,362,541	 3,362,541	 3,034,343
Community Development			
Community Center			
Personnel Services	90,000	90,000	61,289
Contractual Services	-	-	2,560
	90,000	90,000	63,849
 Total Community Development	 90,000	 90,000	 63,849
Capital Outlay			
Public Safety			
Vehicles	150,000	150,000	94,382
Public Works			
Vehicles	80,000	80,000	36,164
	230,000	230,000	130,546
 Total Capital Outlay	 230,000	 230,000	 130,546
 Total Expenditures	 28,937,350	 28,937,350	 24,518,202

CITY OF HARVEY, ILLINOIS**Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 2,800,000	2,800,000	1,944,506
Expenditures			
General Government			
Contractual Services	2,700	2,700	1,800
Debt Service			
Principal Retirement	1,305,000	1,305,000	1,292,000
Interest and Fiscal Charges	1,823,501	1,823,501	1,668,134
Total Expenditures	3,131,201	3,131,201	2,961,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	(331,201)	(331,201)	(1,017,428)
Other Financing (Uses)			
Transfers Out	(400,000)	(400,000)	(556,281)
Net Change in Fund Balance	(731,201)	(731,201)	(1,573,709)
Fund Balance - Beginning			-
Fund Balance - Ending			(1,573,709)

CITY OF HARVEY, ILLINOIS

TIF I Dixie Square - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 301,000	301,000	451,131
Interest	-	-	4
Total Revenues	301,000	301,000	451,135
Expenditures			
Public Works	2,200	2,200	451,135
Net Change in Fund Balance	298,800	298,800	-
Fund Balance - Beginning			-
Fund Balance - Ending			-

CITY OF HARVEY, ILLINOIS

TIF II Center Street - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 1,600,000	1,600,000	1,836,053
Interest	800	800	15,721
Total Revenues	1,600,800	1,600,800	1,851,774
Expenditures			
Public Works	52,000	52,000	24,209
Debt Service			
Principal Retirement	995,000	995,000	995,000
Interest and Fiscal Charges	241,126	241,126	241,125
Total Expenditures	1,288,126	1,288,126	1,260,334
Net Change in Fund Balance	312,674	312,674	591,440
Fund Balance - Beginning			6,684,780
Fund Balance - Ending			7,276,220

CITY OF HARVEY, ILLINOIS

Nonmajor Governmental - Capital Projects Funds

Combining Balance Sheet

April 30, 2018

	Hotel/ Motel	Community Development
ASSETS		
Cash and Investments	\$ -	-
Due from Other Governments	-	5,384
Advances to Other Funds	697	-
Total Assets	697	5,384
LIABILITIES AND FUND BALANCES		
Liabilities		
Advances from Other Funds	-	5,384
Fund Balances		
Restricted	697	-
Unassigned	-	-
Total Fund Balances	697	-
Total Liabilities and Fund Balances	697	5,384

TIF IV Dixie Sibley	TIF III Cresco Business Park	TIF V RPM Wyman Gordon	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
748	16	578	-	6,345	7,687
-	-	-	-	-	5,384
2,163,830	1,264,988	757,096	-	122,787	4,309,398
2,164,578	1,265,004	757,674	-	129,132	4,322,469
-	-	-	4,980	-	10,364
2,164,578	1,265,004	757,674	-	129,132	4,317,085
-	-	-	(4,980)	-	(4,980)
2,164,578	1,265,004	757,674	(4,980)	129,132	4,312,105
2,164,578	1,265,004	757,674	-	129,132	4,322,469

CITY OF HARVEY, ILLINOIS**Nonmajor Governmental - Capital Projects Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended April 30, 2018**

	Hotel/ Motel	Community Development
Revenues		
Taxes	\$ -	-
Interest	-	-
Total Revenues	-	-
Expenditures		
Public Works	6,600	-
Debt Service		
Principal Retirement	255,000	-
Interest and Fiscal Charges	300,266	-
Total Expenditures	561,866	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(561,866)	-
Other Financing Sources		
Transfers In	559,266	-
Net Change in Fund Balances	(2,600)	-
Fund Balances - Beginning	3,297	-
Fund Balances - Ending	697	-

TIF IV Dixie Sibley	TIF III Cresco Business Park	TIF V RPM Wyman Gordon	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
228,271	174,179	24,509	-	69,086	496,045
2	6	5	-	6	19
228,273	174,185	24,514	-	69,092	496,064
-	-	-	-	-	6,600
-	-	-	-	-	255,000
-	-	-	-	-	300,266
-	-	-	-	-	561,866
228,273	174,185	24,514	-	69,092	(65,802)
-	-	-	-	-	559,266
228,273	174,185	24,514	-	69,092	493,464
1,936,305	1,090,819	733,160	(4,980)	60,040	3,818,641
2,164,578	1,265,004	757,674	(4,980)	129,132	4,312,105

CITY OF HARVEY, ILLINOIS

Hotel/Motel - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ -	-	-
Expenditures			
Public Works	2,600	2,600	6,600
Debt Service			
Principal Retirement	255,000	255,000	255,000
Interest and Fiscal Charges	300,266	300,266	300,266
Total Expenditures	557,866	557,866	561,866
Excess (Deficiency) of Revenues Over (Under) Expenditures	(557,866)	(557,866)	(561,866)
Other Financing Sources			
Transfers In	557,866	557,866	559,266
Net Change in Fund Balance	-	-	(2,600)
Fund Balance - Beginning			3,297
Fund Balance - Ending			697

CITY OF HARVEY, ILLINOIS

TIF IV Dixie Sibley - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 195,000	195,000	228,271
Interest	-	-	2
Total Revenues	195,000	195,000	228,273
Expenditures			
Public Works	2,200	2,200	-
Net Change in Fund Balance	192,800	192,800	228,273
Fund Balance - Beginning			1,936,305
Fund Balance - Ending			2,164,578

CITY OF HARVEY, ILLINOIS

TIF III Cresco Business Park - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 92,000	92,000	174,179
Interest	-	-	6
Total Revenues	92,000	92,000	174,185
Expenditures			
Public Works	2,200	2,200	-
Net Change in Fund Balance	89,800	89,800	174,185
Fund Balance - Beginning			1,090,819
Fund Balance - Ending			1,265,004

CITY OF HARVEY, ILLINOIS

TIF V RPM Wyman Gordon - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 17,600	17,600	24,509
Interest	-	-	5
Total Revenues	17,600	17,600	24,514
Expenditures			
Public Works	2,200	2,200	-
Net Change in Fund Balance	15,400	15,400	24,514
Fund Balance - Beginning			733,160
Fund Balance - Ending			757,674

CITY OF HARVEY, ILLINOIS

TIF VII Arco/147th Street - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 33,200	33,200	69,086
Interest	-	-	6
Total Revenues	33,200	33,200	69,092
Expenditures			
Public Works	-	-	-
Net Change in Fund Balance	33,200	33,200	69,092
Fund Balance - Beginning			60,040
Fund Balance - Ending			129,132

CITY OF HARVEY, ILLINOIS

Water - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		
	Original	Final	Actual
Operating Revenues			
Charges for Services			
Water Sales	\$ 18,107,575	18,107,575	16,557,618
Other	360,000	360,000	616,518
Total Operating Revenues	18,467,575	18,467,575	17,174,136
Operating Expenses			
Operations			
Personnel Services	1,297,017	1,297,017	725,026
Commodities	146,600	146,600	330,285
Contractual Services	13,187,580	13,187,580	13,737,421
Other Services/Expenses	50,000	50,000	731,273
Equipment	80,000	80,000	12,740
Depreciation and Amortization	379,239	379,239	396,886
Total Operating Expenses	15,140,436	15,140,436	15,933,631
Operating Income	3,327,139	3,327,139	1,240,505
Nonoperating Revenues (Expenses)			
Interest Income	-	-	(642)
Other - Penalties & Fees	-	-	(1,620,630)
Interest Expense	(900,000)	(900,000)	(1,657,794)
	(900,000)	(900,000)	(3,279,066)
Income (Loss) Before Transfers	2,427,139	2,427,139	(2,038,561)
Transfers In	737,000	737,000	556,281
Change in Net Position	3,164,139	3,164,139	(1,482,280)
Net Position - Beginning			5,198,746
Net Position - Ending			3,716,466

CITY OF HARVEY, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Net Position April 30, 2018

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
ASSETS				
Current Assets				
Cash and Investments	\$ -	-	-	-
Receivables - Net of Allowances				
Customer Billings and Unbilled Services	-	-	157,596	157,596
Advances to Other Funds	63,776	408,133	1,594,599	2,066,508
Prepays	-	27	-	27
Total Current Assets	63,776	408,160	1,752,195	2,224,131
Noncurrent Assets				
Capital Assets				
Nondepreciable	-	482,250	-	482,250
Depreciable	-	1,307,969	5,682,203	6,990,172
Accumulated Depreciation	-	(1,307,969)	(5,415,957)	(6,723,926)
Total Noncurrent Assets	-	482,250	266,246	748,496
Total Assets	63,776	890,410	2,018,441	2,972,627
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 11,112	31,615	155,837	198,564
Accrued Payroll	-	1,193	-	1,193
Total Current Liabilities	11,112	32,808	155,837	199,757
NET POSITION				
Investment in Capital Assets	-	482,250	266,246	748,496
Unrestricted	52,664	375,352	1,596,358	2,024,374
Total Net Position	52,664	857,602	1,862,604	2,772,870

CITY OF HARVEY, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended April 30, 2018

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
Operating Revenues				
Charges for Services	\$ 3,721	34,812	925,581	964,114
Operating Expenses				
Operations				
Personnel Services	-	64,368	193,117	257,485
Commodities	-	-	5,875	5,875
Contractual Services	23,096	(3,117)	77,982	97,961
Other Services/Expenses	-	-	143,591	143,591
Depreciation	-	-	27,064	27,064
Total Operating Expenses	23,096	61,251	447,629	531,976
Change in Net Position	(19,375)	(26,439)	477,952	432,138
Net Position - Beginning	72,039	884,041	1,384,652	2,340,732
Net Position - Ending	52,664	857,602	1,862,604	2,772,870

CITY OF HARVEY, ILLINOIS

Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended April 30, 2018

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 27,142	74,332	302,860	404,334
Payments to Employees	-	(41,307)	-	(41,307)
Payments to Suppliers	(27,142)	(33,025)	(321,052)	(381,219)
	-	-	(18,192)	(18,192)
Cash and Cash Equivalents - Beginning	-	-	18,192	18,192
Cash and Cash Equivalents - Ending	-	-	-	-
Reconciliation of Operating Income to Net Cash				
Provided (Used) by Operating Activities				
Operating Income (Loss)	(19,375)	(26,439)	477,952	432,138
Adjustments to Reconcile Operating				
Income to Net Income to Net Cash				
Provided by (Used in) Operating Activities				
Depreciation Expense	-	-	27,064	27,064
Other (Income)	-	-	193,152	193,152
(Increase) Decrease in Current Assets	23,421	39,520	(622,721)	(559,780)
Increase (Decrease) in Current Liabilities	(4,046)	(13,081)	(93,639)	(110,766)
Net Cash Provided by Operating Activities	-	-	(18,192)	(18,192)

CITY OF HARVEY, ILLINOIS

Pace Bus Terminal Parking - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 18,500	18,500	3,721
Operating Expenses			
Operations			
Contractual Services	24,000	24,000	23,096
Change in Net Position	<u>(5,500)</u>	<u>(5,500)</u>	(19,375)
Net Position - Beginning			<u>72,039</u>
Net Position - Ending			<u>52,664</u>

CITY OF HARVEY, ILLINOIS

Commuter Parking Lot - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 40,000	40,000	34,812
Operating Expenses			
Operations			
Personnel Services	44,997	44,997	64,368
Contractual Services	-	-	(3,117)
Total Operating Expenses	44,997	44,997	61,251
Change in Net Position	(4,997)	(4,997)	(26,439)
Net Position - Beginning			884,041
Net Position - Ending			857,602

CITY OF HARVEY, ILLINOIS**Sewer - Enterprise Fund****Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2018**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 998,234	998,234	925,581
Operating Expenses			
Operations			
Personnel Services	263,459	263,459	193,117
Commodities	-	-	5,875
Contractual Services	140,000	140,000	77,982
Other Services/Expenses	-	-	143,591
Equipment	50,000	50,000	-
Depreciation	27,626	27,626	27,064
Total Operating Expenses	481,085	481,085	447,629
Change in Net Position	517,149	517,149	477,952
Net Position - Beginning			1,384,652
Net Position - Ending			1,862,604

CITY OF HARVEY, ILLINOIS**Pension Trust Funds****Combining Statement of Fiduciary Net Position
April 30, 2018**

	Police Pension	Firefighters' Pension	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,376,581	638,445	2,015,026
Investments			
U.S. Treasuries	3,807,135	1,075,799	4,882,934
U.S. Agencies	757,266	418,492	1,175,758
Corporate Bonds	432,051	1,237,975	1,670,026
Common Stock	3,330,149	-	3,330,149
Equity Securities	-	2,063,195	2,063,195
Equity Mutual Funds	6,403,744	4,415,576	10,819,320
Receivables			
Accrued Interest	38,248	17,449	55,697
Due from Other	-	10,377	10,377
Due from Other Funds	9,001,184	14,264,183	23,265,367
Reserve Uncollectible - Interfund	(9,001,184)	(14,232,746)	(23,233,930)
Prepays	4,586	10,592	15,178
Total Assets	16,149,760	9,919,337	26,069,097
LIABILITIES			
Accounts Payable	13,886	9,729	23,615
NET POSITION			
Net Position Restricted for Pensions	16,135,874	9,909,608	26,045,482

CITY OF HARVEY, ILLINOIS

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended April 30, 2018

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - Employer	\$ 801,584	1,756,758	2,558,342
Contributions - Plan Members	308,865	279,256	588,121
Total Contributions	1,110,449	2,036,014	3,146,463
Investment Income			
Interest Income	410,633	279,069	689,702
Net Change in Fair Value	728,257	216,371	944,628
	1,138,890	495,440	1,634,330
Less Investment Expenses	(66,655)	(67,520)	(134,175)
Net Investment Income	1,072,235	427,920	1,500,155
Miscellaneous Income	75	-	75
Total Additions	2,182,759	2,463,934	4,646,693
Deductions			
Administration	216,111	119,277	335,388
Benefits and Refunds	1,771,853	2,322,485	4,094,338
Total Deductions	1,987,964	2,441,762	4,429,726
Change in Fiduciary Net Position	194,795	22,172	216,967
Net Position Restricted for Pensions			
Beginning	15,941,079	9,887,436	25,828,515
Ending	16,135,874	9,909,608	26,045,482

SUPPLEMENTAL SCHEDULES

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements General Obligation Bonds of 2002B

April 30, 2018

Date of Issue	July 1, 2002
Date of Maturity	May 1, 2022
Authorized Issue	\$2,530,000
Denomination of Bonds	\$5,000
Interest Rates	5.25% to 5.60%
Interest Dates	May 1 and November 1
Principal Maturity Date	May 1
Payable at	LaSalle Bank National Association, Chicago IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due on			
	Principal	Interest	Totals	May 1	Amount	Nov. 1	Amount
2019	\$ 340,000	104,980	444,980	2018	52,490	2018	52,490
2020	360,000	86,620	446,620	2019	43,310	2019	43,310
2021	380,000	66,820	446,820	2020	33,410	2020	33,410
2022	400,000	45,920	445,920	2021	22,960	2021	22,960
2023	420,000	23,520	443,520	2022	11,760	2022	11,760
	<u>1,900,000</u>	<u>327,860</u>	<u>2,227,860</u>		<u>163,930</u>		<u>163,930</u>

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Bonds of 2002C

April 30, 2018

Date of Issue	December 1, 2002
Date of Maturity	February 1, 2020
Authorized Issue	\$7,000,000
Denomination of Bonds	\$5,000
Interest Rates	2.00% to 5.00%
Interest Dates	August 1 and February 1
Principal Maturity Date	February 1
Payable at	LaSalle Bank National Association, Chicago IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due on			
	Principal	Interest	Totals	Aug. 1	Amount	Feb. 1	Amount
2019	\$ 540,000	50,290	590,290	2018	25,145	2019	25,145
2020	565,000	25,990	590,990	2019	12,995	2020	12,995
	<u>1,105,000</u>	<u>76,280</u>	<u>1,181,280</u>		<u>38,140</u>		<u>38,140</u>
	386,750	Governmental Activities					
	<u>718,250</u>	Business-Type Activities					
	<u><u>1,105,000</u></u>						

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements General Obligation Refunding Bonds of 2007A

April 30, 2018

Date of Issue	July 15, 2007
Date of Maturity	December 1, 2032
Authorized Issue	\$22,275,000
Denomination of Bonds	\$5,000
Interest Rates	5.50% to 5.625%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	Depository Trust Company, New York, NY

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due on			
	Principal	Interest	Totals	Jun. 1	Amount	Dec. 1	Amount
2019	\$ -	1,241,074	1,241,074	2018	620,537	2018	620,537
2020	-	1,241,074	1,241,074	2019	620,537	2019	620,537
2021	565,000	1,241,074	1,806,074	2020	620,537	2020	620,537
2022	705,000	1,210,000	1,915,000	2021	605,000	2021	605,000
2023	755,000	1,171,226	1,926,226	2022	585,613	2022	585,613
2024	800,000	1,129,700	1,929,700	2023	564,850	2023	564,850
2025	540,000	1,085,700	1,625,700	2024	542,850	2024	542,850
2026	1,940,000	1,056,000	2,996,000	2025	528,000	2025	528,000
2027	2,050,000	949,300	2,999,300	2026	474,650	2026	474,650
2028	2,160,000	836,550	2,996,550	2027	418,275	2027	418,275
2029	2,280,000	717,750	2,997,750	2028	358,875	2028	358,875
2030	2,410,000	589,500	2,999,500	2029	294,750	2029	294,750
2031	2,545,000	453,938	2,998,938	2030	226,969	2030	226,969
2032	2,685,000	310,782	2,995,782	2031	155,391	2031	155,391
2033	2,840,000	159,750	2,999,750	2032	79,875	2032	79,875
	<u>22,275,000</u>	<u>13,393,418</u>	<u>35,668,418</u>		<u>6,696,709</u>		<u>6,696,709</u>
	17,275,000	Governmental Activities					
	5,000,000	Business-Type Activities					
	<u>22,275,000</u>						

CITY OF HARVEY, ILLINOIS

**Long-Term Debt Requirements
General Obligation Refunding Bonds of 2007B**

April 30, 2018

Date of Issue	July 15, 2007
Date of Maturity	December 1, 2024
Authorized Issue	\$9,000,000
Denomination of Bonds	\$5,000
Interest Rates	7.25% to 7.75%
Interest Date	December 1
Principal Maturity Date	December 1
Payable at	Depository Trust Company, New York, NY

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2019	\$ 630,000	451,825	1,081,825
2020	675,000	403,000	1,078,000
2021	725,000	350,688	1,075,688
2022	785,000	294,500	1,079,500
2023	840,000	233,663	1,073,663
2024	900,000	168,562	1,068,562
2025	1,275,000	98,812	1,373,812
	5,830,000	2,001,050	7,831,050

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

Hotel-Motel Tax and Sales Tax Revenue Bonds of 2008A

April 30, 2018

Date of Issue	August 27, 2008
Date of Maturity	August 1, 2028
Authorized Issue	\$6,025,000
Denomination of Bonds	\$5,000
Interest Rate	6.875%
Interest Dates	August 1 and February 1
Principal Maturity Date	August 1
Payable at	Amalgamated Bank, Chicago IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due on			
	Principal	Interest	Totals	Aug. 1	Amount	Feb. 1	Amount
2019	\$ 270,000	282,219	552,219	2018	145,750	2019	136,469
2020	290,000	262,969	552,969	2019	136,469	2020	126,500
2021	310,000	242,344	552,344	2020	126,500	2021	115,844
2022	330,000	220,344	550,344	2021	115,844	2022	104,500
2023	355,000	196,797	551,797	2022	104,500	2023	92,297
2024	375,000	171,703	546,703	2023	92,297	2024	79,406
2025	405,000	144,890	549,890	2024	79,406	2025	65,484
2026	430,000	116,187	546,187	2025	65,484	2026	50,703
2027	460,000	85,594	545,594	2026	50,703	2027	34,891
2028	490,000	52,938	542,938	2027	34,891	2028	18,047
2029	525,000	18,047	543,047	2028	18,047	2029	-
	<u>4,240,000</u>	<u>1,794,032</u>	<u>6,034,032</u>		<u>969,891</u>		<u>824,141</u>

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

Tax Increment Allocation Revenue Bonds of 2010

April 30, 2018

Date of Issue	September 27, 2010
Date of Maturity	December 1, 2019
Authorized Issue	\$5,000,000
Denomination of Bonds	\$5,000
Interest Rate	7.50%
Interest Dates	June 1 and December 1
Principal Maturity Date	December 1
Payable at	Amalgamated Bank, Chicago IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements			Interest Due on			
	Principal	Interest	Totals	Jun. 1	Amount	Dec. 1	Amount
2019	\$ 1,070,000	166,500	1,236,500	2018	83,250	2018	83,250
2020	1,150,000	86,250	1,236,250	2019	43,125	2019	43,125
	<u>2,220,000</u>	<u>252,750</u>	<u>2,472,750</u>		<u>126,375</u>		<u>126,375</u>

CITY OF HARVEY, ILLINOIS

**Long-Term Debt Requirements
Demand Bonds of 2012**

April 30, 2018

Date of Issue	July 9, 2012
Date of Maturity	May 5, 2018
Authorized Issue	\$2,130,000
Denomination of Bonds	\$5,000
Interest Rates	7.50% to 9.50%
Interest Date	5th of the Month
Principal Maturity Dates	May 5 and November 5
Payable at	PNC Bank, Chicago IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2019	\$ 208,582	3,303	211,885