

# CITY OF HARVEY, ILLINOIS

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## ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
APRIL 30, 2014

**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
- Combining and Individual Fund Statements and Schedules

## **INDEPENDENT AUDITORS' REPORT**

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



## **INDEPENDENT AUDITORS' REPORT**

July 12, 2016

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, Illinois, as of and for the year ended April 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 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.

## **Basis for Qualified Opinion**

The City did not complete bank reconciliations during the audited fiscal year and was unable to furnish adequate supporting documentation in the General Fund and Water Fund. The effects of those departures on the General Fund, Water Fund, Governmental Activities, and Business-Type Activities financial statements are not reasonably determinable. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, Illinois, as of April 30, 2014, 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.

## **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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
LAUTERBACH & AMEN, LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **CITY OF HARVEY, ILLINOIS**

### **Management's Discussion and Analysis April 30, 2014**

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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, 2014. Please read it in conjunction with the City of Harvey's financial statements, which begin on page 3.

#### **FINANCIAL HIGHLIGHTS**

- The City of Harvey's net position decreased as a result of this year's operations. Net position of business-type activities decreased by \$974,763, or 10.7 percent and net position of the governmental activities decreased by \$7,335,342, or 9.4 percent.
- During the year, government-wide revenues for the primary government totaled \$40,758,733, while expenses totaled \$49,068,838, resulting in a decrease to net position of \$8,310,105.
- The City of Harvey's net position totaled (\$77,219,974) on April 30, 2014, which includes (\$18,142,634) net investment in capital assets, \$15,285,472 subject to external restrictions, and (\$74,362,812) 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 \$6,202,402, resulting in ending fund balance of (\$36,223,524), a decrease of 20.7 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 4-7) 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 8. 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, 2014**

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### **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 4-7 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, 2014**

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#### **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 eighteen 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, Economic Development 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 Dixie Sibley Fund, the TIF IV Wyman Gordon Fund, the Hotel/Motel Fund, the TIF V RPM Business Park Fund, the TIF VI Dixie Highway Corridor Fund, the TIF VII Acro/147<sup>th</sup> Street Fund, and the Economic 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 8-13 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, 2014**

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### **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 four nonmajor enterprise funds are provided elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 14-16 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 17-18 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 19-61 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 Motor Fuel Tax Fund. Required supplementary information can be found on pages 62-66 of this report. Combining and individual fund statements and schedules can be found on pages 67-96 of this report.

# CITY OF HARVEY, ILLINOIS

## Management's Discussion and Analysis April 30, 2014

### 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 \$77,219,974.

	Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current/Other Assets	\$ 3,671,514	7,405,058	30,150,265	23,653,066	33,821,779	31,058,124
Capital Assets	2,973,866	2,782,112	7,415,180	7,972,025	10,389,046	10,754,137
Total Assets	6,645,380	10,187,170	37,565,445	31,625,091	44,210,825	41,812,261
Deferred Outflows of Resources	-	127,834	-	-	-	127,834
Long-Term Debt	67,321,547	61,194,204	8,050,937	8,439,285	75,372,484	69,633,489
Other Liabilities	12,087,458	11,224,008	21,386,500	14,083,035	33,473,958	25,307,043
Total Liabilities	79,409,005	72,418,212	29,437,437	22,522,320	108,846,442	94,940,532
Deferred Inflows of Resources	12,584,357	10,670,932	-	-	12,584,357	10,670,932
Net Position						
Net Investment in Capital Assets	(19,899,592)	(28,099,991)	1,756,958	685,501	(18,142,634)	(27,414,490)
Restricted	15,285,472	14,527,310	-	-	15,285,472	14,527,310
Unrestricted (Deficit)	(80,733,862)	(59,201,459)	6,371,050	8,417,270	(74,362,812)	(50,784,189)
Total Net Position	(85,347,982)	(72,774,140)	8,128,008	9,102,771	(77,219,974)	(63,671,369)

A large portion of the City of Harvey's net position, (\$18,142,634), 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, \$15,285,472, of the City of Harvey's net position represents resources that are subject to external restrictions on how they may be used. The remaining (\$74,362,812) 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, 2014

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Change in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 3,497,617	3,492,734	12,055,413	11,870,706	15,553,030	15,363,440
Operating Grants/Contrib.	2,726,262	1,417,679	-	-	2,726,262	1,417,679
Capital Grants/Contrib.	169,572	217,385	-	-	169,572	217,385
General Revenues						
Property Taxes	13,657,631	12,963,247	-	-	13,657,631	12,963,247
Utility Taxes	1,420,047	1,300,984	-	-	1,420,047	1,300,984
Telecommunication Taxes	658,690	739,484	-	-	658,690	739,484
Sales Taxes	2,250,908	2,249,964	-	-	2,250,908	2,249,964
Income Taxes	2,410,167	2,371,768	-	-	2,410,167	2,371,768
Other General Revenues	1,891,428	1,549,265	20,998	40,945	1,912,426	1,590,210
Total Revenues	28,682,322	26,302,510	12,076,411	11,911,651	40,758,733	38,214,161
<b>Expenses</b>						
General Government	12,023,831	11,884,445	-	-	12,023,831	11,884,445
Public Safety	13,960,444	12,111,665	-	-	13,960,444	12,111,665
Public Works	6,421,946	5,045,121	-	-	6,421,946	5,045,121
Community Development	298,323	375,545	-	-	298,323	375,545
Interest on Long-Term Debt	2,758,023	2,892,724	-	-	2,758,023	2,892,724
Water	-	-	13,107,169	12,146,971	13,107,169	12,146,971
Sewer	-	-	244,527	307,164	244,527	307,164
Parking	-	-	254,575	250,263	254,575	250,263
Total Expenses	35,462,567	32,309,500	13,606,271	12,704,398	49,068,838	45,013,898
<b>Change in Net Position</b>						
Before Transfers	(6,780,245)	(6,006,990)	(1,529,860)	(792,747)	(8,310,105)	(6,799,737)
Transfers	(555,097)	(552,620)	555,097	552,620	-	-
Change in Net Position	(7,335,342)	(6,559,610)	(974,763)	(240,127)	(8,310,105)	(6,799,737)
Net Position - Beginning as Restated	(78,012,640)	(66,214,530)	9,102,771	9,342,898	(68,909,869)	(56,871,632)
Net Position - Ending	(85,347,982)	(72,774,140)	8,128,008	9,102,771	(77,219,974)	(63,671,369)

The net position of the City of Harvey's governmental activities decreased by 9.4 percent (a restated \$78,012,640 deficit in 2013 compared to a \$85,347,982 deficit in 2014). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled a deficit \$80,733,862 at April 30, 2014 for the governmental activities.

The net position of business-type activities decreased by 10.7 percent (\$9,102,771 in 2013 compared to \$8,128,008 in 2014).



# CITY OF HARVEY, ILLINOIS

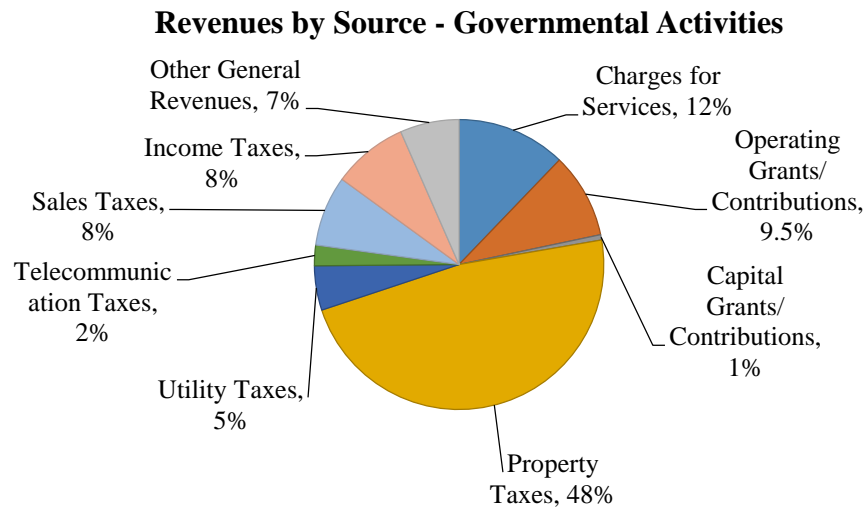
## Management's Discussion and Analysis April 30, 2014

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

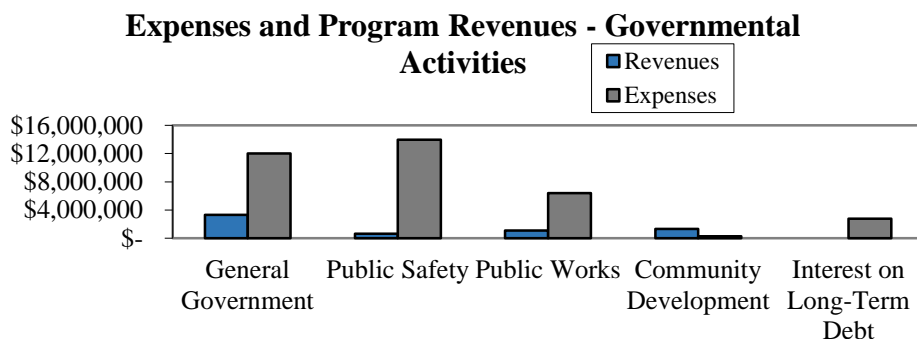
#### Governmental Activities

Revenues for governmental activities totaled \$28,682,322, while the cost of all governmental functions totaled \$35,462,567. This results in a deficit of \$6,780,245 prior to transfers out of \$555,097. In 2013, expenses of \$32,309,500 exceeded revenues of \$26,302,510 resulting in a deficit of \$6,006,990 prior to transfers out of \$552,620. During 2014, the City increased expenses for the general government, public safety and commuter development functions. Revenues came in \$2,379,812 higher than 2013, primarily due to an increase of property tax revenues and grant revenues.

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

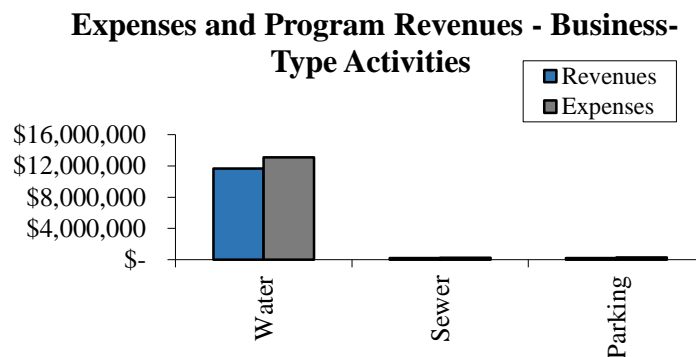
### Management's Discussion and Analysis April 30, 2014

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

##### Business-Type activities

Business-Type activities posted total revenues of \$12,076,411, while the cost of all business-type activities totaled \$13,606,271. This results in a deficit of \$1,529,860 prior to transfers in of \$555,097. In 2013, expenses of \$12,704,398 exceeded revenues of \$11,911,641, resulting in a deficit of \$792,747 prior to transfers in of \$552,620.



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 (\$17,671,014), which is \$5,806,817 lower than last year's total of (\$11,864,197). Of the (\$17,671,014) total, (\$36,462,850) of the fund balance constitutes unrestricted fund balance.

The General Fund reported a deficit in fund balance for the year of \$6,202,402, a decrease of 20.7 percent. This was due in large part to revenues for taxes, charges for services, and miscellaneous revenues being significantly lower than budgeted. Specifically, the budgeted amount for these three revenue sources totaled \$24,461,196 and the actual amount totaled \$13,729,002. 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, 2014**

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#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS – Continued**

##### **Governmental Funds – Continued**

The General Fund is the chief operating fund of the Village. At April 30, 2014, unassigned fund balance in the General Fund was (\$36,462,850).

The Motor Fuel Tax Fund reported a surplus in the current year of \$681,036, due primarily due to property taxes exceeding planned expenditures in the current year.

The Debt Service Fund reported a deficit for the year of \$778,979, due mainly to transfers out of \$555,097 to the Water Fund.

The Economic Development Fund reported a surplus of \$31 for the year due to interest earnings in the current year.

The TIF I Dixie Square Fund reported a deficit for the year of \$76,886. This decrease was due to property taxes received during the year being lower than the current year expenditures.

The TIF II Center Street Fund had a surplus of \$862,515. This was due to property taxes and grants 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 Village 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 \$867,484, while the previous fiscal year reported a deficit of \$84,701. Unrestricted net position in the Water Fund totaled \$5,805,136 at April 30, 2014.

## CITY OF HARVEY, ILLINOIS

### Management's Discussion and Analysis April 30, 2014

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#### 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 \$21,478,769, compared to budgeted revenues of \$35,488,296. As stated earlier, revenues for taxes, charges for services, and miscellaneous revenues were significantly lower than budgeted.

The General Fund actual expenditures for the year were \$9,597,630 lower than budgeted (\$27,333,671 actual compared to \$36,931,301 budgeted). This is due mainly to the general government, public safety and public works functions being lower than budgeted.

#### 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, 2014 was \$10,389,046 (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 Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 227,134	227,134	608,738	608,738	835,872	835,872
Construction in Progress	491,076	124,108	-	-	491,076	124,108
Buildings and Property	1,113,701	1,157,566	778,573	807,758	1,892,274	1,965,324
Machinery and Equipment	589,452	687,830	43,311	74,491	632,763	762,321
Vehicles	552,503	585,474	-	-	552,503	585,474
Infrastructure	-	-	5,984,558	6,481,038	5,984,558	6,481,038
Total	2,973,866	2,782,112	7,415,180	7,972,025	10,389,046	10,754,137

This year's major additions included:

Construction in Progress	\$ 366,968
Buildings and Property	11,200
Machinery and Equipment	17,500
Vehicles	<u>116,581</u>
	<u>512,249</u>

Additional information on the City of Harvey's capital assets can be found in note 3 on pages 37-38 of this report.

## CITY OF HARVEY, ILLINOIS

### Management's Discussion and Analysis April 30, 2014

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#### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

##### Debt Administration

At year-end, the City of Harvey had total outstanding debt of \$48,898,824 as compared to \$50,489,841 the previous year, due to annual repayments on outstanding long-term debt. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 29,575,750	30,019,500	6,979,250	7,255,500	36,555,000	37,275,000
General Obligation Refunding						
Capital Appreciation Bonds	301,380	467,397	-	-	301,380	467,397
Tax Increment Financing						
Revenue Bonds	10,695,000	11,400,000	-	-	10,695,000	11,400,000
Demand Bonds	-		1,347,444	1,347,444	1,347,444	1,347,444
Total	40,572,130	41,886,897	8,326,694	8,602,944	48,898,824	50,489,841

Additional information on the City of Harvey's long-term debt can be found in Note 3 on pages 40-45 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 2015 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, 2014**

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**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Statement of Net Position  
April 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 15,171,075	-	15,171,075
Receivables - Net of Allowances	15,334,411	2,044,911	17,379,322
Due from Other Governments	1,115,735	-	1,115,735
Internal Balances	(28,105,354)	28,105,354	-
Inventories/Prepays	155,647	-	155,647
Total Current Assets	3,671,514	30,150,265	33,821,779
Noncurrent Assets			
Capital Assets			
Nondepreciable	718,210	608,738	1,326,948
Depreciable	17,990,193	24,938,939	42,929,132
Accumulated Depreciation	(15,734,537)	(18,132,497)	(33,867,034)
Total Noncurrent Assets	2,973,866	7,415,180	10,389,046
Total Assets	6,645,380	37,565,445	44,210,825

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



	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 3,043,989	20,337,307	23,381,296
Accrued Payroll	602,817	43,607	646,424
Accrued Interest Payable	1,017,092	139,024	1,156,116
Deposits Payable	881,296	456,543	1,337,839
Checks Paid Exceeding Cash	4,013,852	-	4,013,852
Due to Other Governments	179,991	-	179,991
Other Payables	36,226	-	36,226
Current Portion of Long-Term Debt	2,312,195	410,019	2,722,214
Total Current Liabilities	12,087,458	21,386,500	33,473,958
Noncurrent Liabilities			
Compensated Absences Payable	1,798,779	86,277	1,885,056
Net Pension Obligation Payable	20,454,903	-	20,454,903
Self Insurance Claims Payable	4,733,581	-	4,733,581
Settlement Installment Payable	861,042	-	861,042
Demand Bonds	-	1,251,494	1,251,494
General Obligation Bonds Payable - Net	29,254,578	6,713,166	35,967,744
Revenues Bonds Payable	9,950,000	-	9,950,000
Capital Appreciation Bonds Payable	145,701	-	145,701
Accretion - Capital Appreciation Bonds Payable	122,963	-	122,963
Total Noncurrent Liabilities	67,321,547	8,050,937	75,372,484
Total Liabilities	79,409,005	29,437,437	108,846,442
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	12,584,357	-	12,584,357
Total Liabilities and Deferred Inflows of Resources	91,993,362	29,437,437	121,430,799
<b>NET POSITION</b>			
Net Investment in Capital Assets	(19,899,592)	1,756,958	(18,142,634)
Restricted			
Grant	14,525	-	14,525
Public Safety	4,456,454	-	4,456,454
Capital Projects	10,814,493	-	10,814,493
Unrestricted (Deficit)	(80,733,862)	6,371,050	(74,362,812)
Total Net Position	(85,347,982)	8,128,008	(77,219,974)

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, 2014

		Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
	Expenses			
Governmental Activities				
General Government	\$ 12,023,831	2,468,838	666,559	169,572
Public Safety	13,960,444	655,129	-	-
Public Works	6,421,946	314,560	789,011	-
Community Development	298,323	59,090	1,270,692	-
Interest on Long-Term Debt	2,758,023	-	-	-
Total Governmental Activities	35,462,567	3,497,617	2,726,262	169,572
Business-Type Activities				
Water	13,107,169	11,669,226	-	-
Pace Bus Terminal Parking	31,740	50,536	-	-
Metra Lot	106,994	101,404	-	-
Commuter Parking Lot	115,841	39,812	-	-
Sewer	244,527	194,435	-	-
Total Business-Type Activities	13,606,271	12,055,413	-	-
Total Primary Government	49,068,838	15,553,030	2,726,262	169,572

### 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 as Restated

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
(8,718,862)	-	(8,718,862)
(13,305,315)	-	(13,305,315)
(5,318,375)	-	(5,318,375)
1,031,459	-	1,031,459
(2,758,023)	-	(2,758,023)
(29,069,116)	-	(29,069,116)

-	(1,437,943)	(1,437,943)
-	18,796	18,796
-	(5,590)	(5,590)
-	(76,029)	(76,029)
-	(50,092)	(50,092)
-	(1,550,858)	(1,550,858)
(29,069,116)	(1,550,858)	(30,619,974)

13,657,631	-	13,657,631
1,420,047	-	1,420,047
658,690	-	658,690
315,508	-	315,508
2,250,908	-	2,250,908
2,410,167	-	2,410,167
442,704	-	442,704
740,965	-	740,965
7,323	5,843	13,166
384,928	15,155	400,083
(555,097)	555,097	-
21,733,774	576,095	22,309,869
(7,335,342)	(974,763)	(8,310,105)
(78,012,640)	9,102,771	(68,909,869)
(85,347,982)	8,128,008	(77,219,974)

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

# CITY OF HARVEY, ILLINOIS

## Balance Sheet - Governmental Funds April 30, 2014

	General	Special Revenue Motor Fuel Tax	Debt Service
<b>ASSETS</b>			
Cash and Investments	\$ -	3,334,148	-
Receivables - Net of Allowances			
Taxes	11,594,163	46,609	3,227,025
Accounts	366,168	-	-
Other	100,446	-	-
Due from Other Governments	36,973	-	-
Advances to Other Funds	225,875	794,818	1,469,993
Inventories	12,000	-	-
Prepays	143,647	-	-
Total Assets	12,479,272	4,175,575	4,697,018
<b>LIABILITIES</b>			
Accounts Payable	551,982	-	-
Accrued Payroll	602,817	-	-
Deposits Payable	881,296	-	-
Checks Paid Exceeding Cash	4,013,852	-	-
Due to Other Governments	179,991	-	-
Advances from Other Funds	33,079,167	-	1,398,564
Other Payables	36,226	-	-
Total Liabilities	39,345,331	-	1,398,564
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	9,357,465	-	3,226,892
Total Liabilities and Deferred Inflows of Resources	48,702,796	-	4,625,456
<b>FUND BALANCES</b>			
Nonspendable	155,647	-	-
Restricted	83,679	4,175,575	71,562
Assigned	-	-	-
Unassigned	(36,462,850)	-	-
Total Fund Balances	(36,223,524)	4,175,575	71,562
Total Liabilities, Deferred Inflows of Resources and Fund Balances	12,479,272	4,175,575	4,697,018

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

Capital Projects				
Economic Development	TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
1,878,785	3,312,087	5,182,190	1,463,865	15,171,075
-	-	-	-	14,867,797
-	-	-	-	366,168
-	-	-	-	100,446
300,370	-	268,638	509,754	1,115,735
253,505	557,000	987,000	1,388,892	5,677,083
-	-	-	-	12,000
-	-	-	-	143,647
2,432,660	3,869,087	6,437,828	3,362,511	37,453,951
-	-	268,638	547,570	1,368,190
-	-	-	-	602,817
-	-	-	-	881,296
-	-	-	-	4,013,852
-	-	-	-	179,991
-	-	725,000	255,505	35,458,236
-	-	-	-	36,226
-	-	993,638	803,075	42,540,608
-	-	-	-	12,584,357
-	-	993,638	803,075	55,124,965
-	-	-	-	155,647
-	3,869,087	5,444,190	2,212,941	15,857,034
2,432,660	-	-	346,495	2,779,155
-	-	-	-	(36,462,850)
2,432,660	3,869,087	5,444,190	2,559,436	(17,671,014)
2,432,660	3,869,087	6,437,828	3,362,511	37,453,951

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, 2014**

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<b>Total Governmental Fund Balances</b>	<b>\$ (17,671,014)</b>
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.	2,973,866
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest Payable	(1,017,092)
Compensated Absences Payable	(2,248,474)
Net Pension Obligation Payable	(20,454,903)
Self Insurance Claims Payable	(4,733,581)
Settlement Installment Payable	(861,042)
General Obligation Bonds Payable - Net	(30,072,078)
General Obligation Refunding Capital Appreciation Bonds Payable	(568,664)
Revenue Bonds Payable	<u>(10,695,000)</u>
<b>Net Position of Governmental Activities</b>	<b><u>(85,347,982)</u></b>

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, 2014**

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**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, 2014**

	General	Special Revenue Motor Fuel Tax	Debt Service
Revenues			
Taxes	\$ 11,247,808	-	2,362,048
Licenses and Permits	708,347	-	-
Intergovernmental	6,511,303	754,437	-
Charges for Services	2,100,113	-	-
Fines and Forfeits	524,402	-	-
Interest	5,715	15	27
Miscellaneous	381,081	-	-
Total Revenues	21,478,769	754,452	2,362,075
Expenditures			
Current			
General Government	10,919,715	-	3,350
Public Safety	10,332,372	-	-
Public Works	5,715,248	73,416	-
Community Development	298,323	-	-
Capital Outlay	68,013	-	-
Debt Service			
Principal Retirement	-	-	743,750
Interest and Fiscal Charges	-	-	1,838,857
Total Expenditures	27,333,671	73,416	2,585,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,854,902)	681,036	(223,882)
Other Financing Sources (Uses)			
Disposal of Capital Assets	234,352	-	-
Transfers In	-	-	-
Transfers Out	(581,852)	-	(555,097)
	(347,500)	-	(555,097)
Net Change in Fund Balances	(6,202,402)	681,036	(778,979)
Fund Balances - Beginning	(30,021,122)	3,494,539	850,541
Fund Balances - Ending	(36,223,524)	4,175,575	71,562

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



Capital Projects				
Economic Development	TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
-	472,832	1,866,853	102,335	16,051,876
-	-	-	-	708,347
169,572	-	268,638	1,036,628	8,740,578
-	-	-	164,755	2,264,868
-	-	-	-	524,402
48	282	200	1,036	7,323
(7)	-	3,854	-	384,928
169,613	473,114	2,139,545	1,304,754	28,682,322
-	-	-	-	10,923,065
-	-	-	-	10,332,372
-	-	-	535,778	6,324,442
-	-	-	-	298,323
169,582	550,000	319,760	1,086,851	2,194,206
-	-	510,000	195,000	1,448,750
-	-	447,270	361,109	2,647,236
169,582	550,000	1,277,030	2,178,738	34,168,394
31	(76,886)	862,515	(873,984)	(5,486,072)
-	-	-	-	234,352
-	-	-	581,852	581,852
-	-	-	-	(1,136,949)
-	-	-	581,852	(320,745)
31	(76,886)	862,515	(292,132)	(5,806,817)
2,432,629	3,945,973	4,581,675	2,851,568	(11,864,197)
2,432,660	3,869,087	5,444,190	2,559,436	(17,671,014)

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, 2014**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (5,806,817)</b>
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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	512,249
Depreciation Expense	(320,495)

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.

Additions to Compensated Absences Payable	(88,468)
Additions to Net Pension Obligation Payable	(3,442,717)
Deductions to Self Insurance Claims	472,943
Additions to Accretion - General Obligation Capital Appreciation Bonds	(37,507)
Retirement of Debt	1,475,462
Amortization of Debt Related Items	(127,834)

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.

27,842
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<b>Changes in Net Position of Governmental Activities</b>	<b><u>(7,335,342)</u></b>
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# CITY OF HARVEY, ILLINOIS

## Statement of Net Position - Proprietary Funds April 30, 2014

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ -	-	-
Receivables - Net of Allowances			
Customer Billings	1,073,466	66,989	1,140,455
Unbilled Services	889,643	14,813	904,456
Advances to Other Funds	28,294,748	2,306,844	30,601,592
Total Current Assets	30,257,857	2,388,646	32,646,503
Noncurrent Assets			
Capital Assets			
Nondepreciable	126,488	482,250	608,738
Depreciable	17,773,521	7,165,418	24,938,939
Accumulated Depreciation	(11,474,208)	(6,658,289)	(18,132,497)
Total Noncurrent Assets	6,425,801	989,379	7,415,180
Total Assets	36,683,658	3,378,025	40,061,683
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	19,570,354	766,953	20,337,307
Accrued Payroll	32,235	11,372	43,607
Accrued Interest Payable	139,024	-	139,024
Deposits Payable	456,543	-	456,543
Advances from Other Funds	1,469,993	1,026,245	2,496,238
Current Portion of Long-Term Debt	406,387	3,632	410,019
Total Current Liabilities	22,074,536	1,808,202	23,882,738
Noncurrent Liabilities			
Compensated Absences Payable	71,747	14,530	86,277
Demand Bonds	1,251,494	-	1,251,494
General Obligation Bonds Payable - Net	6,713,166	-	6,713,166
Total Noncurrent Liabilities	8,036,407	14,530	8,050,937
Total Liabilities	30,110,943	1,822,732	31,933,675
<b>NET POSITION</b>			
Net Investment in Capital Assets	767,579	989,379	1,756,958
Unrestricted	5,805,136	565,914	6,371,050
Total Net Position	6,572,715	1,555,293	8,128,008

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

**CITY OF HARVEY, ILLINOIS**

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For the Fiscal Year Ended April 30, 2014**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 11,669,226	386,187	12,055,413
Miscellaneous	15,155	-	15,155
Total Operating Revenues	11,684,381	386,187	12,070,568
Operating Expenses			
Operations	12,339,928	333,889	12,673,817
Depreciation and Amortization	387,024	165,213	552,237
Total Operating Expenses	12,726,952	499,102	13,226,054
Operating Income (Loss)	(1,042,571)	(112,915)	(1,155,486)
Nonoperating Revenues (Expenses)			
Interest Income	207	5,636	5,843
Interest Expense	(380,217)	-	(380,217)
	(380,010)	5,636	(374,374)
Income (Loss) Before Transfers	(1,422,581)	(107,279)	(1,529,860)
Transfers In	555,097	-	555,097
Change in Net Position	(867,484)	(107,279)	(974,763)
Net Position - Beginning	7,440,199	1,662,572	9,102,771
Net Position - Ending	6,572,715	1,555,293	8,128,008

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, 2014

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 5,227,777	401,248	5,629,025
Payments to Employees	(608,164)	(161,509)	(769,673)
Payments to Suppliers	(4,518,450)	(245,375)	(4,763,825)
	101,163	(5,636)	95,527
Cash Flows from Noncapital Financing Activities			
Transfers In	555,097	-	555,097
Cash Flows from Capital and Related Financing Activities			
Principal Retirement	(276,250)	-	(276,250)
Interest Payments	(380,217)	-	(380,217)
	(656,467)	-	(656,467)
Cash Flows from Investing Activities			
Interest Received	207	5,636	5,843
Net Change in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning	-	-	-
Cash and Cash Equivalents - Ending	-	-	-
Reconciliation of Operating Income to Net Cash Provided			
(Used) by Operating Activities			
Operating Income (Loss)	(1,042,571)	(112,915)	(1,155,486)
Adjustments to Reconcile Operating Income to Net Income to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expense	387,024	165,213	552,237
(Increase) Decrease in Current Assets	(6,456,604)	15,061	(6,441,543)
Increase (Decrease) in Current Liabilities	7,213,314	(72,995)	7,140,319
Net Cash Provided by Operating Activities	101,163	(5,636)	95,527

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

**CITY OF HARVEY, ILLINOIS**

**Statement of Fiduciary Net Position  
April 30, 2014**

	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 695,404
Investments	
U.S. Treasuries	3,058,234
U.S. Agencies	2,875,194
Corporate Bonds	2,615,893
Common Stock	3,133,371
Equity Securities	1,841,221
Equity Mutual Funds	13,268,114
Money Market Mutual Funds	582,043
Receivables	
Accrued Interest	78,823
Due from Other Funds	1,675,799
Reserve Uncollectible - Interfund	(1,675,799)
Prepays	<u>15,597</u>
Total Assets	28,163,894
<b>LIABILITIES</b>	
Accounts Payable	<u>20,978</u>
<b>NET POSITION</b>	
Net Position Restricted for Pensions	<u><u>28,142,916</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, 2014**

	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 239,631
Contributions - Plan Members	<u>644,914</u>
Total Contributions	<u>884,545</u>
Investment Income	
Interest Earned	2,658,417
Net Change in Fair Value	<u>(169,627)</u>
	2,488,790
Less Investment Expenses	<u>(154,805)</u>
Net Investment Income	<u>2,333,985</u>
Total Additions	<u>3,218,530</u>
Deductions	
Administration	234,002
Benefits and Refunds	<u>3,601,029</u>
Total Deductions	<u>3,835,031</u>
Change in Fiduciary Net Position	(616,501)
Net Position Restricted for Pensions	
Beginning	<u>28,759,417</u>
Ending	<u><u>28,142,916</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, 2014**

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Harvey, Illinois (the City) 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, 2014**

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#### **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, 2014**

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#### **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, 2014

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#### 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 two special revenue funds. 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, 2014**

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#### **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 fourteen capital projects funds. The Economic Development 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 five 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, 2014**

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#### **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, 2014**

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#### **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, 2014**

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#### **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 reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

##### **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, 2014**

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### **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 are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market 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, 2014**

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#### **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 of net position that applies to a future period and therefore will not be recognized as an outflow or 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, 2014**

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#### **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, Economic Development, TIF I Dixie Square, TIF II Center Street, 911 Emergency Surcharge Tax, Community Development, TIF III Cresco Business Park, Water, Pace Bus Terminal Parking, Metra Lot, 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.

##### **DEFICIT FUND BALANCE**

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

<u>Fund</u>	<u>Deficit</u>
General	\$ (36,223,524)

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continued

##### EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

The following fund had an excess of actual expenditures/expenses, exclusive of depreciation, over budget as of the date of this report:

Fund	Excess
911 Emergency Surcharge Tax	\$ 242,963
TIF I Dixie Square	200,000
TIF II Center Street	772,030
Community Development	244,874
TIF III Cresco Business Park	251,478
Water	3,160,888
Pace Bus Terminal Parking	21,740
Commuter Parking Lot	19,183

#### 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.

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.

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.

The deposits and investments of the Pension Fund 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

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

##### DEPOSITS AND INVESTMENTS – Continued

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.

##### **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 \$10,936,454 and the bank balances totaled \$12,094,906. In addition, the City has \$220,769 invested in IMET at year-end.

*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 less than 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.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### DEPOSITS AND INVESTMENTS – Continued

##### City Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

*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, \$9,024,349 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.

##### 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 \$437,809 and the bank balances totaled \$437,809.

*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	\$ 2,366,316	-	1,315,464	1,050,852	-
U.S. Agencies	1,861,256	-	1,233,756	331,898	295,602
Corporate Bonds	943,807	70,209	873,598	-	-
Illinois Funds	100,294	100,294	-	-	-
	5,271,673	170,503	3,422,818	1,382,750	295,602

*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 AAAM by Standard & Poor's. The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's or by Moody's Investor Services or were small issues that were unrated. Corporate Bonds' ratings are unavailable.

*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, 2014, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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.* 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 \$7,824,014 invested in equity mutual funds and \$3,133,371 invested in common stock. At April 30, 2014, the Fund has over 5% of plan net position (other than U.S. Government guaranteed obligations) invested in Vanguard Total Stock Signal Mutual Funds of \$1,185,880.

##### 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 \$157,301 and the bank balances totaled \$157,301.

*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	\$ 691,918	-	343,881	204,497	143,540
U.S. Agencies	1,013,938	-	293,293	39,438	681,207
Corporate Bonds	1,672,086	-	426,085	933,662	312,339
Money Market Mutual Funds	582,043	582,043	-	-	-
	3,959,985	582,043	1,063,259	1,177,597	1,137,086

*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 Pension 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. governmental agencies were all rated triple A by Standard & Poor's or by Moody's Investors Services or were small issues that were unrated. Unrated investments are listed in the following table.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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	Par Value	Interest Rate	Maturity Date
Federal Home Loan Mortgage Corp.	\$ 11,812	3.500%	July 1, 2032
Federal Home Loan Mortgage Corp.	8,976	4.500%	March 1, 2034
Federal Home Loan Mortgage Corp.	9,383	5.500%	August 1, 2035
Federal Home Loan Mortgage Corp.	10,971	6.500%	August 1, 2036
Federal Home Loan Mortgage Corp.	26,832	6.500%	September 1, 2036
Federal Home Loan Mortgage Corp.	8,372	6.500%	September 1, 2036
Federal Home Loan Mortgage Corp.	12,052	6.000%	November 1, 2036
Federal Home Loan Mortgage Corp.	5,771	6.000%	November 1, 2036
Federal Home Loan Mortgage Corp.	4,369	6.000%	March 1, 2037
Federal Home Loan Mortgage Corp.	2,348	6.000%	August 1, 2037
Federal Home Loan Mortgage Corp.	5,264	6.500%	November 1, 2037
Federal Home Loan Mortgage Corp.	4,580	5.500%	May 1, 2038
Federal Home Loan Mortgage Corp.	10,393	5.000%	September 1, 2038
Federal Home Loan Mortgage Corp.	11,988	5.000%	February 1, 2039
Federal Home Loan Mortgage Corp.	5,818	4.500%	April 1, 2039
Federal National Mortgage Assoc.	35,000	0.000%	October 9, 2019
Federal National Mortgage Assoc.	18,312	4.500%	April 1, 2031
Federal National Mortgage Assoc.	18,290	4.500%	July 1, 2031
Federal National Mortgage Assoc.	12,270	3.500%	July 1, 2032
Federal National Mortgage Assoc.	5,677	3.500%	August 1, 2032
Federal National Mortgage Assoc.	7,574	4.000%	September 1, 2033
Federal National Mortgage Assoc.	39,459	4.000%	October 1, 2033
Federal National Mortgage Assoc.	1,126	5.500%	July 1, 2036
Federal National Mortgage Assoc.	31,409	6.000%	July 1, 2036
Federal National Mortgage Assoc.	45,606	6.500%	August 1, 2036
Federal National Mortgage Assoc.	7,802	6.000%	October 1, 2036
Federal National Mortgage Assoc.	4,368	5.500%	November 1, 2036
Federal National Mortgage Assoc.	2,669	6.000%	November 1, 2036
Federal National Mortgage Assoc.	716	5.500%	November 1, 2036
Federal National Mortgage Assoc.	1,591	5.500%	December 1, 2036
Federal National Mortgage Assoc.	1,085	6.000%	December 1, 2036
Federal National Mortgage Assoc.	13,719	6.000%	January 1, 2037

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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	Par Value	Interest Rate	Maturity Date
Federal National Mortgage Assoc.	12,091	6.000%	April 1, 2037
Federal National Mortgage Assoc.	2,195	6.000%	September 1, 2037
Federal National Mortgage Assoc.	2,871	6.500%	January 1, 2038
Federal National Mortgage Assoc.	5,946	6.000%	January 1, 2038
Federal National Mortgage Assoc.	7,310	5.000%	May 1, 2038
Federal National Mortgage Assoc.	15,281	5.000%	April 1, 2039
Federal National Mortgage Assoc.	17,863	4.500%	July 1, 2039
Federal National Mortgage Assoc.	62,811	5.500%	February 1, 2040
Federal National Mortgage Assoc.	45,641	5.000%	June 1, 2040
Federal National Mortgage Assoc.	8,210	4.000%	December 1, 2040
Federal National Mortgage Assoc.	4,307	4.500%	April 1, 2041
Federal National Mortgage Assoc.	10,917	4.500%	June 1, 2041
Federal National Mortgage Assoc.	41,483	5.000%	October 1, 2041
Federal National Mortgage Assoc.	16,562	4.000%	June 1, 2042
Federal National Mortgage Assoc.	7,041	4.500%	June 1, 2042
Cincinnati Bell Inc. Corporate Note	6,000	8.750%	March 15, 2018
Atlantic Power Corp. Corporate Note	4,000	9.000%	November 15, 2018
Del Monte Corp. Corporate Note	8,000	7.625%	February 15, 2019
Reynolds Group Issues Corporate Bond	10,000	9.000%	April 15, 2019
Community Health Systems Corporate Bond	7,000	8.000%	November 15, 2019
HCA Incorporate Corporate Note	3,000	6.500%	February 15, 2020
Clear Channel Inc. Corporate Bond	9,000	7.625%	March 15, 2020
Hexion US Financial Corporate Note	3,000	6.625%	April 15, 2020
Advanced Micro Devices Corporate Bond	4,000	7.750%	August 1, 2020
CCO Holdings LLC Corporate Bond	5,000	6.500%	April 30, 2021
MGM Resorts International Corporate Bond	6,000	6.625%	December 15, 2021
CenturyLink Inc. Corporate Bond	4,000	5.800%	March 15, 2022
United Air Corporate Bond	15,000	4.000%	October 11, 2027

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."



# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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

*Custodial Credit Risk - Deposits.* At April 30, 2014, the entire amount of the bank balance of deposits was covered by federal depository or equivalent insurance. The Fund's investment policy requires pledging of collateral with a fair value of all bank balances in excess of federal depository insurance.

*Custodial Credit Risk – Investments.* Money market mutual funds and equity mutual funds are not subject to custodial credit risk disclosures. The Fund limits its exposure to custodial credit risk by utilizing an independent third party institution, selected by the Fund, to act as custodial for its securities and collateral.

*Concentration Risk.* At April 30, 2014, the Fund does not have any investments over 5% of plan net position (other than U.S. Government guaranteed obligations). In addition to the securities and fair values listed above, the Fund also has \$1,841,221 invested in equity securities and \$5,444,100 invested in equity mutual funds. Agency investments represent a large portion of the portfolio; however, the investments are diversified by maturity date and as mentioned earlier, are back 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 Fund's investment policy has a stated target that 35 percent of its portfolio be in fixed income securities and 65 percent in equities. The Pension Board has diversified its equity mutual fund holdings as follows:

Investment	Par Value
Guggenheim Multi-Asset Income Large Value ETF Fund	\$ 843,464
Miller Convertible Bond Fund	657,328
ALPS Alerian MLP ETF Fund	613,929
TCW Emerging Markets Income Bond Fund	595,799
First Trust Senior Loan ETF Fund	573,388
iShares MSCI ETF Funds	454,788
iShares Russell 1000 Large Growth ETF Fund	360,256
Vanguard Extended Market Index ETF Fund	288,170
First Eagle Overseas Large Blend Mutual Fund	268,812
iShares iBoxx High Yield Corporate Bond Fund	161,699
MFS International New Discovery Small-Mid Growth Fund	158,781
PowerShares DWA Emerging Markets ETF Fund	140,857
iShares 20+ Year Treasury Bond ETF Fund	132,764
Eaton Vance Tax-Managed Global ETF	96,023
iShares US Preferred Stock ETF Fund	66,642
Global X Uranium ETF Fund	14,424
iShares Russell 2000 Small Cap Blend ETF Fund	12,878
Alliance Resource Partners LP ETF Fund	4,098
	<u>5,444,100</u>

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### PROPERTY TAXES

Property taxes for 2013 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	124,108	366,968	-	491,076
	<u>351,242</u>	<u>366,968</u>	<u>-</u>	<u>718,210</u>
Depreciable Capital Assets				
Buildings and Property	7,438,346	11,200	-	7,449,546
Machinery and Equipment	4,011,739	17,500	-	4,029,239
Vehicles	6,394,827	116,581	-	6,511,408
	<u>17,844,912</u>	<u>145,281</u>	<u>-</u>	<u>17,990,193</u>
Less Accumulated Depreciation				
Buildings and Property	6,280,780	55,065	-	6,335,845
Machinery and Equipment	3,323,909	115,878	-	3,439,787
Vehicles	5,809,353	149,552	-	5,958,905
	<u>15,414,042</u>	<u>320,495</u>	<u>-</u>	<u>15,734,537</u>
Total Net Depreciable Capital Assets	<u>2,430,870</u>	<u>(175,214)</u>	<u>-</u>	<u>2,255,656</u>
Total Net Capital Assets	<u>2,782,112</u>	<u>191,754</u>	<u>-</u>	<u>2,973,866</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 139,149
Public Safety	117,342
Public Works	<u>64,004</u>
	<u>320,495</u>

**CITY OF HARVEY, ILLINOIS****Notes to the Financial Statements  
April 30, 2014****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	1,355,791	-	-	1,355,791
Machinery and Equipment	2,168,056	-	-	2,168,056
Infrastructure	21,415,092	-	-	21,415,092
	<u>24,938,939</u>	-	-	<u>24,938,939</u>
Less Accumulated Depreciation				
Buildings and Property	548,033	29,185	-	577,218
Machinery and Equipment	2,093,565	31,180	-	2,124,745
Infrastructure	14,934,054	496,480	-	15,430,534
	<u>17,575,652</u>	<u>556,845</u>	-	<u>18,132,497</u>
Total Net Depreciable Capital Assets	<u>7,363,287</u>	<u>(556,845)</u>	-	<u>6,806,442</u>
Total Net Capital Assets	<u>7,972,025</u>	<u>(556,845)</u>	-	<u>7,415,180</u>

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

Water	\$ 391,632
Commuter Parking Lot	43,278
Sewer	<u>121,935</u>
	<u>556,845</u>

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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	TIF II Center Street	\$ 2,000
General	Nonmajor Governmental	2,000
General	Nonmajor Business-Type	221,875
Motor Fuel Tax	General	193,341
Motor Fuel Tax	Debt Service	561,477
Motor Fuel Tax	TIF II Center Street	40,000
Debt Service	Water	1,469,993
Economic Development	Nonmajor Governmental	253,505
TIF I Dixie Square	TIF II Center Street	557,000
TIF II Center Street	General	987,000
Nonmajor Governmental	General	1,262,892
Nonmajor Governmental	TIF II Center Street	126,000
Water	General	26,778,187
Water	Debt Service	837,087
Water	Nonmajor Business-Type	679,474
Nonmajor Business-Type	General	2,181,948
Nonmajor Business-Type	Nonmajor Business-Type	124,896
Police Pension	General	817,282
Firefighters' Pension	General	858,517
		<u>37,954,474</u>

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

##### Interfund Transfers

Transfers are used to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due. Interfund transfers for the year consisted of the following:

Transfers In	Transfers Out	Amount
Nonmajor Governmental	General	\$ 581,852
Water	Debt Service	<u>555,097</u>
		<u>1,136,949</u>

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### LONG-TERM DEBT

##### 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	\$ 2,530,000	-	-	2,530,000
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	1,214,500	-	148,750	1,065,750
	Water	2,255,500	-	276,250	1,979,250
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	9,000,000	-	295,000	8,705,000
		37,275,000	-	720,000	36,555,000

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### 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.	General	\$ 5,350,000	-	195,000	5,155,000
Tax Increment Allocation Revenue Bonds of 2009A, due in annual installments of \$420,000 to \$600,000 plus interest of 6.50% through December 1, 2014.	TIF II Center Street	1,050,000	-	510,000	540,000
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	5,000,000	-	-	5,000,000
		11,400,000	-	705,000	10,695,000

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

##### LONG-TERM DEBT – Continued

##### General Obligation Refunding Capital Appreciation Bonds

The City has issued general obligation refunding capital appreciation bonds for the acquisition and construction of major capital improvements. General obligation refunding capital appreciation bonds currently outstanding are as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Refunding Capital Appreciation Bonds of 2002A, due in annual installments of \$145,701 to \$166,017 plus interest of 5.30% to 5.50% through May 1, 2015.	Debt Service	\$ 467,397	-	166,017	301,380

##### 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, 2014 is \$1,347,444.

##### 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, 2014

### 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 as Restated	Additions	Deductions	Ending Balances	Amounts Due within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 2,160,006	176,936	88,468	2,248,474	449,695
Net Pension Obligation	17,012,186	3,442,717	-	20,454,903	-
Settlement Installment Payable	861,042	-	-	861,042	-
Self Insurance Claims	5,206,524	1,716,586	2,189,529	4,733,581	-
General Obligation Bonds	30,019,500	-	443,750	29,575,750	817,500
Plus/Less Unamortized Items:					
Premium	523,040	-	26,712	496,328	-
General Obligation Refunding					
Capital Appreciation Bonds	467,397	-	166,017	301,380	155,679
Accretion - General Obligation					
Refunding Capital					
Appreciation Bonds	363,760	37,507	133,983	267,284	144,321
Revenue Bonds	11,400,000	-	705,000	10,695,000	745,000
	<u>68,013,455</u>	<u>5,373,746</u>	<u>3,753,459</u>	<u>69,633,742</u>	<u>2,312,195</u>
<b>Business-Type Activities</b>					
Compensated Absences	101,959	11,774	5,887	107,846	21,569
General Obligation Bonds	7,255,500	-	276,250	6,979,250	292,500
Plus Unamortized Items:					
Premium	31,024	-	4,608	26,416	-
Demand Bonds	1,347,444	-	-	1,347,444	95,950
	<u>8,735,927</u>	<u>11,774</u>	<u>286,745</u>	<u>8,460,956</u>	<u>410,019</u>

For the governmental activities, the compensated absences and the net pension obligation are generally liquidated by the General Fund. The general obligation bonds, general obligation refunding capital appreciation bonds, and tax increment financing revenue bonds are being paid by the Debt Service, TIF II Center Street and Hotel/Motel Funds.

For the business-type activities, the Water, Metra Lot and Sewer Funds liquidate the compensated absences. The Water Fund makes payments on the general obligation bonds and the demand bonds.



**CITY OF HARVEY, ILLINOIS****Notes to the Financial Statements  
April 30, 2014****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					
	General Obligation Bonds		Revenue Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 817,500	1,810,404	745,000	757,459	300,000	-
2016	861,250	1,754,679	1,080,000	707,750	300,000	-
2017	1,213,250	1,695,978	1,160,000	627,610	-	-
2018	1,292,000	1,619,227	1,250,000	541,392	-	-
2019	1,159,000	1,536,901	1,340,000	448,719	-	-
2020	1,232,750	1,461,210	1,440,000	349,219	-	-
2021	1,543,176	1,380,002	310,000	242,344	-	-
2022	1,731,751	1,278,814	330,000	220,344	-	-
2023	1,845,527	1,165,507	355,000	196,797	-	-
2024	1,520,426	1,044,682	375,000	171,703	-	-
2025	1,693,788	940,808	405,000	144,890	-	-
2026	1,504,534	818,962	430,000	116,187	-	-
2027	1,589,843	736,214	460,000	85,594	-	-
2028	1,675,151	648,772	490,000	52,938	-	-
2029	1,768,215	556,638	525,000	18,047	-	-
2030	1,869,035	457,176	-	-	-	-
2031	1,973,731	352,044	-	-	-	-
2032	2,082,306	241,030	-	-	-	-
2033	2,202,517	123,892	-	-	-	-
Total	29,575,750	19,622,940	10,695,000	4,680,993	600,000	-

**CITY OF HARVEY, ILLINOIS**

**Notes to the Financial Statements**  
**April 30, 2014**

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**NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued**

**LONG-TERM DEBT – Continued**

**Debt Service Requirements to Maturity – Continued**

Fiscal Year	Business-Type Activities	
	General Obligation	
	Bonds	
	Principal	Interest
2015	\$ 292,500	370,376
2016	308,750	355,751
2017	321,750	340,314
2018	338,000	326,479
2019	351,000	311,269
2020	367,250	295,473
2021	126,824	278,580
2022	158,249	271,606
2023	169,473	262,902
2024	179,574	253,580
2025	121,212	243,704
2026	435,466	237,038
2027	460,157	213,086
2028	484,849	187,778
2029	511,785	161,112
2030	540,965	132,324
2031	571,269	101,894
2032	602,694	69,760
2033	637,483	35,860
Total	6,979,250	4,448,886

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

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### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### LONG-TERM DEBT – Continued

#### NET POSITION/FUND BALANCES

#### Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2014:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 2,973,866
Less Capital Related Debt:	
General Obligation Bonds of 2002B	(2,530,000)
General Obligation Refunding Bonds of 2002C	(1,065,750)
General Obligation Refunding Bonds of 2007A	(9,775,000)
General Obligation Refunding Bonds of 2007B	(8,705,000)
Unamortized Premium	(496,328)
General Obligation Refunding Capital Appreciation Bonds of 2002A	<u>(301,380)</u>
Net Investment in Capital Assets	<u><u>(19,899,592)</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	7,415,180
Plus Non Capital Debt	1,347,444
Less Capital Related Debt:	
General Obligation Refunding Bonds of 2002C	(1,979,250)
General Obligation Refunding Bonds of 2007A	(5,000,000)
Unamortized Premium	<u>(26,416)</u>
Net Investment in Capital Assets	<u><u>1,756,958</u></u>

#### Net Position Restatement

Beginning net position was restated to correct the prior year net pension obligation for the Police Pension Fund. In 2014, the City employed Lauterbach & Amen, LLP which utilized the Foster & Foster actuary report from the pension litigation. This resulted in a significant change in the beginning balance of the net pension obligation. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	(Decrease)
Governmental Activities	\$ (72,774,140)	(78,012,640)	(5,238,500)

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

#### NET POSITION/FUND BALANCES – Continued

##### 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.

**Assigned Fund Balance.** The City reports assigned fund balance in the Economic Development, a major fund and in the Road fund, a nonmajor fund. The City's management, under authority of the Council, has assigned these funds to future improvement projects and equipment and vehicle purchases based on approved management expenditures as determined through the annual budget process.

	General	Special Revenue Motor Fuel Tax	Debt Service	Economic Development	Capital Projects TIF I Dixie Square	TIF II Center Street	Nonmajor	Totals
Fund Balances								
Nonspendable								
Inventories	\$ 12,000	-	-	-	-	-	-	12,000
Prepays	143,647	-	-	-	-	-	-	143,647
	155,647	-	-	-	-	-	-	155,647
Restricted								
Grant	14,525	-	-	-	-	-	-	14,525
Public Safety	69,154	4,175,575	-	-	-	-	211,725	4,456,454
Capital Projects	-	-	-	-	3,869,087	4,944,190	2,001,216	10,814,493
Debt Service	-	-	71,562	-	-	500,000	-	571,562
	83,679	4,175,575	71,562	-	3,869,087	5,444,190	2,212,941	15,857,034
Assigned								
Capital Projects	-	-	-	2,432,660	-	-	346,495	2,779,155
Unassigned	(36,462,850)	-	-	-	-	-	-	(36,462,850)
Total Fund Balances	(36,223,524)	4,175,575	71,562	2,432,660	3,869,087	5,444,190	2,559,436	(17,671,014)

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **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 will be repaid with property taxes levied.

Due to SSJAWA not being deemed feasible by the bank, the bonds have been recorded as a long-term liability in Water Fund of \$1,347,444 (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, 2014 is \$1,347,444.

##### **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 is done by an independent administrator.

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### 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, 2014 the amount of these liabilities total \$4,733,581 which is the City's best estimate based on available information. Changes in the reported liability since April 30, 2014 resulted in the following:

Claims Payable - April 30, 2012	\$ 2,864,461
Incurred Claims	4,515,719
Claims Paid	<u>(2,173,656)</u>
Claims Payable - April 30, 2013	5,206,524
Incurred Claims	1,716,586
Claims Paid	<u>(2,189,529)</u>
Claims Payable - April 30, 2014	<u><u>4,733,581</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 dictates 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, 2014**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **CONTINGENT LIABILITIES – Continued**

##### **Litigation – Continued**

##### **City of Chicago vs. City of Harvey – Continued**

The outstanding balance owed from the City to Chicago will be recorded as a current liability in the Water Fund until the date of the settlement. Upon the date of the settlement, the amount will be considered a long-term liability of the Water Fund and paid in accordance with the settlement. Any current invoices after the date of the settlement that are outstanding will be recorded as a current liability. As of the fiscal year ended April 30, 2014, the current liability outstanding from the City to Chicago is \$19,477,071.

##### **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.

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **CONTINGENT LIABILITIES – Continued**

##### **Litigation – Continued**

##### **City of Harvey Board of Trustees of the Firefighters' Pension Fund v. City of Harvey, Case Nos. 10 CH 53364 & 93 CH 1459, Circuit Court of Cook County, Illinois.**

In 1993, the Firefighters' Pension sued the City, alleging that the City failed to adequately fund the Firefighters' Pension in prior years in violation of the Illinois Pension Code. In 1995, the parties entered into a settlement agreement, which required the City to pay \$912,652 to the Firefighters' Pension for the property taxes levied or personal property replacement taxes received on behalf of the Firefighters' Pension. On December 17, 2010, the Firefighters' Pension filed another lawsuit, alleging that the City failed to levy and fund the Firefighters' Pension as required by the Illinois Pension Code and filed a motion to compel enforcement of the 1995 settlement agreement.

After the preliminary ruling on June 25, 2015, on September 22, 2015, the Court issued its final judgment ruled in favor of the Firefighters' Pension and reached a judgment that the City owes the Firefighters' Pension an amount of \$12,376,489 plus 6% interest. The interest begins to accrue on the final judgment date. The judgment from the Court includes the following: (1) \$11,561,117 owed due to the City's failure to levy or failure to levy an amount sufficient to cover the actuarial required contributions from the 2005 to 2013 levies; (2) \$809,952 owed due to past personal property replacement tax collections that have been unpaid; and (3) \$5,480 owed for attorney fees and costs incurred by the Firefighters' Pension during the prosecution of this matter. On October 30, 2015, the City appealed the ruling. While the matter is appealed, execution of the judgment is customarily stayed pursuant to Illinois Supreme Court Rule 305(h) (i) because the City is a municipality. The Appellate Court trial began in January 2016. A ruling on the case is not expected to occur until late 2016.

A net pension obligation for the Firefighters' Pension has been recorded in the City's Government-Wide financial statements and the unfunded liability of the fund is disclosed in the financial statement footnotes (Note 4). The interfund balance for the outstanding personal property replacement taxes owed to the Firefighters' Pension is \$858,517 as of April 30, 2014. The Firefighters' Pension has recorded the interfund receivable and a corresponding reserve-uncollectible balance, due to the uncertainty of the payments from the City. No other liability has been recorded as it is uncertain how the Appellate Court will rule, and any unfavorable ruling against the City expects to appeal.



## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **CONTINGENT LIABILITIES – Continued**

##### **Litigation – Continued**

##### **Board of Trustees of the Harvey Police Pension Fund v. City of Harvey, Case No. 06 CH 15468, Circuit Court of Cook County, Illinois.**

On August 2, 2006, the Police Pension filed a complaint, alleging that the City failed to levy and distribute to the Police Pension statutorily required property taxes since the fiscal year ending April 30, 2002 in violation of the Illinois Pension Code. On February 18, 2008, the parties entered into a settlement agreement, which required Harvey to pay the then-past-due sum of \$551,080. On January 20, 2011, the Police Pension filed a motion to compel enforcement of the settlement agreement as the City had not paid the entire balance outstanding. In addition, the Police Pension alleged that the City has failed to levy or failed to levy an amount sufficient to cover the actuarial required contributions.

After the preliminary ruling on April 3, 2015, on September 28, 2015, the Court issued its final judgment ruled in favor of the Police Pension and reached a judgment that the City owes the Police Pension an amount of \$7,380,051, which includes \$45,869 of attorney fees and costs incurred by the Police Pension during the prosecution of this matter. On October 28, 2015, the City appealed the ruling. While the matter is appealed, execution of the judgment is customarily stayed pursuant to Illinois Supreme Court Rule 305(h) (i) because the City is a municipality. The Appellate Court trial began in February 2016. A ruling on the case is not expected to occur until late 2016.

A net pension obligation for the Police Pension has been recorded in the City's Government-Wide financial statements and the unfunded liability of the fund is disclosed in the financial statement footnotes (Note 4). The interfund balance between the Police Pension and the City's General Fund includes the beginning settlement balances, payments made from the City, and additional personal property replacement taxes owed to the Police Pension. The balance outstanding at April 30, 2014 is \$817,282. The Police Pension has recorded the interfund receivable and a corresponding reserve-uncollectible balance, due to the uncertainty of the payments from the City. No other liability has been recorded as it is uncertain how the Appellate Court will rule, and any unfavorable ruling against the City expects to appeal.

##### **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, 2014 is \$861,042.

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **CONTINGENT LIABILITIES – Continued**

###### **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](http://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.

###### **Plan Descriptions, Provisions and Funding Policies**

###### **Illinois Municipal Retirement System**

All employees (other than those covered by the Police and Firefighters' Pension plans) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Participating members hired before January 1, 2011 (Tier 1) who retire at or after age 60 (full benefits) or age 55 (reduced benefits) with 8 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. For participating members hired on or after January 1, 2011 (Tier 2) who retire at or after age 67 (full benefits) or age 62 (reduced benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Plan Descriptions, Provisions and Funding Policies – Continued

##### Illinois Municipal Retirement System – Continued

established by state statute. The City is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. For the calendar year 2013, the employer contribution rate used by the employer was equal to the employer annual required contribution rate of 6.69 percent.

##### Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At April 30, 2013, the date of the latest actuarial report, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	50
Current Employees	
Vested	49
Nonvested	-
	<u>99</u>

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

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more 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 pension shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly benefit of a police officer hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a police officer hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, but the lesser of 3% or  $\frac{1}{2}$  of the consumer price index.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

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### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Plan Descriptions, Provisions and Funding Policies – Continued

##### Police Pension Plan – Continued

Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is 90% funded.

##### Firefighters' Pension Fund

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn firefighter personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At April 30, 2014, the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	65
Current Employees	
Vested	38
Nonvested	<u>6</u>
	<u>109</u>

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

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank at the date of retirement.

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **NOTE 4 – OTHER INFORMATION – Continued**

##### **EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued**

##### **Plan Descriptions, Provisions and Funding Policies – Continued**

##### **Firefighters' Pension Plan – Continued**

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees hired before January 1, 2011, attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of  $\frac{1}{2}$  of the monthly salary attached to the rank held at the date of retirement. The pension shall be increased by  $\frac{1}{12}$  of 2.5% of such monthly salary for each additional month over 20 years of service through 30 years of service, to a maximum of 75% of such salary. Covered employees hired on or after January 1, 2011, attaining the age of 55 with at least 10 years of creditable service are entitled to receive an annual retirement benefit of 2.5% of final average salary for each year of service, with a maximum salary cap of \$106,800 as of January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a firefighter hired before January 1, 2011, who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter. The monthly pension of a firefighter hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 60, by the lesser of 3% or  $\frac{1}{2}$  of the consumer price index. Employees with at least 10 years but less than 20 years of creditable service may retire at or after age 60 and receive a reduced benefit.

Covered employees, if any, 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, including administrative costs, as actuarially determined by an enrolled actuary. By the year 2040 the City's contributions must accumulate to the point where the past service cost for the Firefighters' Pension Plan is 90% funded.

##### **Summary of Significant Accounting Policies and Plan Asset Matters**

##### **Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2014

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#### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

#### Summary of Significant Accounting Policies and Plan Asset Matters – Continued

##### Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

##### Significant Investments

The Police Pension Plan has investments in Vanguard Total Stock Signal Mutual Funds of \$1,185,880 that represent 5 percent or more of net position available for benefits. There are no investments in any one organization that represent 5 percent or more of net position available for benefits for the Firefighters' Pension Plan. Information for IMRF is not available.

##### Related Party Transactions

There are no securities of the employer or any other related parties included in plan assets.

##### Annual Pension Cost and Net Pension Obligation

The pension liability as determined in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." The net pension obligation for the Police and Firefighters' Pension Plans is as follows:

	Police Pension	Firefighters' Pension	Totals
Annual Required Contribution	\$ 1,319,153	2,070,500	3,389,653
Interest on Net Pension Obligation	392,907	783,394	1,176,301
Adjustment to Annual Required Contribution	(229,311)	(654,295)	(883,606)
Annual Pension Cost	1,482,749	2,199,599	3,682,348
Actual Contribution	34,671	204,960	239,631
Change in NPO	1,448,078	1,994,639	3,442,717
NPO - Beginning as Restated	5,820,846	11,191,340	17,012,186
NPO - Ending	7,268,924	13,185,979	20,454,903

**CITY OF HARVEY, ILLINOIS****Notes to the Financial Statements  
April 30, 2014****NOTE 4 – OTHER INFORMATION – Continued****EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued****Annual Pension Cost and Net Pension Obligation – Continued**

The City's actuarial assumptions and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Contribution Rates			
Employer	6.69%	2.63%	9.90%
Employee	4.50%	9.910%	9.455%
Actuarial Valuation Date	12/31/2013	4/30/2013	4/30/2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis
Remaining Amortization Period	30 Years	27 Years	20 Years
Asset Valuation Method	5-Year Smoothed Market	4-Year Smoothed Market	5-Year Smoothed Market
Actuarial Assumptions			
Investment Rate of Return	7.50% Compounded Annually	6.75% Compounded Annually	7.00% Compounded Annually
Projected Salary Increases	.4 to 10.0%	4.50%	5.5 to 9.0%
Inflation Rate Included	4.00%	3.00%	3.00%
Cost-of-Living Adjustments	3.00%	3.00%	3.00%

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

	Fiscal Year	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Annual Pension Cost (APC)	2012	\$ 211,666	\$ 335,422	\$ 1,654,476
	2013	165,015	N/A	2,155,934
	2014	203,059	1,482,749	2,199,599
Actual Contributions	2012	211,666	-	-
	2013	165,015	N/A	-
	2014	203,059	34,671	204,960
Percentage of APC Contributed	2012	100.00%	0.00%	0.00%
	2013	100.00%	N/A	0.00%
	2014	100.00%	2.34%	9.32%
Net Pension Obligation	2012	-	582,346	9,035,406
	2013	-	5,820,846	11,191,340
	2014	-	7,268,924	13,185,979

N/A – Information for the Police Pension was not available at April 30, 2013.



# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2014

### NOTE 4 – OTHER INFORMATION – Continued

#### EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

##### Funded Status and Funding Progress

The City's funded status for the current year and related information for each plan is as follows:

	Illinois Municipal Retirement	Police Pension	Firefighters' Pension
Actuarial Valuation Date	12/31/2013	4/30/2013	4/30/2014
Percent Funded	124.46%	57.30%	28.70%
Actuarial Accrued Liability for Benefits	\$11,680,156	\$29,417,908	\$42,015,640
Actuarial Value of Assets	\$14,537,278	\$16,855,851	\$12,058,190
Over (Under) Funded Actuarial Accrued Liability (UAAL)	\$2,857,122	(\$12,562,057)	(\$29,957,450)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$3,035,259	\$3,153,317	\$3,029,702
Ratio of UAAL to Covered Payroll	0.00%	398.38%	988.79%

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

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2014**

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#### **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, 2014.

##### **SUBSEQUENT EVENTS**

On September 29, 2014, the Illinois Metropolitan Investment Fund (IMET) notified its member agencies of a potential default of certain guaranteed USDA repurchase agreement investments of the United States Department of Agriculture (USDA). IMET is working to collect on the USDA guarantees of these loans. As of the opinion date, the amount of the potential exposure is not determinable.

As of the opinion date, the City had not paid in full the December 1, 2015 principal and interest payment for the 2007A and 2007B General Obligation Bonds. The City has been notified of the default in payment.

## **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:

- Schedules of Funding Progress and Employer Contributions
  - Illinois Municipal Retirement Fund
  - 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 Funding Progress and Employer Contributions**

**April 30, 2014**

**Funding Progress**

Actuarial Valuation Date Dec. 31,	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	\$ 10,037,147	\$ 8,887,231	112.94%	\$ (1,149,916)	\$ 3,461,845	0.00%
2009	11,053,155	9,725,714	113.65%	(1,327,441)	3,546,703	0.00%
2010	11,707,495	9,604,067	121.90%	(2,103,428)	3,096,013	0.00%
2011	11,923,717	10,293,930	115.83%	(1,629,787)	3,023,794	0.00%
2012	12,846,686	11,045,335	116.31%	(1,801,351)	2,962,560	0.00%
2013	14,537,278	11,680,156	124.46%	(2,857,122)	3,035,259	0.00%

**Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	\$ 35,311	\$ 35,311	100.00%
2010	48,590	48,590	100.00%
2011	236,535	236,535	100.00%
2012	211,666	211,666	100.00%
2013	165,015	165,015	100.00%
2014	203,059	203,059	100.00%

# CITY OF HARVEY, ILLINOIS

## Police Pension Fund

### Required Supplementary Information Schedule of Funding Progress and Employer Contributions

April 30, 2014

#### Funding Progress

Actuarial Valuation Date Apr. 30,	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2009	\$ N/A	\$ N/A	N/A	\$ N/A	\$ N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	17,326,535	21,088,519	82.16%	3,761,984	3,327,595	113.05%
2012	N/A	N/A	N/A	N/A	N/A	N/A
2013	16,855,851	29,417,908	57.30%	12,562,057	3,153,317	398.38%
2014	N/A	N/A	N/A	N/A	N/A	N/A

#### Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	\$ 18,084	\$ 331,719	5.45%
2010	N/A	N/A	N/A
2011	-	331,719	0.00%
2012	-	331,719	0.00%
2013 *	-	N/A	N/A
2014	34,671	1,319,153	2.63%

\* The ARC for fiscal year 2009 is based on the 4/30/2008 actuary's report completed by Foster & Foster. The ARC for fiscal year 2010 is based on the 4/30/2009 actuary's report completed by Foster & Foster. The ARC for fiscal year 2011 is based on the 4/30/2010 actuary's report completed by Foster & Foster. The ARC for fiscal year 2012 is based on the 4/30/2011 actuary's report completed by Foster & Foster. The ARC for fiscal year 2013 is based on the 4/30/2012 actuary's report completed by Foster & Foster, with adjustment to bring the ARC into GASB compliance. The ARC for fiscal year 2014 is based on the 4/30/2013 actuary's report completed by Foster & Foster, with adjustment to bring the ARC into GASB compliance. All subsequent information was calculated by Lauterbach & Amen, LLP.

N/A - Not Available

**CITY OF HARVEY, ILLINOIS**

**Firefighters' Pension Fund**

**Required Supplementary Information  
Schedule of Funding Progress and Employer Contributions**

**April 30, 2014**

**Funding Progress**

Actuarial Valuation Date Apr. 30,	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2009	\$ N/A	\$ N/A	N/A	\$ N/A	\$ N/A	N/A
2010	14,876,420	34,923,004	42.60%	20,046,584	2,482,440	807.54%
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	13,874,161	40,005,184	34.68%	26,131,023	2,686,676	972.62%
2013	12,899,253	39,870,820	32.35%	26,971,567	2,635,506	1023.39%
2014	12,058,190	42,015,640	28.70%	29,957,450	3,029,702	988.79%

**Employer Contributions**

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	\$ 18,181	\$ 1,077,837	1.69%
2010	5,143	1,077,837	0.48%
2011	-	1,558,762	0.00%
2012	-	1,558,762	0.00%
2013	-	2,031,086	0.00%
2014	204,960	2,070,500	9.90%

N/A - Not 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, 2014

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 15,034,991	15,034,991	11,247,808
Licenses and Permits	852,000	852,000	708,347
Intergovernmental	9,520,000	9,520,000	6,511,303
Charges for Services	9,012,030	9,012,030	2,100,113
Fines and Forfeitures	650,100	650,100	524,402
Interest	5,000	5,000	5,715
Miscellaneous	414,175	414,175	381,081
Total Revenues	35,488,296	35,488,296	21,478,769
Expenditures			
General Government	12,342,482	12,342,482	10,919,715
Public Safety	13,224,880	13,224,880	10,332,372
Public Works	6,874,048	6,874,048	5,715,248
Community Development	1,125,891	1,125,891	298,323
Capital Outlay	3,364,000	3,364,000	68,013
Total Expenditures	36,931,301	36,931,301	27,333,671
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,443,005)	(1,443,005)	(5,854,902)
Other Financing Sources (Uses)			
Disposal of Capital Assets	50,000	50,000	234,352
Transfers In	4,120,495	4,120,495	-
Transfers Out	(1,236,724)	(1,236,724)	(581,852)
	2,933,771	2,933,771	(347,500)
Net Change in Fund Balance	1,490,766	1,490,766	(6,202,402)
Fund Balance - Beginning			(30,021,122)
Fund Balance - Ending			(36,223,524)

## 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, 2014

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 625,000	625,000	754,437
Interest	125	125	15
Total Revenues	625,125	625,125	754,452
Expenditures			
Public Works			
Contractual Services	350,000	350,000	73,416
Net Change in Fund Balance	275,125	275,125	681,036
Fund Balance - Beginning			3,494,539
Fund Balance - Ending			4,175,575



## **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**

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## **GENERAL FUND**

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

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## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are created to account for the proceeds of specific revenue sources (other than fiduciary funds or capital project 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.

### **911 Emergency Surcharge Tax Fund**

The 911 Emergency Surcharge Tax Fund is used to account for expenditures for the emergency dispatch center. Financing is provided by the 911 emergency system fee collected on phone bills addressed in the City of Harvey.

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## **DEBT SERVICE FUND**

Debt Service Funds are created to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

### **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.

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# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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## **CAPITAL PROJECTS FUNDS**

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

### **Economic Development Fund**

The Economic Development Fund is used to account for the proceeds of debt used for the acquisition of construction of capital projects.

### **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.

### **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.

### **Road Fund**

The Road Fund is used to account for the proceeds of debt used for the acquisition or construction of capital projects.

### **Special Assessment Fund**

The Special Assessment Fund is used to account for revenue from prior special assessments and expenditures associated with improvements to specific assessment areas.

# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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## **CAPITAL PROJECTS FUNDS – Continued**

### **Motor Fuel Tax Capital Project Fund**

The Motor Fuel Tax Capital Project Fund is used to account for revenue and expenditures associated with the design, construction, and maintenance of streets and sidewalks. Expenditures must meet criteria established by the State.

### **Dixie Sibley Fund**

The 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 IV Wyman Gordon Fund**

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

### **TIF V RPM Business Park Fund**

The TIF V RPM Business Park 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/147<sup>th</sup> Street Fund**

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

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# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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## **ENTERPRISE FUNDS**

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.

### **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.

### **Metra Lot Fund**

The Metra Lot Fund is used to account for the receipt of parking charges at the 147<sup>th</sup> Street parking lot 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 155<sup>th</sup> 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.

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# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

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## **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.

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# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Revenues - Budget and Actual For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
<b>Taxes</b>			
Property	\$ 11,309,991	11,309,991	7,480,060
RE Transaction Tax	85,000	85,000	77,596
Utility	1,100,000	1,100,000	1,420,047
Telecommunication	780,000	780,000	658,690
Video Gaming Tax	-	-	6,347
Amusement Tax	-	-	445
Casino	1,300,000	1,300,000	1,373,503
Franchise	180,000	180,000	146,951
Liquor Tax	200,000	200,000	-
Hotel/Motel	80,000	80,000	84,169
	<u>15,034,991</u>	<u>15,034,991</u>	<u>11,247,808</u>
<b>Licenses and Permits</b>			
<b>Licenses</b>			
Vehicles	250,000	250,000	229,130
Liquor	75,000	75,000	62,575
Business	70,000	70,000	63,450
Vending Machines	12,300	12,300	10,395
Contractors	28,000	28,000	25,098
Other	400	400	3,139
<b>Permits</b>			
Building	400,000	400,000	301,677
Electric	6,000	6,000	3,422
Public Hearing/Special Use	1,000	1,000	1,460
Plumbing	4,000	4,000	2,660
Other	5,300	5,300	5,341
	<u>852,000</u>	<u>852,000</u>	<u>708,347</u>
<b>Intergovernmental</b>			
Federal/State Grant	4,000,000	4,000,000	666,559
Replacement Tax	750,000	750,000	740,965
State Sales Tax	2,200,000	2,200,000	2,250,908
State Income Tax	2,200,000	2,200,000	2,410,167
State Use Tax	370,000	370,000	442,704
	<u>9,520,000</u>	<u>9,520,000</u>	<u>6,511,303</u>

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Revenues - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Charges for Services			
Debris Usage/Mowing Fees	\$ 1,000	1,000	26,351
Refuse Collection Fees	1,700,000	1,700,000	1,641,459
Garbage Can Replacement Fee	5,000	5,000	1,944
Towing Collection Fees	45,000	45,000	29,190
Vacant Property Registration Fees	55,000	55,000	43,000
Public Safety Registration	36,000	36,000	35,660
Inspection Point of Sale	40,000	40,000	38,950
Birth/Death Certificate Fees	50,000	50,000	37,614
Zoning Fees	1,000	1,000	2,750
Fire Department House Fire Fee	-	-	104,167
False Alarms	75,000	75,000	-
Container Fee	1,200,000	1,200,000	-
Road Maintenance Fee	400,000	400,000	-
Alternate Communications Tax	2,000,000	2,000,000	-
Fuel Tax Distributors	300,000	300,000	46,988
Intermodal Lift Fees	3,000,000	3,000,000	-
Civil Service Testing Fees	3,000	3,000	8,850
Rental Unit Inspections	45,000	45,000	33,700
Photostats	13,300	13,300	12,673
Rents	40,000	40,000	33,580
Special Events	1,000	1,000	2,179
Other	1,730	1,730	1,058
	9,012,030	9,012,030	2,100,113
Fines and Forfeitures			
Housing Court	100,000	100,000	33,992
Police	550,000	550,000	490,374
Other	100	100	36
	650,100	650,100	524,402
Interest			
Investment Income	5,000	5,000	5,715
Miscellaneous			
Refunds/Reimbursements	312,000	312,000	137,044
Miscellaneous	102,175	102,175	244,037
	414,175	414,175	381,081
Total Revenues	35,488,296	35,488,296	21,478,769



## CITY OF HARVEY, ILLINOIS

### General Fund

#### Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
General Government			
Mayor			
Personnel Services	\$ 68,336	68,336	71,141
Other Services/Expenditures	30,000	30,000	11,963
	98,336	98,336	83,104
Mayor's Office			
Personnel Services	198,087	198,087	179,974
Commodities	6,500	6,500	9,946
Contractual Services	242,300	242,300	229,897
Other Services/Expenditures	42,000	42,000	152,807
Equipment	12,000	12,000	4,428
	500,887	500,887	577,052
Legal Department			
Commodities	-	-	188
Contractual Services	325,000	325,000	517,301
	325,000	325,000	517,489
Aldermen			
Personnel Services	168,435	168,435	149,798
Other Services/Expenditures	147,000	147,000	131,141
	315,435	315,435	280,939
City Clerk			
Personnel Services	119,027	119,027	106,581
Commodities	2,000	2,000	1,816
Contractual Services	29,500	29,500	4,073
Other Services/Expenditures	4,300	4,300	3,919
Equipment	3,500	3,500	4,401
	158,327	158,327	120,790
City Treasurer			
Personnel Services	18,528	18,528	16,686
Contractual Services	28,750	28,750	1,894
Other Services/Expenditures	3,000	3,000	1,654
Equipment	-	-	703
	50,278	50,278	20,937

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
General Government - Continued			
Finance Department			
Commodities	\$ 4,000	4,000	2,242
Contractual Services	823,000	823,000	713,070
Other Services/Expenditures	17,000	17,000	47,103
Equipment	50,000	50,000	-
	894,000	894,000	762,415
Planning and Development			
Personnel Services	423,119	423,119	325,367
Commodities	30,000	30,000	14,626
Contractual Services	1,008,500	1,008,500	291,023
Other Services/Expenditures	13,600	13,600	13,220
Equipment	13,000	13,000	750
	1,488,219	1,488,219	644,986
Miscellaneous Grant			
Commodities	253,400	253,400	4,005
Contractual Services	836,100	836,100	168,390
Other Services/Expenditures	161,500	161,500	1,172
Equipment	35,000	35,000	20,601
	1,286,000	1,286,000	194,168
Miscellaneous Appropriations/Specific Purpose			
Personnel Services	125,000	125,000	712,315
Contractual Services	4,300,000	4,300,000	4,747,874
Other Services/Expenditures	2,801,000	2,801,000	2,257,646
	7,226,000	7,226,000	7,717,835
Total General Government	12,342,482	12,342,482	10,919,715
Public Safety			
Police Department			
Personnel Services	6,986,164	6,986,164	5,496,992
Commodities	240,000	240,000	307,567
Contractual Services	296,000	296,000	357,302
Other Services/Expenditures	65,500	65,500	57,295

**CITY OF HARVEY, ILLINOIS****General Fund****Schedule of Expenditures - Budget and Actual - Continued  
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Public Safety - Continued			
Police Department - Continued			
Equipment	\$ 60,000	60,000	48,675
	7,647,664	7,647,664	6,267,831
Fire Department			
Personnel Services	5,081,616	5,081,616	3,727,783
Commodities	22,600	22,600	30,634
Contractual Services	147,500	147,500	255,048
Other Services/Expenditures	25,000	25,000	16,042
Equipment	300,500	300,500	35,034
	5,577,216	5,577,216	4,064,541
Total Public Safety	13,224,880	13,224,880	10,332,372
Public Works			
Streets Administration			
Personnel Services	207,802	207,802	109,418
Commodities	3,000	3,000	1,533
Contractual Services	5,000	5,000	201
Other Services/Expenditures	1,000	1,000	7,740
	216,802	216,802	118,892
Street Maintenance Department			
Personnel Services	616,250	616,250	587,263
Commodities	1,073,000	1,073,000	262,548
Contractual Services	2,158,500	2,158,500	2,340,934
Other Services/Expenditures	610,000	610,000	734,675
Equipment	300,000	300,000	77,068
	4,757,750	4,757,750	4,002,488
Vehicle Maintenance Division			
Personnel Services	162,206	162,206	187,421
Commodities	11,000	11,000	3,619
Contractual Services	10,000	10,000	5,001
Other Services/Expenditures	406,000	406,000	380,977
	589,206	589,206	577,018

**CITY OF HARVEY, ILLINOIS****General Fund****Schedule of Expenditures - Budget and Actual - Continued  
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Public Works - Continued			
Public Property/Utility Maintenance			
Personnel Services	\$ 115,290	115,290	168,670
Commodities	3,000	3,000	9,089
Contractual Services	436,200	436,200	614,995
Other Services/Expenditures	755,800	755,800	224,096
	1,310,290	1,310,290	1,016,850
 Total Public Works	 6,874,048	 6,874,048	 5,715,248
Community Development			
Housing Department			
Personnel Services	172,093	172,093	115,192
Commodities	11,000	11,000	-
Contractual Services	295,000	295,000	-
Other Services/Expenditures	248,500	248,500	-
Equipment	30,000	30,000	-
	756,593	756,593	115,192
 Community Center			
Personnel Services	145,543	145,543	-
Commodities	1,000	1,000	3,224
Contractual Services	28,000	28,000	174,322
Other Services/Expenditures	30,000	30,000	4,809
Equipment	-	-	329
	204,543	204,543	182,684
 Senior Services			
Personnel Services	83,355	83,355	447
Commodities	20,000	20,000	-
Contractual Services	5,000	5,000	-
Equipment	6,400	6,400	-
	114,755	114,755	447
 Youth Services			
Other Services/Expenditures	50,000	50,000	-
 Total Community Development	 1,125,891	 1,125,891	 298,323

## CITY OF HARVEY, ILLINOIS

### General Fund

#### Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Capital Outlay			
General Government			
IKE Roadway Improvement	\$ 684,000	684,000	-
IKE Center Reconstruction	1,930,000	1,930,000	-
City Wide Capital Projects	250,000	250,000	-
Equipment	50,000	50,000	-
Office Furniture	50,000	50,000	-
Public Safety			
Vehicles	400,000	400,000	-
Public Works			
Vehicles	-	-	68,013
Total Capital Outlay	3,364,000	3,364,000	68,013
Total Expenditures	36,931,301	36,931,301	27,333,671

# 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, 2014

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 2,503,742	2,503,742	2,362,048
Interest	-	-	27
Total Revenues	2,503,742	2,503,742	2,362,075
Expenditures			
General Government			
Contractual Services	5,000	5,000	3,350
Debt Service			
Principal Retirement	863,470	863,470	743,750
Interest and Fiscal Charges	2,495,492	2,495,492	1,838,857
Total Expenditures	3,363,962	3,363,962	2,585,957
Excess (Deficiency) of Revenues Over (Under) Expenditures	(860,220)	(860,220)	(223,882)
Other Financing Sources (Uses)			
Transfers In	1,236,724	1,236,724	-
Transfers Out	(439,502)	(439,502)	(555,097)
	797,222	797,222	(555,097)
Net Change in Fund Balance	(62,998)	(62,998)	(778,979)
Fund Balance - Beginning			850,541
Fund Balance - Ending			71,562

## CITY OF HARVEY, ILLINOIS

### Economic Development - Capital Projects Fund

#### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Grant	\$ -	-	169,572
Interest	350,000	350,000	48
Miscellaneous	-	-	(7)
Total Revenues	350,000	350,000	169,613
Expenditures			
Capital Outlay	3,350,000	3,350,000	169,582
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,000,000)	(3,000,000)	31
Other Financing Sources			
Debt Issuance	3,000,000	3,000,000	-
Net Change in Fund Balance	-	-	31
Fund Balance - Beginning			2,432,629
Fund Balance - Ending			2,432,660

**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, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 200,000	200,000	472,832
Interest	500	500	282
Total Revenues	200,500	200,500	473,114
Expenditures			
Capital Outlay	350,000	350,000	550,000
Net Change in Fund Balance	(149,500)	(149,500)	(76,886)
Fund Balance - Beginning			3,945,973
Fund Balance - Ending			3,869,087



**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, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 1,500,000	1,500,000	1,866,853
Intergovernmental			
Grant	-	-	268,638
Interest	200	200	200
Miscellaneous	-	-	3,854
Total Revenues	1,500,200	1,500,200	2,139,545
Expenditures			
Capital Outlay	505,000	505,000	319,760
Debt Service			
Principal Retirement	-	-	510,000
Interest and Fiscal Charges	-	-	447,270
Total Expenditures	505,000	505,000	1,277,030
Net Change in Fund Balance	995,200	995,200	862,515
Fund Balance - Beginning			4,581,675
Fund Balance - Ending			5,444,190

**CITY OF HARVEY, ILLINOIS****Nonmajor Governmental Funds****Combining Balance Sheet****April 30, 2014**

	Special Revenue		
	911		
	Emergency Surcharge	Capital	
	Tax	Projects	Totals
<b>ASSETS</b>			
Cash and Investments	\$ 212,625	1,251,240	1,463,865
Due from Other Governments	-	509,754	509,754
Due from Other Funds	-	1,388,892	1,388,892
Total Assets	212,625	3,149,886	3,362,511
<b>LIABILITIES</b>			
Accounts Payable	900	546,670	547,570
Due to Other Funds	-	255,505	255,505
Total Liabilities	900	802,175	803,075
<b>FUND BALANCES</b>			
Restricted	211,725	2,001,216	2,212,941
Assigned	-	346,495	346,495
Total Fund Balances	211,725	2,347,711	2,559,436
Total Liabilities and Fund Balances	212,625	3,149,886	3,362,511

# CITY OF HARVEY, ILLINOIS

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended April 30, 2014

	Special Revenue		
	911		
	Emergency	Capital	
	Surcharge	Projects	Totals
	Tax		
Revenues			
Taxes	\$ -	102,335	102,335
Intergovernmental	34,574	1,002,054	1,036,628
Charges for Services	164,755	-	164,755
Interest	-	1,036	1,036
Total Revenues	199,329	1,105,425	1,304,754
Expenditures			
Public Works	284,155	251,623	535,778
Capital Outlay	59,008	1,027,843	1,086,851
Debt Service			
Principal Retirement	-	195,000	195,000
Interest and Fiscal Charges	-	361,109	361,109
Total Expenditures	343,163	1,835,575	2,178,738
Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,834)	(730,150)	(873,984)
Other Financing Sources			
Transfers In	-	581,852	581,852
Net Change in Fund Balances	(143,834)	(148,298)	(292,132)
Fund Balances - Beginning	355,559	2,496,009	2,851,568
Fund Balances - Ending	211,725	2,347,711	2,559,436

**CITY OF HARVEY, ILLINOIS****911 Emergency Surcharge Tax - Special Revenue Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Grant	\$ -	-	34,574
Charges for Services			
911 Tax on Users	250,000	250,000	164,755
Total Revenues	250,000	250,000	199,329
Expenditures			
Public Works			
Personnel Services	-	-	281,809
Contractual Services	200	200	2,346
Capital Outlay	100,000	100,000	59,008
Total Expenditures	100,200	100,200	343,163
Net Change in Fund Balance	149,800	149,800	(143,834)
Fund Balance - Beginning			355,559
Fund Balance - Ending			211,725

**CITY OF HARVEY, ILLINOIS**

**Nonmajor Governmental - Capital Projects Funds**

**Combining Balance Sheet**

**April 30, 2014**

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**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Nonmajor Governmental - Capital Projects Funds**

**Combining Balance Sheet  
April 30, 2014**

	Hotel/ Motel	Community Development	Road	Special Assessment
<b>ASSETS</b>				
Cash and Investments	\$ 5,897	8,024	-	-
Due from Other Governments	-	509,754	-	-
Due from Other Funds	-	-	600,000	28,892
Total Assets	5,897	517,778	600,000	28,892
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	-	517,778	-	28,892
Due to Other Funds	-	-	253,505	-
Total Liabilities	-	517,778	253,505	28,892
<b>Fund Balances</b>				
Restricted	5,897	-	-	-
Assigned	-	-	346,495	-
Total Fund Balances	5,897	-	346,495	-
Total Liabilities and Fund Balances	5,897	517,778	600,000	28,892

Motor Fuel Tax	Dixie Sibley	TIF III Cresco Business Park	TIF IV Wyman Gordon	TIF V RPM Business Park	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
465,401	193,893	322,533	126,339	127,153	1,000	1,000	1,251,240
-	-	-	-	-	-	-	509,754
-	-	360,000	-	400,000	-	-	1,388,892
465,401	193,893	682,533	126,339	527,153	1,000	1,000	3,149,886
-	-	-	-	-	-	-	546,670
-	-	-	-	-	1,000	1,000	255,505
-	-	-	-	-	1,000	1,000	802,175
465,401	193,893	682,533	126,339	527,153	-	-	2,001,216
-	-	-	-	-	-	-	346,495
465,401	193,893	682,533	126,339	527,153	-	-	2,347,711
465,401	193,893	682,533	126,339	527,153	1,000	1,000	3,149,886

# 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, 2014

	Hotel/ Motel	Community Development	Road	Special Assessment	Motor Fuel Tax
Revenues					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	1,002,054	-	-	-
Interest	-	191	50	-	-
Total Revenues	-	1,002,245	50	-	-
Expenditures					
Public Works	-	145	-	-	-
Capital Outlay	-	1,027,843	-	-	-
Debt Service					
Principal Retirement	195,000	-	-	-	-
Interest and Fiscal Charges	361,109	-	-	-	-
Total Expenditures	556,109	1,027,988	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(556,109)	(25,743)	50	-	-
Other Financing Sources					
Transfers In	556,109	25,743	-	-	-
Net Change in Fund Balances	-	-	50	-	-
Fund Balances - Beginning	5,897	-	346,445	-	465,401
Fund Balances - Ending	5,897	-	346,495	-	465,401



Dixie Sibley	TIF III Cresco Business Park	TIF IV Wyman Gordon	TIF V RPM Business Park	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
-	87,041	-	15,294	-	-	102,335
-	-	-	-	-	-	1,002,054
-	719	-	76	-	-	1,036
-	87,760	-	15,370	-	-	1,105,425
-	251,478	-	-	-	-	251,623
-	-	-	-	-	-	1,027,843
-	-	-	-	-	-	195,000
-	-	-	-	-	-	361,109
-	251,478	-	-	-	-	1,835,575
-	(163,718)	-	15,370	-	-	(730,150)
-	-	-	-	-	-	581,852
-	(163,718)	-	15,370	-	-	(148,298)
193,893	846,251	126,339	511,783	-	-	2,496,009
193,893	682,533	126,339	527,153	-	-	2,347,711

# CITY OF HARVEY, ILLINOIS

## Community Development - Capital Projects Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Federal/State Grant	\$ 776,954	776,954	1,002,054
Interest	20	20	191
Total Revenues	776,974	776,974	1,002,245
Expenditures			
Public Works			
Personnel Services	15,916	15,916	-
Contractual Services	24,972	24,972	145
Capital Outlay	742,226	742,226	1,027,843
Total Expenditures	783,114	783,114	1,027,988
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,140)	(6,140)	(25,743)
Other Financing Sources			
Transfers In	-	-	25,743
Net Change in Fund Balance	(6,140)	(6,140)	-
Fund Balance - Beginning			-
Fund Balance - Ending			-

**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, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 150,000	150,000	87,041
Interest	250	250	719
Total Revenues	150,250	150,250	87,760
Expenditures			
Public Works	-	-	251,478
Net Change in Fund Balance	150,250	150,250	(163,718)
Fund Balance - Beginning			846,251
Fund Balance - Ending			682,533

# 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, 2014

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Water Sales	\$ 12,750,000	12,750,000	11,336,786
Other	253,500	253,500	332,440
Miscellaneous	12,800	12,800	15,155
Total Operating Revenues	13,016,300	13,016,300	11,684,381
Operating Expenses			
Operations			
Personnel Services	712,740	712,740	702,351
Commodities	255,300	255,300	133,995
Contractual Services	8,180,000	8,180,000	11,292,478
Other Services/Expenses	11,000	11,000	201,906
Equipment	20,000	20,000	9,198
Depreciation and Amortization	400,000	400,000	387,024
Total Operating Expenses	9,579,040	9,579,040	12,726,952
Operating Income (Loss)	3,437,260	3,437,260	(1,042,571)
Nonoperating Revenues (Expenses)			
Interest Income	-	-	207
Interest Expense	-	-	(380,217)
	-	-	(380,010)
Income (Loss) Before Transfers	3,437,260	3,437,260	(1,422,581)
Transfers In	439,502	439,502	555,097
Transfers Out	(3,443,640)	(3,443,640)	-
	(3,004,138)	(3,004,138)	555,097
Change in Net Position	433,122	433,122	(867,484)
Net Position - Beginning			7,440,199
Net Position - Ending			6,572,715

# CITY OF HARVEY, ILLINOIS

## Nonmajor Enterprise Funds

### Combining Statement of Net Position April 30, 2014

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
<b>ASSETS</b>					
Current Assets					
Cash and Investments	\$ -	-	-	-	-
Receivables - Net of Allowances					
Customer Billings	-	-	-	66,989	66,989
Unbilled Services	-	-	-	14,813	14,813
Advances to Other Funds	32,293	1,010,020	605,337	659,194	2,306,844
Total Current Assets	32,293	1,010,020	605,337	740,996	2,388,646
Noncurrent Assets					
Capital Assets					
Nondepreciable	-	-	482,250	-	482,250
Depreciable	-	175,246	1,307,969	5,682,203	7,165,418
Accumulated Depreciation	-	(175,246)	(1,275,940)	(5,207,103)	(6,658,289)
Total Noncurrent Assets	-	-	514,279	475,100	989,379
Total Assets	32,293	1,010,020	1,119,616	1,216,096	3,378,025
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	1,495	764,100	56	1,302	766,953
Accrued Payroll	-	5,883	3,474	2,015	11,372
Advances from Other Funds	-	221,875	124,896	679,474	1,026,245
Compensated Absences	-	3,632	-	-	3,632
Total Current Liabilities	1,495	995,490	128,426	682,791	1,808,202
Noncurrent Liabilities					
Compensated Absences	-	14,530	-	-	14,530
Total Liabilities	1,495	1,010,020	128,426	682,791	1,822,732
<b>NET POSITION</b>					
Investment in Capital Assets	-	-	514,279	475,100	989,379
Unrestricted	30,798	-	476,911	58,205	565,914
Total Net Position	30,798	-	991,190	533,305	1,555,293

# CITY OF HARVEY, ILLINOIS

## Nonmajor Enterprise Funds

### Combining Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended April 30, 2014

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
Operating Revenues					
Charges for Services	\$ 50,536	101,404	39,812	194,435	386,187
Operating Expenses					
Operations					
Personnel Services	-	76,952	61,900	52,908	191,760
Commodities	76	1,432	-	-	1,508
Contractual Services	31,664	28,610	10,663	69,684	140,621
Depreciation	-	-	43,278	121,935	165,213
Total Operating Expenses	31,740	106,994	115,841	244,527	499,102
Operating Income (Loss)	18,796	(5,590)	(76,029)	(50,092)	(112,915)
Nonoperating Revenues					
Interest Income	6	5,590	40	-	5,636
Change in Net Position	18,802	-	(75,989)	(50,092)	(107,279)
Net Position - Beginning	11,996	-	1,067,179	583,397	1,662,572
Net Position - Ending	30,798	-	991,190	533,305	1,555,293

# CITY OF HARVEY, ILLINOIS

## Combining Statement of Cash Flows - Nonmajor Enterprise Funds For the Fiscal Year Ended April 30, 2014

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 32,794	86,518	74,176	207,760	401,248
Payments to Employees	-	(59,938)	(56,157)	(45,414)	(161,509)
Payments to Suppliers	(32,800)	(32,170)	(18,059)	(162,346)	(245,375)
	(6)	(5,590)	(40)	-	(5,636)
Cash Flows from Investing Activities					
Interest Received	6	5,590	40	-	5,636
Net Change in Cash and Cash Equivalents	-	-	-	-	-
Cash and Cash Equivalents - Beginning	-	-	-	-	-
Cash and Cash Equivalents - Ending	-	-	-	-	-
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	18,796	(5,590)	(76,029)	(50,092)	(112,915)
Adjustments to Reconcile Operating Income to Net Income to Net Cash					
Provided by (Used in) Operating Activities					
Depreciation Expense	-	-	43,278	121,935	165,213
(Increase) Decrease in Current Assets	(17,742)	(14,886)	34,364	13,325	15,061
Increase (Decrease) in Current Liabilities	(1,060)	14,886	(1,653)	(85,168)	(72,995)
Net Cash Provided by Operating Activities	(6)	(5,590)	(40)	-	(5,636)

**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, 2014**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 24,000	24,000	50,536
Operating Expenses			
Operations			
Commodities	-	-	76
Contractual Services	10,000	10,000	31,664
Total Operating Expenses	10,000	10,000	31,740
Operating Income	14,000	14,000	18,796
Nonoperating Revenues			
Interest Income	25	25	6
Change in Net Position	14,025	14,025	18,802
Net Position - Beginning			11,996
Net Position - Ending			30,798



**CITY OF HARVEY, ILLINOIS****Metra Lot - Enterprise Fund****Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual  
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 160,000	160,000	101,404
Operating Expenses			
Operations			
Personnel Services	140,480	140,480	76,952
Commodities	5,000	5,000	1,432
Contractual Services	41,500	41,500	28,610
Total Operating Expenses	186,980	186,980	106,994
Operating (Loss)	(26,980)	(26,980)	(5,590)
Nonoperating Revenues			
Interest Income	12,000	12,000	5,590
Change in Net Position	(14,980)	(14,980)	-
Net Position - Beginning			-
Net Position - Ending			-

## 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, 2014

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 60,000	60,000	39,812
Operating Expenses			
Operations			
Personnel Services	25,880	25,880	61,900
Commodities	5,000	5,000	-
Contractual Services	22,500	22,500	10,663
Depreciation	-	-	43,278
Total Operating Expenses	53,380	53,380	115,841
Operating Income (Loss)	6,620	6,620	(76,029)
Nonoperating Revenues			
Interest Income	-	-	40
Change in Net Position	6,620	6,620	(75,989)
Net Position - Beginning			1,067,179
Net Position - Ending			991,190

## 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, 2014

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 600,000	600,000	194,435
Operating Expenses			
Operations			
Personnel Services	58,145	58,145	52,908
Contractual Services	365,000	365,000	69,684
Depreciation	-	-	121,935
Total Operating Expenses	423,145	423,145	244,527
Income (Loss) Before Transfers	176,855	176,855	(50,092)
Transfers Out	(176,855)	(176,855)	-
Change in Net Position	-	-	(50,092)
Net Position - Beginning			583,397
Net Position - Ending			533,305

**CITY OF HARVEY, ILLINOIS****Pension Trust Funds****Combining Statement of Fiduciary Net Position  
April 30, 2014**

	Police Pension	Firefighters' Pension	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 538,103	157,301	695,404
Investments			
U.S. Treasuries	2,366,316	691,918	3,058,234
U.S. Agencies	1,861,256	1,013,938	2,875,194
Corporate Bonds	943,807	1,672,086	2,615,893
Common Stock	3,133,371	-	3,133,371
Equity Securities	-	1,841,221	1,841,221
Equity Mutual Funds	7,824,014	5,444,100	13,268,114
Money Market Mutual Funds	-	582,043	582,043
Receivables			
Accrued Interest	54,262	24,561	78,823
Due from Other Funds	817,282	858,517	1,675,799
Reserve Uncollectible - Interfund	(817,282)	(858,517)	(1,675,799)
Prepays	-	15,597	15,597
Total Assets	16,721,129	11,442,765	28,163,894
<b>LIABILITIES</b>			
Accounts Payable	8	20,970	20,978
<b>NET POSITION</b>			
Net Position Restricted for Pensions	16,721,121	11,421,795	28,142,916

# CITY OF HARVEY, ILLINOIS

## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended April 30, 2014

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - Employer	\$ 34,671	204,960	239,631
Contributions - Plan Members	340,982	303,932	644,914
Total Contributions	375,653	508,892	884,545
Investment Income			
Interest Income	2,250,960	407,457	2,658,417
Net Change in Fair Value	(598,966)	429,339	(169,627)
	1,651,994	836,796	2,488,790
Less Investment Expenses	(65,341)	(89,464)	(154,805)
Net Investment Income	1,586,653	747,332	2,333,985
Total Additions	1,962,306	1,256,224	3,218,530
Deductions			
Administration	138,591	95,411	234,002
Benefits and Refunds	1,717,656	1,883,373	3,601,029
Total Deductions	1,856,247	1,978,784	3,835,031
Change in Fiduciary Net Position	106,059	(722,560)	(616,501)
Net Position Restricted for Pensions			
Beginning	16,615,062	12,144,355	28,759,417
Ending	16,721,121	11,421,795	28,142,916

## **SUPPLEMENTAL SCHEDULES**

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements General Obligation Bonds of 2002B

April 30, 2014

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Date of Issue	July 1, 2002
Date of Maturity	May 1, 2023
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
2015	\$ -	138,218	138,218	2014	69,109	2014	69,109
2016	-	138,218	138,218	2015	69,109	2015	69,109
2017	305,000	138,218	443,218	2016	69,109	2016	69,109
2018	325,000	122,204	447,204	2017	61,102	2017	61,102
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>2,530,000</u>	<u>864,718</u>	<u>3,394,718</u>		<u>432,359</u>		<u>432,359</u>

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

### General Obligation Refunding Bonds of 2002C

April 30, 2014

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
2015	\$ 450,000	141,224	591,224	2014	70,612	2015	70,612
2016	475,000	118,726	593,726	2015	59,363	2016	59,363
2017	495,000	94,976	589,976	2016	47,488	2017	47,488
2018	520,000	73,690	593,690	2017	36,845	2018	36,845
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>3,045,000</u>	<u>504,896</u>	<u>3,549,896</u>		<u>252,448</u>		<u>252,448</u>
	1,065,750	Governmental Activities					
	<u>1,979,250</u>	Business-Type Activities					
	<u>3,045,000</u>						



# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

### General Obligation Refunding Bonds of 2007A

April 30, 2014

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
2015	\$ -	1,241,074	1,241,074	2014	620,537	2014	620,537
2016	-	1,241,076	1,241,076	2015	620,538	2015	620,538
2017	-	1,241,074	1,241,074	2016	620,537	2016	620,537
2018	-	1,241,076	1,241,076	2017	620,538	2017	620,538
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>18,357,718</u>	<u>40,632,718</u>		<u>9,178,859</u>		<u>9,178,859</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, 2014

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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
2015	\$ 660,000	660,263	1,320,263
2016	695,000	612,413	1,307,413
2017	735,000	562,025	1,297,025
2018	785,000	508,737	1,293,737
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
	8,705,000	4,344,488	13,049,488

**CITY OF HARVEY, ILLINOIS****Long-Term Debt Requirements****Hotel-Motel Tax and Sales Tax Revenue Bonds of 2008A****April 30, 2014**

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
2015	\$ 205,000	347,359	552,359	2014	177,203	2015	170,156
2016	220,000	332,750	552,750	2015	170,156	2016	162,594
2017	235,000	317,110	552,110	2016	162,594	2017	154,516
2018	255,000	300,266	555,266	2017	154,516	2018	145,750
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>5,155,000</u>	<u>3,091,517</u>	<u>8,246,517</u>		<u>1,634,360</u>		<u>1,457,157</u>

## CITY OF HARVEY, ILLINOIS

### Long-Term Debt Requirements

#### Tax Increment Allocation Revenue Bonds of 2009A

April 30, 2014

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Date of Issue	August 1, 2009
Date of Maturity	December 1, 2014
Authorized Issue	\$3,000,000
Denomination of Bonds	\$5,000
Interest Rate	6.50%
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
2015	\$ 540,000	35,100	575,100	2014	17,550	2014	17,550

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

### Tax Increment Allocation Revenue Bonds of 2010

April 30, 2014

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
2015	\$ -	375,000	375,000	2014	187,500	2014	187,500
2016	860,000	375,000	1,235,000	2015	187,500	2015	187,500
2017	925,000	310,500	1,235,500	2016	155,250	2016	155,250
2018	995,000	241,126	1,236,126	2017	120,563	2017	120,563
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>5,000,000</u>	<u>1,554,376</u>	<u>6,554,376</u>		<u>777,188</u>		<u>777,188</u>

## CITY OF HARVEY, ILLINOIS

### Long-Term Debt Requirements

### General Obligation Refunding Capital Appreciation Bonds of 2002A

April 30, 2014

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Date of Issue	July 1, 2002
Date of Maturity	May 1, 2015
Denomination of Bonds	\$5,000
Interest Rates	5.30% to 5.50%
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

<u>Fiscal Year</u>	<u>Original Principal</u>	<u>Accretion to Date</u>	<u>Currently Payable</u>	<u>Future Accretion</u>	<u>Totals</u>
2015	\$ 132,373	23,306	155,679	144,321	300,000
2016	137,671	8,030	145,701	154,299	300,000
	270,044	31,336	301,380	298,620	600,000

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

July 12, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, Illinois, as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 12, 2016. Our report includes a reference to other auditors who audited the Single Audit Report of the City for the year ended April 30, 2014, which includes the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

### *Internal Control over Financial Reporting – Continued*

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: The City audit resulted in a material restatement to net position that was detected by auditing procedures. This represents a material weakness in the internal control over financial reporting. The City audit also resulted in a qualified opinion. The City did not complete bank reconciliations during the audited fiscal year and was unable to furnish adequate supporting documentation in the General Fund and Water Fund. The effects of those departures on the General Fund, Water Fund, Governmental Activities, and Business-Type Activities financial statements are not reasonably determinable. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: The City audit resulted in material audit adjustments that were detected by auditing procedures. This represents a significant deficiency in the internal control over financial reporting.

### *Compliance and Other Matters*

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

We noted certain other matters that we reported to management of the City in a separate letter dated July 12, 2016.



*Purpose of this Report*

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

*Lauterbach & Amen LLP*

LAUTERBACH & AMEN, LLP