

CITY OF HARVEY, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
APRIL 30, 2015

CITY OF HARVEY, ILLINOIS

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1 - 3
------------------------------------	-------

MANAGEMENT'S DISCUSSION AND ANALYSIS	MD&A 1 - 11
--	-------------

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Position	4 - 5
Statement of Activities.....	6 - 7

Fund Financial Statements	
Balance Sheet – Governmental Funds	8 - 9
Reconciliation of Total Governmental Fund Balance to	
Net Position of Governmental Activities	10
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Governmental Funds	11 - 12
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds.....	14 - 15
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds.....	17
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19

Notes to the Financial Statements.....	20 - 75
--	---------

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer Contributions	
Illinois Municipal Retirement Fund.....	76
Police Pension Fund.....	77
Firefighters' Pension Fund.....	78
Schedule of Changes in the Employer's Net Pension Liability	
Illinois Municipal Retirement Fund.....	79
Police Pension Fund.....	80
Firefighters' Pension Fund.....	81
Schedule of Investment Returns	
Police Pension Fund.....	82
Firefighters' Pension Fund.....	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund.....	84
Motor Fuel Tax – Special Revenue Fund	85

CITY OF HARVEY, ILLINOIS

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION – Continued

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Schedule of Revenues – Budget and Actual – General Fund	86 - 87
Schedule of Expenditures – Budget and Actual – General Fund.....	88 - 91
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Debt Service Fund.....	92
TIF I Dixie Square – Capital Projects Fund.....	93
TIF II Center Street – Capital Projects Fund	94
Combining Balance Sheet – Nonmajor Governmental Funds.....	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds.....	96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
911 Emergency Surcharge Tax – Special Revenue Fund.....	97
Combining Balance Sheet – Nonmajor Governmental – Capital Projects Funds	98 - 99
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
Nonmajor Governmental – Capital Projects Funds	100 - 101
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Community Development – Capital Projects Fund	102
TIF III Cresco Business Park – Capital Projects Fund	103
TIF V RPM Business Park – Capital Projects Fund	104
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	
Water – Enterprise Fund	105
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	106 - 107
Combining Statement of Revenues, Expenses and Changes in Net Position	
Nonmajor Enterprise Funds	108
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	109
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual	
Pace Bus Terminal Parking – Enterprise Fund	110
Metra Lot – Enterprise Fund.....	111
Commuter Parking Lot – Enterprise Fund.....	112
Sewer – Enterprise Fund.....	113
Combining Statement of Fiduciary Net Position – Pension Trust Funds	114
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds	115

CITY OF HARVEY, ILLINOIS

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION – Continued

SUPPLEMENTAL SCHEDULES

Long-Term Debt Requirements	
General Obligation Bonds of 2002B.....	116
General Obligation Refunding Bonds of 2002C.....	117
General Obligation Refunding Bonds of 2007A	118
General Obligation Refunding Bonds of 2007B.....	119
General Obligation Alternate Revenue Bonds of 2008A	120
Tax Increment Allocation Revenue Bonds of 2010.....	121
General Obligation Refunding Capital Appreciation Bonds of 2002A	122
Demand Bonds of 2012	123
Installment Payable of 2015.....	124

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 18, 2016

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, Illinois, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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


LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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, 2015. Please read it in conjunction with the City of Harvey's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The City of Harvey's beginning net position was decreased \$51,901,777. This restatement was due primarily to new accounting standards, which require Illinois governments include the IMRF, Police Pension and Firefighters' Pension liabilities on their financial statements.
- The City of Harvey's net position decreased as a result of this year's operations. Net position of business-type activities increased by \$440,478, or 5.2 percent and net position of the governmental activities decreased by \$9,347,598, or 6.8 percent.
- During the year, government-wide revenues for the primary government totaled \$44,895,069, while expenses totaled \$53,802,189, resulting in a decrease to net position of \$8,907,120.
- The City of Harvey's net position totaled (\$138,028,871) on April 30, 2015, which includes (\$18,520,816) net investment in capital assets, \$16,741,096 subject to external restrictions, and (\$136,248,151) 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 \$8,243,440, resulting in ending fund balance of (\$44,466,964), a decrease of 22.8 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 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, 2015

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, 2015

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/147th 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, 2015

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 14-17 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 18-19 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 20-75 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 76-85 of this report. Combining and individual fund statements and schedules can be found on pages 86-115 of this report.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2015

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 \$138,028,871.

	Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current/Other Assets	\$ 8,256,046	3,671,514	31,376,695	30,150,265	39,632,741	33,821,779
Capital Assets	3,165,803	2,973,866	6,895,506	7,415,180	10,061,309	10,389,046
Total Assets	11,421,849	6,645,380	38,272,201	37,565,445	49,694,050	44,210,825
Deferred Outflows of Resources	1,014,061	-	50,967	-	1,065,028	-
Total Assets/ Deferred Outflows	12,435,910	6,645,380	38,323,168	37,565,445	50,759,078	44,210,825
Long-Term Debt	126,188,876	67,321,547	22,796,152	8,050,937	148,985,028	75,372,484
Other Liabilities	19,740,165	12,087,458	6,621,914	21,386,500	26,362,079	33,473,958
Total Liabilities	145,929,041	79,409,005	29,418,066	29,437,437	175,347,107	108,846,442
Deferred Inflows of Resources	13,421,510	12,584,357	19,332	-	13,440,842	12,584,357
Total Liabilities/ Deferred Inflows	159,350,551	91,993,362	29,437,398	29,437,437	188,787,949	121,430,799
Net Position						
Net Investment in Capital Assets	(18,707,764)	(19,899,592)	186,948	1,756,958	(18,520,816)	(18,142,634)
Restricted	16,741,096	15,285,472	-	-	16,741,096	15,285,472
Unrestricted (Deficit)	(144,947,973)	(80,733,862)	8,698,822	6,371,050	(136,249,151)	(74,362,812)
Total Net Position	(146,914,641)	(85,347,982)	8,885,770	8,128,008	(138,028,871)	(77,219,974)

A large portion of the City of Harvey's net position, (\$18,520,816), reflects its investment in capital assets (for example, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Harvey uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Harvey's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$16,741,096, of the City of Harvey's net position represents resources that are subject to external restrictions on how they may be used. The remaining (\$136,249,151) 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, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Change in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Charges for Services	\$ 4,162,790	3,497,617	14,922,326	12,055,413	19,085,116	15,553,030
Operating Grants/Contrib.	2,051,548	2,726,262	-	-	2,051,548	2,726,262
Capital Grants/Contrib.	764,068	169,572	-	-	764,068	169,572
General Revenues						
Property Taxes	13,175,713	13,657,631	-	-	13,175,713	13,657,631
Utility Taxes	1,454,491	1,420,047	-	-	1,454,491	1,420,047
Telecommunication Taxes	575,131	658,690	-	-	575,131	658,690
Sales Taxes	2,137,271	2,250,908	-	-	2,137,271	2,250,908
Income Taxes	2,575,164	2,410,167	-	-	2,575,164	2,410,167
Other General Revenues	2,514,893	1,891,428	561,674	20,998	3,076,567	1,912,426
Total Revenues	29,411,069	28,682,322	15,484,000	12,076,411	44,895,069	40,758,733
Expenses						
General Government	12,742,012	12,023,831	-	-	12,742,012	12,023,831
Public Safety	16,057,017	13,960,444	-	-	16,057,017	13,960,444
Public Works	6,160,954	6,421,946	-	-	6,160,954	6,421,946
Community Development	214,049	298,323	-	-	214,049	298,323
Interest on Long-Term Debt	2,524,403	2,758,023	-	-	2,524,403	2,758,023
Water	-	-	15,433,011	13,107,169	15,433,011	13,107,169
Sewer	-	-	284,954	244,527	284,954	244,527
Parking	-	-	385,789	254,575	385,789	254,575
Total Expenses	37,698,435	35,462,567	16,103,754	13,606,271	53,802,189	49,068,838
Change in Net Position						
Before Transfers	(8,287,366)	(6,780,245)	(619,754)	(1,529,860)	(8,907,120)	(8,310,105)
Transfers	(1,060,232)	(555,097)	1,060,232	555,097	-	-
Change in Net Position	(9,347,598)	(7,335,342)	440,478	(974,763)	(8,907,120)	(8,310,105)
Net Position - Beginning as Restated	(137,567,043)	(78,012,640)	8,445,292	9,102,771	(129,121,751)	(68,909,869)
Net Position - Ending	(146,914,641)	(85,347,982)	8,885,770	8,128,008	(138,028,871)	(77,219,974)

The net position of the City of Harvey's governmental activities decreased by 6.8 percent (a restated \$137,567,043 deficit in 2014 compared to a \$146,914,641 deficit in 2015). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled a deficit \$144,947,973 at April 30, 2015 for the governmental activities.

The net position of business-type activities increased by 5.2 percent (a restated \$8,445,292 in 2014 compared to \$8,885,770 in 2015).

CITY OF HARVEY, ILLINOIS

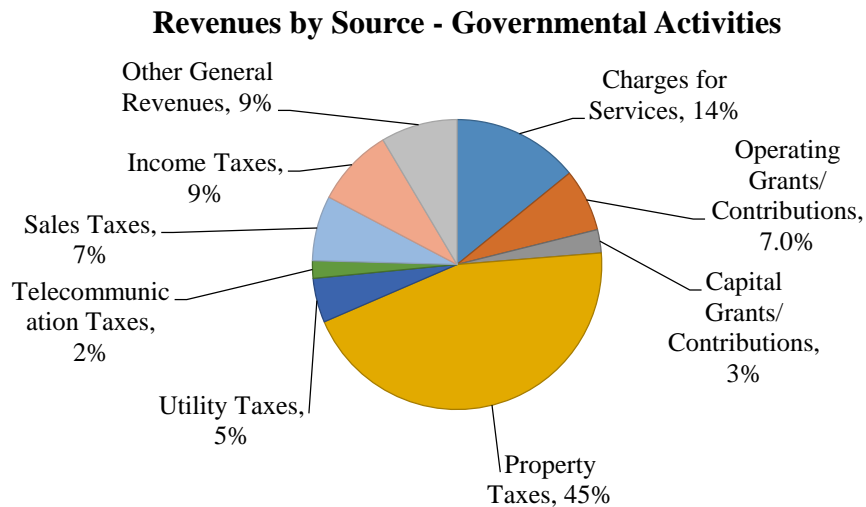
Management's Discussion and Analysis April 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

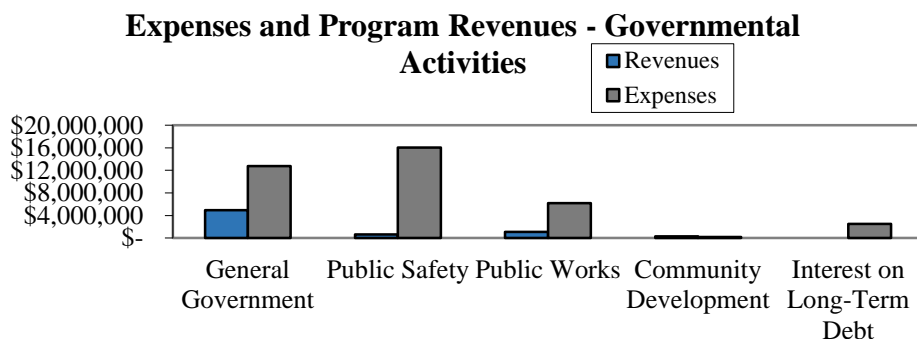
Governmental Activities

Revenues for governmental activities totaled \$29,411,069, while the cost of all governmental functions totaled \$37,698,435. This results in a deficit of \$8,287,366 prior to transfers out of \$1,060,232. In 2014, expenses of \$35,462,567 exceeded revenues of \$28,682,322 resulting in a deficit of \$6,780,245 prior to transfers out of \$555,097. During 2015, the City increased expenses for the general government and public safety functions due to the implementation of GASB Statement No. 68. Revenues came in \$728,747 higher than 2014, primarily due to an increase of charges for services and income taxes.

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



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



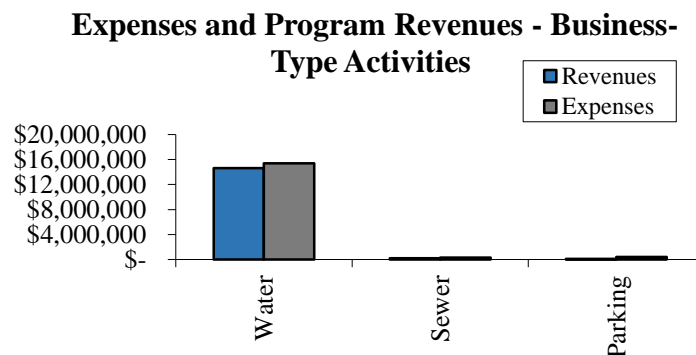
CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type activities

Business-Type activities posted total revenues of \$15,484,000, while the cost of all business-type activities totaled \$16,103,754. This results in a deficit of \$619,754 prior to transfers in of \$1,060,232. In 2014, expenses of \$13,606,271 exceeded revenues of \$12,076,411, resulting in a deficit of \$1,529,860 prior to transfers in of \$555,097.



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 (\$24,631,835), which is \$6,960,821 lower than last year's total of (\$17,671,014). Of the (\$24,631,835) total, (\$44,664,156) of the fund balance constitutes unrestricted fund balance.

The General Fund reported a deficit in fund balance for the year of \$8,243,440, a decrease of 22.8 percent. This was due in large part to revenues for taxes, licenses and permits, and intergovernmental revenues being significantly lower than budgeted. Specifically, the budgeted amount for these three revenue sources totaled \$22,358,231 and the actual amount totaled \$18,686,212. 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, 2015

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, 2015, unassigned fund balance in the General Fund was (\$44,620,601).

The Motor Fuel Tax Fund reported a surplus in the current year of \$786,465, due primarily due to motor fuel tax allotments exceeding planned expenditures in the current year.

The Debt Service Fund reported a deficit for the year of \$71,562, due mainly to transfers out of \$810,615 to the Water Fund.

The Economic Development Fund did not report a surplus or deficit in the current year due to spending matching grant revenues.

The TIF I Dixie Square Fund reported a surplus for the year of \$532,873. This increase was due to no current year expenditures related to the TIF district.

The TIF II Center Street Fund had a surplus of \$114,486. 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 surplus in the Water Fund during the current fiscal year was \$571,226, while the previous fiscal year reported a deficit of \$867,484. Unrestricted net position in the Water Fund totaled \$8,072,575 at April 30, 2015.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Harvey Council made no budget amendments to the General Fund during the year. General Fund actual revenues for the year totaled \$22,918,254, compared to budgeted revenues of \$25,475,193. As stated earlier, revenues for taxes, licenses and permits, and intergovernmental revenues were significantly lower than budgeted.

The General Fund actual expenditures for the year were \$2,061,818 higher than budgeted (\$29,362,768 actual compared to \$27,300,950 budgeted). This is due mainly to the general government, and community development functions being higher 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, 2015 was \$10,061,309 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and property, machinery and equipment, vehicles and infrastructure.

	Capital Assets - Net of Depreciation					
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 227,134	227,134	608,738	608,738	835,872	835,872
Construction in Progress	-	491,076	-	-	-	491,076
Buildings and Property	1,535,617	1,113,701	759,114	778,573	2,294,731	1,892,274
Machinery and Equipment	730,402	589,452	38,701	43,311	769,103	632,763
Vehicles	672,650	552,503	-	-	672,650	552,503
Infrastructure	-	-	5,488,953	5,984,558	5,488,953	5,984,558
Total	3,165,803	2,973,866	6,895,506	7,415,180	10,061,309	10,389,046

This year's major additions included:

Buildings and Property	\$ 12,316
Machinery and Equipment	288,229
Vehicles	270,864
	<u>571,409</u>

Additional information on the City of Harvey's capital assets can be found in note 3 on pages 41 - 42 of this report.

CITY OF HARVEY, ILLINOIS

Management's Discussion and Analysis April 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

Debt Administration

At year-end, the City of Harvey had total outstanding debt of \$46,792,195 as compared to \$48,898,824 the previous year, due to annual repayments on outstanding long-term debt and the demand bonds being called by the bank. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 28,758,250	29,575,750	6,686,750	6,979,250	35,445,000	36,555,000
General Obligation Refunding						
Capital Appreciation Bonds	145,701	301,380	-	-	145,701	301,380
Tax Increment Financing						
Revenue Bonds	9,950,000	10,695,000	-	-	9,950,000	10,695,000
Demand Bonds	-	-	1,251,494	1,347,444	1,251,494	1,347,444
Total	38,853,951	40,572,130	7,938,244	8,326,694	46,792,195	48,898,824

Additional information on the City of Harvey's long-term debt can be found in Note 3 on pages 44-51 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 2016 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, 2015

See Following Page

CITY OF HARVEY, ILLINOIS

**Statement of Net Position
April 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 15,762,373	-	15,762,373
Receivables - Net of Allowances	15,972,969	1,574,967	17,547,936
Due from Other Governments	1,435,761	-	1,435,761
Internal Balances	(29,518,170)	29,518,170	-
Inventories/Prepays	12,000	-	12,000
Total Current Assets	3,664,933	31,093,137	34,758,070
Noncurrent Assets			
Capital Assets			
Nondepreciable	227,134	608,738	835,872
Depreciable	19,029,343	24,787,028	43,816,371
Accumulated Depreciation	(16,090,674)	(18,500,260)	(34,590,934)
	3,165,803	6,895,506	10,061,309
Other Assets			
Net Pension Asset - IMRF	4,591,113	283,558	4,874,671
Total Noncurrent Assets	7,756,916	7,179,064	14,935,980
Total Assets	11,421,849	38,272,201	49,694,050
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	825,218	50,967	876,185
Deferred Items - Police Pension	42,224	-	42,224
Deferred Items - Firefighters' Pension	146,619	-	146,619
Total Deferred Outflows of Resources	1,014,061	50,967	1,065,028
Total Assets and Deferred Outflows of Resources	12,435,910	38,323,168	50,759,078

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 4,441,237	3,007,877	7,449,114
Accrued Payroll	200,968	11,631	212,599
Accrued Interest Payable	977,036	135,368	1,112,404
Deposits Payable	1,048,959	490,017	1,538,976
Checks Paid Exceeding Cash	9,787,736	-	9,787,736
Due to Other Governments	100,238	-	100,238
Current Portion of Long-Term Debt	3,183,991	2,977,021	6,161,012
Total Current Liabilities	19,740,165	6,621,914	26,362,079
Noncurrent Liabilities			
Compensated Absences Payable	2,086,948	117,606	2,204,554
Net Pension Liability - Police Pension	29,369,330	-	29,369,330
Net Pension Liability - Firefighters' Pension	53,661,110	-	53,661,110
Self Insurance Claims Payable	2,983,679	-	2,983,679
Settlement Installment Payable	851,193	-	851,193
Demand Bonds	-	1,042,912	1,042,912
General Obligation Bonds Payable - Net	28,366,616	6,399,808	34,766,424
Installment Contracts	-	15,235,826	15,235,826
Revenues Bonds Payable	8,870,000	-	8,870,000
Total Noncurrent Liabilities	126,188,876	22,796,152	148,985,028
Total Liabilities	145,929,041	29,418,066	175,347,107
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	312,990	19,332	332,322
Deferred Items - Police Pension	390,890	-	390,890
Property Taxes	12,717,630	-	12,717,630
Total Deferred Inflows of Resources	13,421,510	19,332	13,440,842
Total Liabilities and Deferred Inflows of Resources	159,350,551	29,437,398	188,787,949
NET POSITION			
Net Investment in Capital Assets	(18,707,764)	186,948	(18,520,816)
Restricted			
Grant	51,535	-	51,535
Public Safety	5,052,142	-	5,052,142
Capital Projects	11,637,419	-	11,637,419
Unrestricted (Deficit)	(144,947,973)	8,698,822	(136,249,151)
Total Net Position	(146,914,641)	8,885,770	(138,028,871)

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, 2015

		Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
	Expenses			
Governmental Activities				
General Government	\$ 12,742,012	3,275,222	882,182	764,068
Public Safety	16,057,017	622,808	-	-
Public Works	6,160,954	212,802	894,926	-
Community Development	214,049	51,958	274,440	-
Interest on Long-Term Debt	2,524,403	-	-	-
Total Governmental Activities	37,698,435	4,162,790	2,051,548	764,068
Business-Type Activities				
Water	15,433,011	14,633,114	-	-
Pace Bus Terminal Parking	5,758	6,099	-	-
Metra Lot	277,526	26,811	-	-
Commuter Parking Lot	102,505	48,911	-	-
Sewer	284,954	207,391	-	-
Total Business-Type Activities	16,103,754	14,922,326	-	-
Total Primary Government	53,802,189	19,085,116	2,051,548	764,068

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
(7,820,540)	-	(7,820,540)
(15,434,209)	-	(15,434,209)
(5,053,226)	-	(5,053,226)
112,349	-	112,349
(2,524,403)	-	(2,524,403)
(30,720,029)	-	(30,720,029)
-	(799,897)	(799,897)
-	341	341
-	(250,715)	(250,715)
-	(53,594)	(53,594)
-	(77,563)	(77,563)
-	(1,181,428)	(1,181,428)
(30,720,029)	(1,181,428)	(31,901,457)
13,175,713	-	13,175,713
1,454,491	-	1,454,491
575,131	-	575,131
433,876	-	433,876
2,137,271	-	2,137,271
2,575,164	-	2,575,164
511,010	-	511,010
697,858	-	697,858
5,791	1,338	7,129
866,358	560,336	1,426,694
(1,060,232)	1,060,232	-
21,372,431	1,621,906	22,994,337
(9,347,598)	440,478	(8,907,120)
(137,567,043)	8,445,292	(129,121,751)
(146,914,641)	8,885,770	(138,028,871)

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

CITY OF HARVEY, ILLINOIS

Balance Sheet - Governmental Funds
April 30, 2015

See Following Page

CITY OF HARVEY, ILLINOIS

Balance Sheet - Governmental Funds April 30, 2015

	General	Special Revenue Motor Fuel Tax	Debt Service
ASSETS			
Cash and Investments	\$ -	3,595,639	-
Receivables - Net of Allowances			
Taxes	12,081,064	58,801	3,241,056
Accounts	490,090	-	-
Other	101,958	-	-
Due from Other Governments	129,308	-	-
Advances to Other Funds	30,838	1,315,431	1,469,993
Inventories	12,000	-	-
Total Assets	12,845,258	4,969,871	4,711,049
LIABILITIES			
Accounts Payable	1,952,959	7,831	225
Accrued Payroll	200,968	-	-
Deposits Payable	1,048,959	-	-
Checks Paid Exceeding Cash	9,787,736	-	-
Due to Other Governments	100,238	-	-
Advances from Other Funds	34,724,590	-	1,489,966
Total Liabilities	47,815,450	7,831	1,490,191
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	9,496,772	-	3,220,858
Total Liabilities and Deferred Inflows of Resources	57,312,222	7,831	4,711,049
FUND BALANCES			
Nonspendable	12,000	-	-
Restricted	141,637	4,962,040	-
Assigned	-	-	-
Unassigned	(44,620,601)	-	-
Total Fund Balances	(44,466,964)	4,962,040	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	12,845,258	4,969,871	4,711,049

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
1,813,959	3,844,960	5,062,198	1,445,617	15,762,373
-	-	-	-	15,380,921
-	-	-	-	490,090
-	-	-	-	101,958
1,064,438	-	207,640	34,375	1,435,761
287,810	557,000	1,013,838	1,388,892	6,063,802
-	-	-	-	12,000
3,166,207	4,401,960	6,283,676	2,868,884	39,246,905
733,547	-	-	37,677	2,732,239
-	-	-	-	200,968
-	-	-	-	1,048,959
-	-	-	-	9,787,736
-	-	-	-	100,238
-	-	725,000	351,414	37,290,970
733,547	-	725,000	389,091	51,161,110
-	-	-	-	12,717,630
733,547	-	725,000	389,091	63,878,740
-	-	-	-	12,000
-	4,401,960	5,558,676	2,176,783	17,241,096
2,432,660	-	-	346,565	2,779,225
-	-	-	(43,555)	(44,664,156)
2,432,660	4,401,960	5,558,676	2,479,793	(24,631,835)
3,166,207	4,401,960	6,283,676	2,868,884	39,246,905

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, 2015

Total Governmental Fund Balances	\$ (24,631,835)
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	3,165,803
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The net pension assets of the pension funds are included in the governmental activities in the Statement of Net Position.	4,591,113
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Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	512,228
Deferred Items - Police Pension	(348,666)
Deferred Items - Firefighters' Pension	146,619

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest Payable	(977,036)
Compensated Absences Payable	(2,608,685)
Net Pension Liability - Police Pension	(29,369,330)
Net Pension Liability - Firefighters' Pension	(53,661,110)
Self Insurance Claims Payable	(2,983,679)
Settlement Installment Payable	(1,280,226)
General Obligation Bonds Payable - Net	(29,227,866)
General Obligation Refunding Capital Appreciation Bonds Payable	(291,971)
Revenue Bonds Payable	<u>(9,950,000)</u>

Net Position of Governmental Activities	<u>(146,914,641)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended April 30, 2015**

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, 2015

		Special Revenue	
	General	Motor Fuel Tax	Debt Service
Revenues			
Taxes	\$ 11,219,523	-	2,583,992
Licenses and Permits	663,204	-	-
Intergovernmental	6,803,485	894,926	-
Charges for Services	2,853,191	-	-
Fines and Forfeits	507,433	-	-
Interest	5,060	18	86
Miscellaneous	866,358	-	-
Total Revenues	22,918,254	894,944	2,584,078
Expenditures			
Current			
General Government	11,969,776	-	6,325
Public Safety	10,533,764	-	-
Public Works	5,061,698	108,479	-
Community Development	127,082	-	-
Capital Outlay	1,670,448	-	-
Debt Service			
Principal Retirement	-	-	1,117,500
Interest and Fiscal Charges	-	-	1,810,405
Total Expenditures	29,362,768	108,479	2,934,230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,444,514)	786,465	(350,152)
Other Financing Sources (Uses)			
Disposal of Capital Assets	92,255	-	-
Transfers In	-	-	1,089,205
Transfers Out	(1,891,181)	-	(810,615)
	(1,798,926)	-	278,590
Net Change in Fund Balances	(8,243,440)	786,465	(71,562)
Fund Balances - Beginning	(36,223,524)	4,175,575	71,562
Fund Balances - Ending	(44,466,964)	4,962,040	-

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
-	532,584	1,127,703	175,409	15,639,211
-	-	-	-	663,204
764,068	-	187,346	87,094	8,736,919
-	-	-	138,962	2,992,153
-	-	-	-	507,433
-	289	102	236	5,791
-	-	-	-	866,358
764,068	532,873	1,315,151	401,701	29,411,069
-	-	-	-	11,976,101
-	-	-	-	10,533,764
-	-	-	394,377	5,564,554
-	-	-	-	127,082
764,068	-	250,565	86,967	2,772,048
-	-	540,000	205,000	1,862,500
-	-	410,100	347,359	2,567,864
764,068	-	1,200,665	1,033,703	35,403,913
-	532,873	114,486	(632,002)	(5,992,844)
-	-	-	-	92,255
-	-	-	552,359	1,641,564
-	-	-	-	(2,701,796)
-	-	-	552,359	(967,977)
-	532,873	114,486	(79,643)	(6,960,821)
2,432,660	3,869,087	5,444,190	2,559,436	(17,671,014)
2,432,660	4,401,960	5,558,676	2,479,793	(24,631,835)

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (6,960,821)
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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	548,074
Depreciation Expense	(356,137)

An decrease in a net pension asset is not considered to be an decrease in a financial assets in the governmental funds. (367,320)

Deferred outflows (inflows) of resources related to the pensions not reported in the funds.

Change in Deferred Items - IMRF	333,479
Change in Deferred Items - Police Pension	(565,342)
Change in Deferred Items - Firefighters' Pension	(757,018)

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	(360,211)
Additions to Net Pension Liability - Police Pension	(1,768,093)
Additions to Net Pension Liability - Firefighters' Pension	(2,330,888)
Addition to Settlement Installment Payable	(419,184)
Deductions to Self Insurance Claims	1,749,902
Additions to Accretion - General Obligation Capital Appreciation Bonds	(23,307)
Retirement of Debt	1,862,500
Amortization of Debt Related Items	26,712

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

40,056

Changes in Net Position of Governmental Activities	(9,347,598)
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The notes to the financial statements are an integral part of this statement.

CITY OF HARVEY, ILLINOIS

**Statement of Net Position - Proprietary Funds
For the Fiscal Year Ended April 30, 2015**

See Following Page

CITY OF HARVEY, ILLINOIS

**Statement of Net Position - Proprietary Funds
April 30, 2015**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ -	-	-
Receivables - Net of Allowances			
Customer Billings	(461,298)	77,263	(384,035)
Unbilled Services	1,924,145	34,857	1,959,002
Advances to Other Funds	30,447,065	1,171,754	31,618,819
Total Current Assets	31,909,912	1,283,874	33,193,786
Noncurrent Assets			
Capital Assets			
Nondepreciable	126,488	482,250	608,738
Depreciable	17,796,856	6,990,172	24,787,028
Accumulated Depreciation	(11,863,253)	(6,637,007)	(18,500,260)
	6,060,091	835,415	6,895,506
Other Assets			
Net Pension Asset - IMRF	250,386	33,172	283,558
Total Noncurrent Assets	6,310,477	868,587	7,179,064
Total Assets	38,220,389	2,152,461	40,372,850
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Items - IMRF	45,005	5,962	50,967
Total Assets and Deferred Outflows of Resources	38,265,394	2,158,423	40,423,817

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

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,968,754	39,123	3,007,877
Accrued Payroll	10,322	1,309	11,631
Accrued Interest Payable	135,368	-	135,368
Deposits Payable	490,017	-	490,017
Advances from Other Funds	1,469,993	630,656	2,100,649
Current Portion of Long-Term Debt	2,972,339	4,682	2,977,021
Total Current Liabilities	8,046,793	675,770	8,722,563
Noncurrent Liabilities			
Compensated Absences Payable	98,877	18,729	117,606
General Obligation Bonds Payable - Net	6,399,808	-	6,399,808
Demand Bonds	1,042,912	-	1,042,912
Installment Contract	15,235,826	-	15,235,826
Total Noncurrent Liabilities	22,777,423	18,729	22,796,152
Total Liabilities	30,824,216	694,499	31,518,715
DEFERRED INFLOWS OF RESOURCES			
Deferred Items - IMRF	17,070	2,262	19,332
Total Liabilities and Deferred Inflows of Resources	30,841,286	696,761	31,538,047
NET POSITION			
Net Investment in Capital Assets	(648,467)	835,415	186,948
Unrestricted	8,072,575	626,247	8,698,822
Total Net Position	7,424,108	1,461,662	8,885,770

CITY OF HARVEY, ILLINOIS

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Fiscal Year Ended April 30, 2015**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 14,633,114	289,212	14,922,326
Miscellaneous	12,935	-	12,935
Total Operating Revenues	14,646,049	289,212	14,935,261
Operating Expenses			
Operations	14,338,630	516,779	14,855,409
Depreciation and Amortization	384,437	153,964	538,401
Total Operating Expenses	14,723,067	670,743	15,393,810
Operating Income (Loss)	(77,018)	(381,531)	(458,549)
Nonoperating Revenues (Expenses)			
Interest Income	172	1,166	1,338
Other Income	547,401	-	547,401
Interest Expense	(709,944)	-	(709,944)
	(162,371)	1,166	(161,205)
Income (Loss) Before Transfers	(239,389)	(380,365)	(619,754)
Transfers In	810,615	249,617	1,060,232
Change in Net Position	571,226	(130,748)	440,478
Net Position - Beginning as Restated	6,852,882	1,592,410	8,445,292
Net Position - Ending	7,424,108	1,461,662	8,885,770

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, 2015

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 13,543,241	1,394,229	14,937,470
Payments to Employees	(626,695)	(173,980)	(800,675)
Payments to Suppliers	(30,271,718)	(1,471,032)	(31,742,750)
	(17,355,172)	(250,783)	(17,605,955)
Cash Flows from Noncapital Financing Activities			
Transfers In	810,615	249,617	1,060,232
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(23,335)	-	(23,335)
Debt Issuance	18,506,313	-	18,506,313
Principal Retirement	(1,228,649)	-	(1,228,649)
Interest Payments	(709,944)	-	(709,944)
	16,544,385	-	16,544,385
Cash Flows from Investing Activities			
Interest Received	172	1,166	1,338
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)	(77,018)	(381,531)	(458,549)
Adjustments to Reconcile Operating Income to Net Income			
to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expense	384,437	153,964	538,401
Other Income	547,401	-	547,401
(Increase) Decrease in Current Assets	(1,650,209)	1,105,017	(545,192)
Increase (Decrease) in Current Liabilities	(16,559,783)	(1,128,233)	(17,688,016)
Net Cash Provided by Operating Activities	(17,355,172)	(250,783)	(17,605,955)

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

CITY OF HARVEY, ILLINOIS

**Statement of Fiduciary Net Position
April 30, 2015**

	<u>Pension Trust</u>
ASSETS	
Cash and Cash Equivalents	\$ 217,080
Investments	
U.S. Treasuries	3,560,888
U.S. Agencies	2,657,881
Corporate Bonds	2,600,414
Common Stock	4,016,768
Equity Securities	1,842,911
Equity Mutual Funds	12,062,899
Money Market Mutual Funds	353,831
Receivables	
Accrued Interest	77,470
Due from Other Funds	1,708,998
Reserve Uncollectible - Interfund	(1,621,692)
Other	65,323
Prepays	<u>13,696</u>
Total Assets	27,556,467
LIABILITIES	
Accounts Payable	<u>13,325</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>27,543,142</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, 2015**

	<u>Pension Trust</u>
Additions	
Contributions - Employer	\$ 937,439
Contributions - Plan Members	<u>704,574</u>
Total Contributions	<u>1,642,013</u>
Investment Income	
Interest Earned	1,744,431
Net Change in Fair Value	<u>17,689</u>
	1,762,120
Less Investment Expenses	<u>(163,763)</u>
Net Investment Income	<u>1,598,357</u>
Total Additions	<u>3,240,370</u>
Deductions	
Administration	199,019
Benefits and Refunds	<u>3,641,125</u>
Total Deductions	<u>3,840,144</u>
Change in Fiduciary Net Position	(599,774)
Net Position Restricted for Pensions	
Beginning	<u>28,142,916</u>
Ending	<u><u>27,543,142</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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 or 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

- Prior to July 31, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the previous May 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.
- Subsequently, the budget is legally enacted through passage of an ordinance prior to July 31.
- Formal budgetary integration is employed as a management control device during the year for General, Motor Fuel Tax, Debt Service, TIF I Dixie Square, TIF II Center Street, 911 Emergency Surcharge Tax, Community Development, TIF III Cresco Business Park, TIF V RPM 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 BALANCES

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

Fund	Deficit
General	\$ 44,466,964
911 Emergency Surcharge Tax	43,551
TIF VII Arco/147th Street	4

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continued

EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET IN INDIVIDUAL FUNDS

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

Fund	Excess
General	\$ 2,061,818
Motor Fuel Tax	18,479
911 Emergency Surcharge Tax	334,238
TIF II Center Street	625,665
TIF V RPM Business Park	1
Water	496,114
Metra Lot	221,265

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 Funds are held separately from those of other City funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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 \$5,753,868 and the bank balances totaled \$6,945,316. 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 not rated.

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, 2015

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, \$4,398,072 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 \$84,535 and the bank balances totaled \$84,535.

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	\$ 2,859,451	-	2,007,514	851,937	-
U.S. Agencies	1,754,218	189,580	1,008,341	326,089	230,208
Corporate Bonds	940,284	145,147	748,966	46,171	-
Illinois Funds	98,727	98,727	-	-	-
	5,652,680	433,454	3,764,821	1,224,197	230,208

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 AA+ by Standard & Poor's or by Moody's Investor Services or were small issues that were unrated and the investments in the corporate bonds were rated BBB+ to AA- by Standard & Poor's or by Moody's Investor Services. The investments in the securities of the U.S. government treasuries were not rated.

Custodial Credit Risk. The Fund's investment policy states that except for bank managed money market mutual funds, deposits in excess of federally insured limits in financial institutions will be required to be secured by some form of collateral. At April 30, 2015, 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, 2015

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 \$6,672,948 invested in equity mutual funds and \$4,016,768 invested in common stock. At April 30, 2015, 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 \$1,438,800.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Fixed Income	32%	1.0%
Domestic Equities	42%	6.8%
International Equities	15%	1.5%
Real Estate	3%	7.5%
Blended	8%	1.5%
Cash and Cash Equivalents	0%	0.0%

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

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in May 2015 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2015 are listed in the table above.

Rate of Return

For the fiscal year ended April 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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

Deposits. At year-end, the carrying amount of the Fund's deposits totaled \$33,818 and the bank balances totaled \$57,836.

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	\$ 701,437	15,019	267,961	225,637	192,820
U.S. Agencies	903,663	95,449	185,195	27,426	595,593
Corporate Bonds	1,660,130	15,471	335,845	954,730	354,084
Money Market Mutual Funds	353,831	353,831	-	-	-
	3,619,061	479,770	789,001	1,207,793	1,142,497

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 AAA and Corporate Bonds were rated BBB or better 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, 2015

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	Standard & Poors	Moody's
Federal Home Loan Mortgage Corp.	\$ 9,777	3.500%	July 1, 2032	N/R	N/R
Federal Home Loan Mortgage Corp.	8,462	4.500%	March 1, 2034	N/R	N/R
Federal Home Loan Mortgage Corp.	7,045	5.500%	August 1, 2035	N/R	N/R
Federal Home Loan Mortgage Corp.	10,496	6.500%	August 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	17,775	6.500%	September 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	6,129	6.500%	September 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	9,907	6.000%	November 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	4,379	6.000%	November 1, 2036	N/R	N/R
Federal Home Loan Mortgage Corp.	3,110	6.000%	March 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	1,251	6.000%	August 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	2,428	6.500%	November 1, 2037	N/R	N/R
Federal Home Loan Mortgage Corp.	3,257	5.500%	May 1, 2038	N/R	N/R
Federal Home Loan Mortgage Corp.	7,548	5.000%	September 1, 2038	N/R	N/R
Federal Home Loan Mortgage Corp.	8,531	5.000%	February 1, 2039	N/R	N/R
Federal Home Loan Mortgage Corp.	5,005	4.500%	April 1, 2039	N/R	N/R
Federal Home Loan Mortgage Corp.	37,382	3.500%	July 1, 2044	N/R	N/R
Federal Home Loan Mortgage Corp.	29,193	3.500%	December 1, 2044	N/R	N/R
Federal National Mortgage Assoc.	30,692	0.000%	October 9, 2019	AA-	N/R
Federal National Mortgage Assoc.	15,202	4.500%	April 1, 2031	N/R	N/R
Federal National Mortgage Assoc.	15,138	4.500%	July 1, 2031	N/R	N/R
Federal National Mortgage Assoc.	4,965	3.500%	August 1, 2032	N/R	N/R
Federal National Mortgage Assoc.	36,729	4.000%	October 1, 2033	N/R	N/R
Federal National Mortgage Assoc.	962	5.500%	April 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	23,127	6.000%	July 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	44,759	6.500%	August 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	5,567	6.000%	October 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	4,078	5.500%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	1,874	6.000%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	469	5.500%	November 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	1,040	5.500%	December 1, 2036	N/R	N/R
Federal National Mortgage Assoc.	778	6.000%	December 1, 2036	N/R	N/R

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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	Standard & Poors	Moody's
Federal National Mortgage Assoc.	\$ 9,794	6.000%	January 1, 2037	N/R	N/R
Federal National Mortgage Assoc.	8,198	6.000%	April 1, 2037	N/R	N/R
Federal National Mortgage Assoc.	1,585	6.000%	September 1, 2037	N/R	N/R
Federal National Mortgage Assoc.	1,574	6.500%	January 1, 2038	N/R	N/R
Federal National Mortgage Assoc.	4,088	6.000%	January 1, 2038	N/R	N/R
Federal National Mortgage Assoc.	5,490	5.000%	May 1, 2038	N/R	N/R
Federal National Mortgage Assoc.	11,518	5.000%	April 1, 2039	N/R	N/R
Federal National Mortgage Assoc.	11,430	4.500%	July 1, 2039	N/R	N/R
Federal National Mortgage Assoc.	50,573	5.500%	February 1, 2040	N/R	N/R
Federal National Mortgage Assoc.	44,634	5.000%	June 1, 2040	N/R	N/R
Federal National Mortgage Assoc.	7,132	4.000%	December 1, 2040	N/R	N/R
Federal National Mortgage Assoc.	9,269	4.500%	June 1, 2041	N/R	N/R
Federal National Mortgage Assoc.	15,088	4.000%	June 1, 2042	N/R	N/R
Federal National Mortgage Assoc.	5,599	4.500%	June 1, 2042	N/R	N/R
Federal National Mortgage Assoc.	7,749	4.000%	November 1, 2043	N/R	N/R
Federal National Mortgage Assoc.	16,509	3.500%	October 1, 2044	N/R	N/R
NRG Energy Inc. Bond	4,000	7.625%	January 15, 2018	BB-	B1
Cincinnati Bell Inc. Bond	4,000	8.750%	March 15, 2018	CCC+	Caa1
Reynolds Group Issuer Inc. Bond	10,000	9.000%	April 15, 2019	CCC+	Caa2
Community Health Systems, Inc. Bond	7,000	8.000%	November 15, 2019	B-	B3
Community Health Systems, Inc. Bond	4,000	7.125%	July 15, 2020	B-	B3
Advanced Micro Devices, Inc. Bond	4,000	7.750%	August 1, 2020	B-	Caa1
United Continental Holdings, Inc. Bond	7,000	6.000%	December 1, 2020	B+	B3
First Data Corporation Bond	4,000	12.625%	January 15, 2021	B-	Caa1
Dell Inc. Corporate Bond	5,000	4.625%	April 1, 2021	BB+	Ba3
Tenet Healthcare Bond	4,000	4.500%	April 1, 2021	B+	Ba2
CCO Holdings, LLC Bond	5,000	6.500%	April 30, 2021	BB-	B1
GenOn Americas Generation, LLC Bond	5,000	8.500%	October 1, 2021	B	Caa1
International Lease Finance Corp. Bond	4,000	8.625%	January 15, 2022	BB+	Ba2
HCA, Inc. Bond	4,000	8.500%	February 15, 2022	B+	B2
CenturyLink, Inc. Bond	8,000	5.800%	March 15, 2022	Ba2	BB
T-Mobile USA, Inc. Bond	7,000	6.625%	April 1, 2023	BB	Ba3
CenturyLink, Inc. Bond	4,000	6.750%	December 1, 2023	BB	Ba2
Rite Aid Corporation Bond	7,000	7.700%	February 15, 2027	CCC+	Caa1

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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

Custodial Credit Risk – Deposits. At April 30, 2015, 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. In addition to the securities and fair values listed above, the Fund also has \$1,842,911 invested in equity securities and \$5,389,951 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 Pension Board has diversified its equity mutual fund holdings as follows:

Equity Mutual Funds	Fair Value
Guggenheim Multi-Asset Income ETF Fund	\$ 729,353 *
TCW Emerging Markets Income Bond Fund	591,429 *
First Trust North America Energy Infrastructure ETF Fund	549,443 *
Miller Convertible Bond Mutual Fund	545,315
First Trust Senior Loan ETF Fund	543,483
iShares Russell 1000 Growth ETF Fund	339,954
Vanguard Extended Market Index ETF Fund	316,897
First Eagle Overseas Fund	314,211
iShares MSCI EAFE ETF Fund	182,903
iShares MSCI Taiwan ETF Fund	181,530
MFS International New Discovery Mutual Fund	162,279
PowerShares DWA Emerging Markets ETF Fund	150,337

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

Concentration Risk – Continued.

Equity Mutual Funds	Fair Value
iShares MSCI Netherlands ETF Fund	\$ 145,250
iShares MSCI South Korea Capped ETF Fund	118,303
iShares U.S. Preferred Stock ETF Fund	91,622
iShares MSCI China ETF Fund	85,746
iShares MSCI Brazil Capped ETF Fund	43,343
Vanguard Long-Term Corporate Bond ETF Fund	41,792
iShares MSCI Australia ETF Fund	36,263
iShares MSCI Chile Capped ETF Fund	33,903
KraneShares CSI China Internet ETF Fund	29,024
iShares MSCI Spain Capped ETF Fund	28,197
SPDR S&P Metals and Mining ETF Fund	27,931
iShares MSCI Canada ETF Fund	27,868
Market Vectors Vietnam ETF Fund	14,586
Deutsche MSCI South Korea Hedged Equity ETF Fund	10,519
iShares MSCI Brazil Small-Cap ETF Fund	8,111
iShares Russell 2000 Value ETF Fund	7,271
iShares MSCI All Peru Capped ETF Fund	6,542
iShares MSCI Poland Capped ETF Fund	6,469
iShares MSCI Mexico Capped ETF Fund	6,038
iShares MSCI Russia Capped ETF Fund	5,263
WisdomTree India Earnings ETF Fund	4,445
Global X MSCI Colombia ETF Fund	4,331
Total Equity Mutual Funds	<u>5,389,951</u>

* Represents over 5% of Fiduciary Net Position

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

Concentration Risk – Continued.

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	3.00%	0.00%
Fixed Income	32.00%	0.21%
Emerging Markets Debt	5.00%	2.36%
U.S. Large Cap Equity	6.00%	5.00%
U.S. Small/ Mid Cap Equity	6.00%	6.04%
U.S. Preferred Securities	5.00%	3.02%
U.S. Convertible Bonds	5.00%	4.05%
International Developed Markets Equity	4.00%	5.97%
Emerging Markets Equity	5.00%	7.52%
Real Estate	4.00%	6.02%
Tactical All Assets	15.00%	3.70%
MLP's	5.00%	3.20%
Floating Rate Notes	5.00%	3.10%

Illinois Compiled Statutes (ILCS) limit the Fund's investments in equities, mutual funds and variable annuities to 55%. Securities in any one company should not exceed 5% of the total fund. The blended asset class is comprised of all other asset classes to allow for rebalancing the portfolio.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in May 2015 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of April 30, 2015 are listed in the table above.

Rate of Return

For the year ended April 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.19%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

PROPERTY TAXES

Property taxes for 2014 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	491,076	-	491,076	-
	<u>718,210</u>	<u>-</u>	<u>491,076</u>	<u>227,134</u>
Depreciable Capital Assets				
Buildings and Property	7,449,546	493,557	-	7,943,103
Machinery and Equipment	4,029,239	274,729	-	4,303,968
Vehicles	6,511,408	270,864	-	6,782,272
	<u>17,990,193</u>	<u>1,039,150</u>	<u>-</u>	<u>19,029,343</u>
Less Accumulated Depreciation				
Buildings and Property	6,335,845	71,641	-	6,407,486
Machinery and Equipment	3,439,787	133,779	-	3,573,566
Vehicles	5,958,905	150,717	-	6,109,622
	<u>15,734,537</u>	<u>356,137</u>	<u>-</u>	<u>16,090,674</u>
Total Net Depreciable Capital Assets	<u>2,255,656</u>	<u>683,013</u>	<u>-</u>	<u>2,938,669</u>
Total Net Capital Assets	<u>2,973,866</u>	<u>683,013</u>	<u>491,076</u>	<u>3,165,803</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 154,623
Public Safety	130,392
Public Works	<u>71,122</u>
	<u>356,137</u>

CITY OF HARVEY, ILLINOIS**Notes to the Financial Statements
April 30, 2015****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	9,835	-	1,365,626
Machinery and Equipment	2,168,056	13,500	92,245	2,089,311
Infrastructure	21,415,092	-	83,001	21,332,091
	<u>24,938,939</u>	<u>23,335</u>	<u>175,246</u>	<u>24,787,028</u>
Less Accumulated Depreciation				
Buildings and Property	577,218	29,294	-	606,512
Machinery and Equipment	2,124,745	18,110	92,245	2,050,610
Infrastructure	15,430,534	495,605	83,001	15,843,138
	<u>18,132,497</u>	<u>543,009</u>	<u>175,246</u>	<u>18,500,260</u>
Total Net Depreciable Capital Assets	<u>6,806,442</u>	<u>(519,674)</u>	<u>-</u>	<u>6,286,768</u>
Total Net Capital Assets	<u>7,415,180</u>	<u>(519,674)</u>	<u>-</u>	<u>6,895,506</u>

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

Water	\$ 389,045
Commuter Parking Lot	32,029
Sewer	<u>121,935</u>
	<u>543,009</u>

CITY OF HARVEY, ILLINOIS

**Notes to the Financial Statements
April 30, 2015**

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	28,838
Motor Fuel Tax	General	193,341
Motor Fuel Tax	Debt Service	1,082,090
Motor Fuel Tax	TIF II Center Street	40,000
Debt Service	Water	1,469,993
Economic Development	Nonmajor Governmental	287,810
TIF I Dixie Square	TIF II Center Street	557,000
TIF II Center Street	General	1,013,838
Nonmajor Governmental	General	1,262,892
Nonmajor Governmental	TIF II Center Street	126,000
Water	General	29,373,767
Water	Debt Service	407,876
Water	Nonmajor Governmental	34,766
Water	Nonmajor Business-Type	630,656
Nonmajor Business-Type	General	1,171,754
Police Pension	General	877,535
Firefighters' Pension	General	831,463
		<u>39,391,619</u>

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

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

Interfund Transfers

Interfund transfers for the year consisted of the following:

Transfers In	Transfers Out	Amount
Debt Service	General	\$ 1,089,205
Nonmajor Governmental	General	552,359
Water	Debt Service	810,615
Nonmajor Business-Type	General	<u>249,617</u>
		<u><u>2,701,796</u></u>

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 and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In addition, the City transferred the remaining fund balance in the Metra Lot Fund to the General Fund as of April 30, 2015.

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:

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

General Obligation Bonds – Continued

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	1,065,750	-	157,500	908,250
	Water	1,979,250	-	292,500	1,686,750
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	8,705,000	-	660,000	8,045,000
		36,555,000	-	1,110,000	35,445,000

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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	\$ 5,155,000	-	205,000	4,950,000
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	540,000	-	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
		10,695,000	-	745,000	9,950,000

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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	\$ 301,380	-	155,679	145,701

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, 2015 is as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Demand Bonds of 2012, due in semi-annual installments of \$208,582 plus interest at 7.50% to 9.50% through May 5, 2018.	Water	\$ 1,347,444	-	95,950	1,251,494

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Installment Payable

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. See Litigation footnote disclosure for additional details. The outstanding balance of the installment payable at April 30, 2015 is as follows:

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Installment Payable of 2015, due in monthly installments of \$243,920 including interest at 3.00% through December 31, 2021.	Water	\$ -	18,506,313	840,199	17,666,114

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, 2015

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
Governmental Activities					
Compensated Absences	\$ 2,248,474	720,422	360,211	2,608,685	521,737
Net Pension Liability - Police Pension	27,601,237	1,768,093	-	29,369,330	-
Net Pension Liability - Firefighters' Pension	51,330,222	2,330,888	-	53,661,110	-
Settlement Installment Payable	861,042	419,184	-	1,280,226	429,033
Self Insurance Claims	4,733,581	1,057,471	2,807,373	2,983,679	-
General Obligation Bonds	29,575,750	-	817,500	28,758,250	861,250
Plus/Less Unamortized Items:					
Premium	496,328	-	26,712	469,616	-
General Obligation Refunding					
Capital Appreciation Bonds	301,380	-	155,679	145,701	145,701
Accretion - General Obligation Refunding					
Capital Appreciation Bonds	267,284	23,307	144,321	146,270	146,270
Revenue Bonds	10,695,000	-	745,000	9,950,000	1,080,000
	<u>128,110,298</u>	<u>6,319,365</u>	<u>5,056,796</u>	<u>129,372,867</u>	<u>3,183,991</u>
Business-Type Activities					
Compensated Absences	107,846	78,322	39,161	147,007	29,401
General Obligation Bonds	6,979,250	-	292,500	6,686,750	308,750
Plus Unamortized Items:					
Premium	26,416	-	4,608	21,808	-
Demand Bonds	1,347,444	-	95,950	1,251,494	208,582
Installment Payable	-	18,506,313	840,199	17,666,114	2,430,288
	<u>8,460,956</u>	<u>18,584,635</u>	<u>1,272,418</u>	<u>25,773,173</u>	<u>2,977,021</u>

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

For the business-type activities, the Water and Commuter Parking Funds liquidate the compensated absences. The net pension liability is being liquidated by the Water, Commuter Parking Lot, and Sewer Funds. The Water Fund makes payments on the general obligation bonds, the demand bonds, and the installment payable.

CITY OF HARVEY, ILLINOIS**Notes to the Financial Statements
April 30, 2015****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
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	-	-	-	-
Totals	28,758,250	17,812,536	9,950,000	3,923,534	300,000	-

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements
April 30, 2015

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		Demand		Installment	
	Bonds		Bonds		Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 308,750	355,751	208,582	52,146	2,430,288	496,748
2017	321,750	340,314	417,165	89,170	2,504,208	422,828
2018	338,000	326,479	417,165	49,538	2,580,376	346,660
2019	351,000	311,269	208,582	3,303	2,658,860	268,176
2020	367,250	295,473	-	-	2,739,732	187,304
2021	126,824	278,580	-	-	2,823,064	103,972
2022	158,249	271,606	-	-	1,929,586	21,771
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	-	-	-	-
Totals	6,686,750	4,078,510	1,251,494	194,157	17,666,114	1,847,459

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES

Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2015:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 3,165,803
Less Capital Related Debt:	
General Obligation Bonds of 2002B	(2,530,000)
General Obligation Refunding Bonds of 2002C	(908,250)
General Obligation Refunding Bonds of 2007A	(9,775,000)
General Obligation Refunding Bonds of 2007B	(8,045,000)
Unamortized Premium	(469,616)
General Obligation Refunding Capital Appreciation Bonds of 2002A	<u>(145,701)</u>
Net Investment in Capital Assets	<u><u>(18,707,764)</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	6,895,506
Less Capital Related Debt:	
General Obligation Refunding Bonds of 2002C	(1,686,750)
General Obligation Refunding Bonds of 2007A	(5,000,000)
Unamortized Premium	<u>(21,808)</u>
Net Investment in Capital Assets	<u><u>186,948</u></u>

Net Position Restatement

Net position was restated due to the implementation of GASB Statement No. 68. The following is a summary of the net position as originally reported and as restated:

Net Position	As Reported	As Restated	Increase (Decrease)
Governmental Activities	\$ (85,347,982)	(137,567,043)	(52,219,061)
Business-Type Activities	8,128,008	8,445,292	317,284
Water	6,572,715	6,852,882	280,167
Commuter Parking Lot	991,190	1,007,220	16,030
Sewer	533,305	554,392	21,087

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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
Restricted								
Grant	51,535	-	-	-	-	-	-	51,535
Public Safety	90,102	4,962,040	-	-	-	-	-	5,052,142
Capital Projects	-	-	-	-	4,401,960	5,058,676	2,176,783	11,637,419
Debt Service	-	-	-	-	-	500,000	-	500,000
	141,637	4,962,040	-	-	4,401,960	5,558,676	2,176,783	17,241,096
Assigned								
Capital Projects	-	-	-	2,432,660	-	-	346,565	2,779,225
Unassigned	(44,620,601)	-	-	-	-	-	(43,555)	(44,664,156)
Total Fund Balances	(44,466,964)	4,962,040	-	2,432,660	4,401,960	5,558,676	2,479,793	(24,631,835)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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, 2015 is \$1,251,494.

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, 2015

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, 2015 the amount of these liabilities total \$2,983,679 which is the City's best estimate based on available information. Changes in the reported liability since April 30, 2015 resulted in the following:

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	4,733,581
Incurred Claims	1,057,471
Claims Paid	<u>(2,807,373)</u>
Claims Payable - April 30, 2015	<u><u>2,983,679</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. The balance was moved to a long-term liability in fiscal year April 30, 2015 with previously accrued interest and fees forgiven. All payments owed for the agreement were made by the City in the current fiscal year. At fiscal year ended April 30, 2015, the balance of the installment payable in the Water Fund is \$17,666,114.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

CONTINGENT LIABILITIES – Continued

Litigation – Continued

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

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

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

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.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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 – Continued

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 \$831,463 as of April 30, 2015. 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.

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.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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 – Continued

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, additional personal property replacement taxes owed to the Police Pension, and Police Pension property taxes collected by the City. The balance outstanding at April 30, 2015 is \$877,535. 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, 2015 is \$861,042.

Individual v. City of Harvey, Case No. 13-CV-9252, United States District Court for the Northern District of Illinois

In October 2015, the City agreed to a settlement in connection with the case for a total of \$1,000,000 to be paid to the plaintiff. Insurance will cover \$580,816 of the balance. The remaining \$419,184 will be paid by the City in twelve installments of \$34,932. The payments begin in October 2015, and the final payment will be in September 2016. The amount has been recorded in the Government-Wide financial statements as a long-term liability. Balance outstanding at April 30, 2015 is \$419,184.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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. 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.

Illinois Municipal Retirement Fund (IMRF)

Plan Descriptions

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

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

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

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

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

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

Plan Membership. As of December 31, 2014, the date of the most recent actuarial report, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	105
Inactive Plan Members Entitled to but not yet Receiving Benefits	79
Active Plan Members	<u>77</u>
Total	<u><u>261</u></u>

Contributions. As set by statute, the City's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2014 was 5.71% of covered payroll.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Plan Descriptions – Continued

Net Pension Liability. The City's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed, as of December 31, 2014, using the following actuarial methods and assumptions:

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.50%
Salary Increases	3.75% to 14.50%
Cost of Living Adjustments	3.50%
Inflation	3.50%

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

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Discount Rate

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

Discount Rate Sensitivity

The following presents the plan's net pension liability/(asset), calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability/(Asset)	\$ (2,176,778)	(4,874,671)	(7,062,113)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

Changes in the Net Pension Liability/(Asset)

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability/(Asset) (A) - (B)
Balances at December 31, 2013	\$ 22,266,626	27,531,304	(5,264,678)
Changes for the Year:			
Service Cost	363,143	-	363,143
Interest on the Total Pension Liability	1,636,718	-	1,636,718
Difference Between Expected and Actual Experience of the Total Pension Liability	(505,541)	-	(505,541)
Changes of Assumptions	819,879	-	819,879
Contributions - Employer	-	189,788	(189,788)
Contributions - Employees	-	155,726	(155,726)
Net Investment Income	-	1,651,805	(1,651,805)
Benefit Payments, including Refunds of Employee Contributions	(1,250,577)	(1,250,577)	-
Other (Net Transfer)	-	(73,127)	73,127
Net Changes	1,063,622	673,615	390,007
Balances at December 31, 2014	23,330,248	28,204,919	(4,874,671)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Illinois Municipal Retirement Fund (IMRF) – Continued

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

For the year ended April 30, 2015, the City recognized pension expense of \$35,932. At April 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	(332,322)	(332,322)
Change in Assumptions	538,954	-	538,954
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	301,089	-	301,089
Pension Contributions Made Subsequent to the Measurement Date	36,142	-	36,142
Total Deferred Amounts Related to IMRF	876,185	(332,322)	543,863

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

Fiscal Year	Net Deferred Outflows of Resources
2016	\$ 219,120
2017	174,199
2018	75,272
2019	75,272
2020	-
Thereafter	-
Total	543,863

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan

Plan Descriptions

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

Plan Membership. At April 30, 2015, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	47
Inactive Plan Members Entitled to but not yet Receiving Benefits	6
Active Plan Members	<u>56</u>
Total	<u><u>109</u></u>

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

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended April 30, 2015, the City's contribution was 5.94% of covered payroll.

Concentrations. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

Investment	Amount
Vanguard Total Stock Signal Mutual Funds	\$ 1,438,800

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Actuarial Assumptions

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

Actuarial Valuation Date	4/30/15
Actuarial Cost Method	Projected Unit cost
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.75%
Salary Increases	Service-Based
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2000 CHBCA Mortality Table. The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount Rate

A Single Discount Rate of 3.88% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 6.75%, the municipal bond rate is 3.62%, and the resulting single discount rate is 3.88%.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

Discount Rate Sensitivity

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

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
Net Pension Liability	\$ 37,235,887	26,369,330	23,117,435

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2014	\$ 44,322,358	16,721,121	27,601,237
Changes for the Year:			
Service Cost	1,970,450	-	1,970,450
Interest on the Total Pension Liability	1,764,538	-	1,764,538
Difference Between Expected and Actual Experience of the Total Pension Liability	(469,066)	-	(469,066)
Changes of Assumptions	-	-	-
Contributions - Employer	-	216,675	(216,675)
Contributions - Employees	-	361,391	(361,391)
Net Investment Income	-	1,036,455	(1,036,455)
Benefit Payments, including Refunds of Employee Contributions	(1,630,027)	(1,630,027)	-
Other (Net Transfer)	-	(116,692)	116,692
Net Changes	1,635,895	(132,198)	1,768,093
Balances at April 30, 2015	45,958,253	16,588,923	29,369,330

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Police Pension Plan – Continued

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

For the year ended April 30, 2015, the City recognized pension expense of \$2,333,435. At April 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	(390,890)	(390,890)
Change in Assumptions	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	42,224	-	42,224
Total Deferred Amounts Related to Police Pension	42,224	(390,890)	(348,666)

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

Fiscal Year	Net Deferred Inflows of Resources
2016	\$ (67,622)
2017	(67,622)
2018	(67,622)
2019	(67,622)
2020	(78,178)
Thereafter	-
Total	(348,666)

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan

Plan Descriptions

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

Plan Membership. At April 30, 2015, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	62
Inactive Plan Members Entitled to but not yet Receiving Benefits	5
Active Plan Members	<u>47</u>
Total	<u><u>114</u></u>

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

The Firefighters' Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3 percent of the original pension and 3 percent compounded annually thereafter.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Plan Descriptions – Continued

Benefits Provided – Continued. Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for the pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., ½ percent for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the police office retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3 percent or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions. Covered employees are required to contribute 9.455% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended December 31, 2014, the City's contribution was 22.60% of covered payroll.

Significant Investments. At year end, the Pension Plan has investments (other than U.S. Government and U.S. Government-guaranteed obligations) in any one organization that represent 5 percent or more of net position available for benefits as follows:

Investment	Amount
Guggenheim Multi-Asset Income ETF Fund	\$ 729,353
TCW Emerging Markets Income Bond Fund	591,429
First Trust North America Energy Infrastructure ETF Fund	549,443

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Actuarial Assumptions

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

Actuarial Valuation Date	4/30/15
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	4.00% - 46.23%
Cost of Living Adjustments	4.00%
Inflation	3.00%

Mortality rates were based on the RP-2000 CHBCA Mortality Table. The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.

Discount Rate

A Single Discount Rate of 3.71% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

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

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.00%, the municipal bond rate is 3.62%, and the resulting single discount rate is 3.71%.

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

Discount Rate Sensitivity

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

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Net Pension Liability	\$ 63,883,627	53,661,110	45,351,846

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2014	\$ 62,752,017	11,421,795	51,330,222
Changes for the Year:			
Service Cost	1,583,616	-	1,583,616
Interest on the Total Pension Liability	2,290,794	-	2,290,794
Difference Between Expected and Actual Experience of the Total Pension Liability	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	720,764	(720,764)
Contributions - Employees	-	343,183	(343,183)
Net Investment Income	-	561,902	(561,902)
Benefit Payments, including Refunds of Employee Contributions	(2,011,098)	(2,011,098)	-
Other (Net Transfer)	-	(82,327)	82,327
Net Changes	1,863,312	(467,576)	2,330,888
Balances at April 30, 2015	64,615,329	10,954,219	53,661,110

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLANS – Continued

Firefighters' Pension Plan – Continued

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

For the year ended April 30, 2015, the City recognized pension expense of \$3,087,906. At April 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	-	-
Change in Assumptions	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	146,619	-	146,619
Total Deferred Amounts Related to Firefighters' Pension	146,619	-	146,619

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

Fiscal Year	Net Deferred Outflows of Resources
2016	\$ 36,655
2017	36,655
2018	36,655
2019	36,654
2020	-
Thereafter	-
Total	146,619

CITY OF HARVEY, ILLINOIS

Notes to the Financial Statements April 30, 2015

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, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to the Required Supplementary Information

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

CITY OF HARVEY, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information Schedule of Employer Contributions April 30, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 189,788	\$ 189,788	\$ -	\$ 3,323,783	5.71%

Notes to the Required Supplementary Information:

Actuarial Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	29 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.00%
Salary Increases	4.40% - 16.00%
Investment Rate of Return	7.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	RP-2000 Combined Healthy Mortality Table

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Employer Contributions

April 30, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 1,031,559	\$ 216,675	\$ (814,884)	\$ 3,646,731	5.94%

Notes to the Required Supplementary Information:

Actuarial Valuation Date	April 30, 2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	26 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	6.75%
Retirement Age	50-70
Mortality	RP-2000 Combined Healthy Mortality Table

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Employer Contributions

April 30, 2015

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 2,070,500	\$ 720,764	\$ (1,349,736)	\$ 3,188,558	22.60%

Notes to the Required Supplementary Information:

Actuarial Valuation Date	April 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	100% Funded by Year 2033
Asset Valuation Method	5-Year Smoothed Market
Inflation	3.00%
Salary Increases	5.50% - 9.00%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	L&A 2012 Illinois Firefighters'

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS**Illinois Municipal Retirement Fund****Required Supplementary Information****Schedule of Changes in the Employer's Net Pension Liability****April 30, 2015**

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

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Police Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability April 30, 2015

	04/30/15
Total Pension Liability	
Service Cost	\$ 1,970,450
Interest	1,764,538
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(469,066)
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)
Net Change in Total Pension Liability	1,635,895
Total Pension Liability - Beginning	44,322,358
Total Pension Liability - Ending	45,958,253
Plan Fiduciary Net Position	
Contributions - Employer	\$ 216,675
Contributions - Members	361,391
Net Investment Income	1,036,455
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)
Administrative Expense	(116,692)
Net Change in Plan Fiduciary Net Position	(132,198)
Plan Net Position - Beginning	16,721,121
Plan Net Position - Ending	16,588,923
Employer's Net Pension Liability	\$ 29,369,330
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.10%
Covered-Employee Payroll	\$ 3,646,731
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	805.36%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability April 30, 2015

	04/30/15
Total Pension Liability	
Service Cost	\$ 1,583,616
Interest	2,290,794
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	-
Change of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(2,011,098)
Net Change in Total Pension Liability	1,863,312
Total Pension Liability - Beginning	62,752,017
Total Pension Liability - Ending	64,615,329
Plan Fiduciary Net Position	
Contributions - Employer	\$ 720,764
Contributions - Members	343,183
Net Investment Income	561,902
Benefit Payments, Including Refunds of Member Contributions	(2,011,098)
Administrative Expense	(82,327)
Net Change in Plan Fiduciary Net Position	(467,576)
Plan Net Position - Beginning	11,421,795
Plan Net Position - Ending	10,954,219
Employer's Net Pension Liability	\$ 53,661,110
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	16.95%
Covered-Employee Payroll	\$ 3,188,558
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	1682.93%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Police Pension Fund

Required Supplementary Information

Schedule of Investment Returns

April 30, 2015

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	4.05%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

Firefighters' Pension Fund

Required Supplementary Information

Schedule of Investment Returns

April 30, 2015

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	5.19%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 13,186,875	13,186,875	11,219,523
Licenses and Permits	1,491,356	1,491,356	663,204
Intergovernmental	7,680,000	7,680,000	6,803,485
Charges for Services	2,176,647	2,176,647	2,853,191
Fines and Forfeitures	775,075	775,075	507,433
Interest	5,000	5,000	5,060
Miscellaneous	160,240	160,240	866,358
Total Revenues	25,475,193	25,475,193	22,918,254
Expenditures			
General Government	8,526,925	8,526,925	11,969,776
Public Safety	10,910,925	10,910,925	10,533,764
Public Works	5,565,600	5,565,600	5,061,698
Community Development	97,500	97,500	127,082
Capital Outlay	2,200,000	2,200,000	1,670,448
Total Expenditures	27,300,950	27,300,950	29,362,768
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,825,757)	(1,825,757)	(6,444,514)
Other Financing Sources (Uses)			
Disposal of Capital Assets	55,000	55,000	92,255
Transfers Out	(2,068,590)	(2,068,590)	(1,891,181)
	(2,013,590)	(2,013,590)	(1,798,926)
Net Change in Fund Balance	(3,839,347)	(3,839,347)	(8,243,440)
Fund Balance - Beginning			(36,223,524)
Fund Balance - Ending			(44,466,964)

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, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 625,000	625,000	894,926
Interest	-	-	18
Total Revenues	625,000	625,000	894,944
Expenditures			
Public Works			
Contractual Services	90,000	90,000	108,479
Excess (Deficiency) of Revenues Over (Under) Expenditures	535,000	535,000	786,465
Other Financing Sources			
Transfers In	625,000	625,000	-
Net Change in Fund Balance	1,160,000	1,160,000	786,465
Fund Balance - Beginning			4,175,575
Fund Balance - Ending			4,962,040

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

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

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.

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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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

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/147th Street Fund

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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 147th 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 155th Street lot and for related expenses.

Sewer Fund

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

PENSION TRUST FUNDS

Police Pension Fund

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

Firefighters' Pension Fund

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

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Revenues - Budget and Actual For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
Taxes			
Property	\$ 9,226,875	9,226,875	7,378,687
RE Transaction Tax	80,000	80,000	91,720
Utility	1,400,000	1,400,000	1,454,491
Telecommunication	725,000	725,000	575,131
Video Gaming Tax	25,000	25,000	46,829
Casino	1,500,000	1,500,000	1,377,338
Franchise	150,000	150,000	145,365
Hotel/Motel	80,000	80,000	149,962
	13,186,875	13,186,875	11,219,523
Licenses and Permits			
Licenses			
Vehicles	640,789	640,789	217,900
Liquor	192,013	192,013	82,600
Business	179,733	179,733	104,600
Vending Machines	31,258	31,258	15,066
Contractors	71,447	71,447	28,371
Other	1,116	1,116	1,865
Permits			
Building	361,125	361,125	203,945
Electric	5,250	5,250	2,105
Plumbing	3,750	3,750	1,995
Other	4,875	4,875	4,757
	1,491,356	1,491,356	663,204
Intergovernmental			
Federal/State Grant	1,950,000	1,950,000	882,182
Replacement Tax	705,000	705,000	697,858
State Sales Tax	2,300,000	2,300,000	2,137,271
State Income Tax	2,300,000	2,300,000	2,575,164
State Use Tax	425,000	425,000	511,010
	7,680,000	7,680,000	6,803,485

CITY OF HARVEY, ILLINOIS

General Fund

**Schedule of Revenues - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Charges for Services			
Debris Usage/Mowing Fees	\$ -	-	340
Refuse Collection Fees	1,746,647	1,746,647	1,838,684
Garbage Can Replacement Fee	-	-	124,791
Towing Collection Fees	-	-	233,749
Vacant Property Registration Fees	-	-	47,620
Public Safety Registration	-	-	43,810
Inspection Point of Sale	50,000	50,000	39,554
Birth/Death Certificate Fees	-	-	34,828
Zoning Fees	-	-	3,005
Fire Service Fees	250,000	250,000	250,000
Fuel Tax Distributors	95,000	95,000	131,032
Civil Service Testing Fees	-	-	2,950
Rental Unit Inspections	-	-	27,151
Photostats	-	-	22,217
Rents	35,000	35,000	40,187
Special Events	-	-	11,974
Other	-	-	1,299
	<u>2,176,647</u>	<u>2,176,647</u>	<u>2,853,191</u>
Fines and Forfeitures			
Housing Court	119,362	119,362	23,587
Police	655,713	655,713	483,846
	<u>775,075</u>	<u>775,075</u>	<u>507,433</u>
Interest			
Investment Income	<u>5,000</u>	<u>5,000</u>	<u>5,060</u>
Miscellaneous			
Refunds/Reimbursements	62,500	62,500	54,952
Miscellaneous	97,740	97,740	811,406
	<u>160,240</u>	<u>160,240</u>	<u>866,358</u>
Total Revenues	<u>25,475,193</u>	<u>25,475,193</u>	<u>22,918,254</u>

CITY OF HARVEY, ILLINOIS**General Fund****Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
General Government			
Mayor			
Personnel Services	\$ 60,000	60,000	57,218
Other Services/Expenditures	15,000	15,000	22,531
	<u>75,000</u>	<u>75,000</u>	<u>79,749</u>
Mayor's Office			
Personnel Services	180,000	180,000	235,439
Commodities	26,000	26,000	21,292
Contractual Services	156,000	156,000	124,989
Other Services/Expenditures	50,000	50,000	54,647
Equipment	-	-	4,744
	<u>412,000</u>	<u>412,000</u>	<u>441,111</u>
Legal Department			
Contractual Services	<u>250,000</u>	<u>250,000</u>	<u>827,473</u>
Aldermen			
Personnel Services	150,000	150,000	150,470
Other Services/Expenditures	200,000	200,000	121,559
	<u>350,000</u>	<u>350,000</u>	<u>272,029</u>
City Clerk			
Personnel Services	105,500	105,500	113,555
Commodities	5,000	5,000	1,253
Contractual Services	5,500	5,500	9,174
Other Services/Expenditures	4,000	4,000	1,720
Equipment	-	-	1,702
	<u>120,000</u>	<u>120,000</u>	<u>127,404</u>
City Treasurer			
Personnel Services	11,600	11,600	16,745
Contractual Services	3,500	3,500	2,227
Other Services/Expenditures	1,500	1,500	1,219
	<u>16,600</u>	<u>16,600</u>	<u>20,191</u>

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
General Government - Continued			
Finance Department			
Commodities	\$ 18,000	18,000	(1,942)
Contractual Services	544,000	544,000	873,558
Other Services/Expenditures	-	-	56,141
Equipment	-	-	760
	562,000	562,000	928,517
Planning and Development			
Personnel Services	318,000	318,000	325,113
Commodities	16,000	16,000	(402)
Contractual Services	301,000	301,000	220,442
Other Services/Expenditures	6,700	6,700	147,597
Equipment	-	-	212
	641,700	641,700	692,962
Miscellaneous Grant			
Personnel Services	-	-	109,964
Commodities	-	-	847
Contractual Services	-	-	(63,068)
Other Services/Expenditures	-	-	9,140
Equipment	-	-	5,895
	-	-	62,778
Miscellaneous Appropriations/Specific Purpose			
Personnel Services	264,625	264,625	767,946
Commodities	-	-	62,710
Contractual Services	3,510,000	3,510,000	4,885,303
Other Services/Expenditures	2,325,000	2,325,000	2,801,603
	6,099,625	6,099,625	8,517,562
Total General Government	8,526,925	8,526,925	11,969,776
Public Safety			
Police Department			
Personnel Services	5,962,000	5,962,000	5,320,252
Commodities	129,000	129,000	205,797
Contractual Services	323,600	323,600	259,700

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
Public Safety - Continued			
Police Department - Continued			
Other Services/Expenditures	\$ 5,000	5,000	40,453
Equipment	-	-	6,603
	6,419,600	6,419,600	5,832,805
Fire Department			
Personnel Services	4,150,000	4,150,000	4,476,349
Commodities	40,250	40,250	69,941
Contractual Services	291,075	291,075	136,944
Other Services/Expenditures	10,000	10,000	10,531
Equipment	-	-	7,194
	4,491,325	4,491,325	4,700,959
Total Public Safety	10,910,925	10,910,925	10,533,764
Public Works			
Streets Administration			
Personnel Services	180,000	180,000	188,147
Commodities	6,600	6,600	1,396
Contractual Services	1,000	1,000	3,970
Other Services/Expenditures	2,000	2,000	850
	189,600	189,600	194,363
Street Maintenance Department			
Personnel Services	410,000	410,000	594,239
Commodities	491,000	491,000	282,561
Contractual Services	2,239,000	2,239,000	2,074,885
Other Services/Expenditures	795,000	795,000	969,387
Equipment	-	-	162
	3,935,000	3,935,000	3,921,234
Vehicle Maintenance Division			
Personnel Services	192,000	192,000	207,264
Commodities	5,000	5,000	-
Contractual Services	5,000	5,000	5,153
Other Services/Expenditures	361,000	361,000	2,250
	563,000	563,000	214,667

CITY OF HARVEY, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2015

	Budget		Actual
	Original	Final	
Public Works - Continued			
Public Property/Utility Maintenance			
Personnel Services	\$ 168,000	168,000	143,819
Commodities	5,000	5,000	897
Contractual Services	482,000	482,000	315,825
Other Services/Expenditures	223,000	223,000	270,893
	878,000	878,000	731,434
Total Public Works	5,565,600	5,565,600	5,061,698
Community Development			
Community Center			
Personnel Services	75,000	75,000	108,526
Commodities	-	-	583
Contractual Services	22,500	22,500	12,383
Other Services/Expenditures	-	-	-
Other Services/Expenditures	-	-	5,643
Equipment	-	-	(80)
	97,500	97,500	127,055
Senior Services			
Other Services/Expenditures	-	-	27
Total Community Development	97,500	97,500	127,082
Capital Outlay			
General Government			
IKE Roadway Improvement	1,950,000	1,950,000	666,056
City Wide Capital Projects	200,000	200,000	12,136
Equipment	50,000	50,000	17,000
Public Safety			
Vehicles	-	-	197,471
Equipment	-	-	252,507
Public Works			
Equipment	-	-	64,128
Vehicles	-	-	461,150
Total Capital Outlay	2,200,000	2,200,000	1,670,448
Total Expenditures	27,300,950	27,300,950	29,362,768

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, 2015

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 700,000	700,000	2,583,992
Interest	-	-	86
Total Revenues	700,000	700,000	2,584,078
Expenditures			
General Government			
Contractual Services	10,000	10,000	6,325
Debt Service			
Principal Retirement	1,215,000	1,215,000	1,117,500
Interest and Fiscal Charges	2,186,239	2,186,239	1,810,405
Total Expenditures	3,411,239	3,411,239	2,934,230
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,711,239)	(2,711,239)	(350,152)
Other Financing Sources (Uses)			
Transfers In	2,518,750	2,518,750	1,089,205
Transfers Out	-	-	(810,615)
	2,518,750	2,518,750	278,590
Net Change in Fund Balance	(192,489)	(192,489)	(71,562)
Fund Balance - Beginning			71,562
Fund Balance - Ending			-

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, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 200,000	200,000	532,584
Interest	150	150	289
Total Revenues	200,150	200,150	532,873
Expenditures			
Capital Outlay	500,000	500,000	-
Net Change in Fund Balance	(299,850)	(299,850)	532,873
Fund Balance - Beginning			3,869,087
Fund Balance - Ending			4,401,960

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, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 850,000	850,000	1,127,703
Intergovernmental			
Grant	-	-	187,346
Interest	200	200	102
Total Revenues	850,200	850,200	1,315,151
Expenditures			
Capital Outlay	575,000	575,000	250,565
Debt Service			
Principal Retirement	-	-	540,000
Interest and Fiscal Charges	-	-	410,100
Total Expenditures	575,000	575,000	1,200,665
Net Change in Fund Balance	275,200	275,200	114,486
Fund Balance - Beginning			5,444,190
Fund Balance - Ending			5,558,676

CITY OF HARVEY, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2015

	Special Revenue		
	911		
	Emergency Surcharge	Capital	
	Tax	Projects	Totals
ASSETS			
Cash and Investments	\$ -	1,445,617	1,445,617
Due from Other Governments	-	34,375	34,375
Advances to Other Funds	-	1,388,892	1,388,892
Total Assets	-	2,868,884	2,868,884
LIABILITIES			
Accounts Payable	8,785	28,892	37,677
Advances from Other Funds	34,766	316,648	351,414
Total Liabilities	43,551	345,540	389,091
FUND BALANCES			
Restricted	-	2,176,783	2,176,783
Assigned	-	346,565	346,565
Unassigned	(43,551)	(4)	(43,555)
Total Fund Balances	(43,551)	2,523,344	2,479,793
Total Liabilities and Fund Balances	-	2,868,884	2,868,884

CITY OF HARVEY, ILLINOIS**Nonmajor Governmental Funds****Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended April 30, 2015**

	Special Revenue		
	911		
	Emergency	Capital	
	Surcharge	Projects	Totals
	Tax		
Revenues			
Taxes	\$ -	175,409	175,409
Intergovernmental	-	87,094	87,094
Charges for Services	138,962	-	138,962
Interest	-	236	236
Total Revenues	138,962	262,739	401,701
Expenditures			
Public Works	394,238	139	394,377
Capital Outlay	-	86,967	86,967
Debt Service			
Principal Retirement	-	205,000	205,000
Interest and Fiscal Charges	-	347,359	347,359
Total Expenditures	394,238	639,465	1,033,703
Excess (Deficiency) of Revenues Over (Under) Expenditures	(255,276)	(376,726)	(632,002)
Other Financing Sources			
Transfers In	-	552,359	552,359
Net Change in Fund Balances	(255,276)	175,633	(79,643)
Fund Balances - Beginning	211,725	2,347,711	2,559,436
Fund Balances - Ending	(43,551)	2,523,344	2,479,793

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, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services			
911 Tax on Users	\$ 175,000	175,000	138,962
Expenditures			
Public Works			
Personnel Services	-	-	351,079
Contractual Services	60,000	60,000	43,159
Total Expenditures	60,000	60,000	394,238
Net Change in Fund Balance	115,000	115,000	(255,276)
Fund Balance - Beginning			211,725
Fund Balance - Ending			(43,551)

CITY OF HARVEY, ILLINOIS

Nonmajor Governmental - Capital Projects Funds

Combining Balance Sheet

April 30, 2015

See Following Page

CITY OF HARVEY, ILLINOIS**Nonmajor Governmental - Capital Projects Funds****Combining Balance Sheet****April 30, 2015**

	Hotel/ Motel	Community Development	Road	Special Assessment
ASSETS				
Cash and Investments	\$ 5,897	-	-	-
Due from Other Governments	-	34,375	-	-
Advances to Other Funds	-	-	600,000	28,892
Total Assets	5,897	34,375	600,000	28,892
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	-	-	-	28,892
Advances from Other Funds	-	34,375	253,435	-
Total Liabilities	-	34,375	253,435	28,892
Fund Balances				
Restricted	5,897	-	-	-
Assigned	-	-	346,565	-
Unassigned	-	-	-	-
Total Fund Balances	5,897	-	346,565	-
Total Liabilities and Fund Balances	5,897	34,375	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	459,866	126,339	165,383	27,842	996	1,445,617
-	-	-	-	-	-	-	34,375
-	-	360,000	-	400,000	-	-	1,388,892
465,401	193,893	819,866	126,339	565,383	27,842	996	2,868,884
-	-	-	-	-	-	-	28,892
-	-	-	-	-	27,838	1,000	316,648
-	-	-	-	-	27,838	1,000	345,540
465,401	193,893	819,866	126,339	565,383	4	-	2,176,783
-	-	-	-	-	-	-	346,565
-	-	-	-	-	-	(4)	(4)
465,401	193,893	819,866	126,339	565,383	4	(4)	2,523,344
465,401	193,893	819,866	126,339	565,383	27,842	996	2,868,884

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, 2015

	Hotel/ Motel	Community Development	Road	Special Assessment	Motor Fuel Tax
Revenues					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	87,094	-	-	-
Interest	-	3	73	-	-
Total Revenues	-	87,097	73	-	-
Expenditures					
Public Works	-	130	3	-	-
Capital Outlay	-	86,967	-	-	-
Debt Service					
Principal Retirement	205,000	-	-	-	-
Interest and Fiscal Charges	347,359	-	-	-	-
Total Expenditures	552,359	87,097	3	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(552,359)	-	70	-	-
Other Financing Sources					
Transfers In	552,359	-	-	-	-
Net Change in Fund Balances	-	-	70	-	-
Fund Balances - Beginning	5,897	-	346,495	-	465,401
Fund Balances - Ending	5,897	-	346,565	-	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
-	137,240	-	38,169	-	-	175,409
-	-	-	-	-	-	87,094
-	93	-	62	4	1	236
-	137,333	-	38,231	4	1	262,739
-	-	-	1	-	5	139
-	-	-	-	-	-	86,967
-	-	-	-	-	-	205,000
-	-	-	-	-	-	347,359
-	-	-	1	-	5	639,465
-	137,333	-	38,230	4	(4)	(376,726)
-	-	-	-	-	-	552,359
-	137,333	-	38,230	4	(4)	175,633
193,893	682,533	126,339	527,153	-	-	2,347,711
193,893	819,866	126,339	565,383	4	(4)	2,523,344

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, 2015

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Federal/State Grant	\$ 600,000	600,000	87,094
Interest	175	175	3
Total Revenues	600,175	600,175	87,097
Expenditures			
Public Works			
Contractual Services		-	130
Capital Outlay	600,000	600,000	86,967
Total Expenditures	600,000	600,000	87,097
Net Change in Fund Balance	175	175	-
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, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 125,000	125,000	137,240
Interest	225	225	93
Total Revenues	125,225	125,225	137,333
Expenditures			
Public Works	-	-	-
Net Change in Fund Balance	125,225	125,225	137,333
Fund Balance - Beginning			682,533
Fund Balance - Ending			819,866

CITY OF HARVEY, ILLINOIS

TIF V RPM Business Park - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2015**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 14,000	14,000	38,169
Interest	15	15	62
Total Revenues	14,015	14,015	38,231
Expenditures			
Public Works	-	-	1
Net Change in Fund Balance	14,015	14,015	38,230
Fund Balance - Beginning			527,153
Fund Balance - Ending			565,383

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, 2015**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Water Sales	\$ 12,126,140	12,126,140	14,546,381
Other	263,000	263,000	86,733
Miscellaneous	15,800	15,800	12,935
Total Operating Revenues	12,404,940	12,404,940	14,646,049
Operating Expenses			
Operations			
Personnel Services	611,458	611,458	729,496
Commodities	83,500	83,500	137,523
Contractual Services	13,126,058	13,126,058	12,664,986
Other Services/Expenses	1,500	1,500	806,625
Equipment	20,000	20,000	
Depreciation and Amortization	-	-	384,437
Total Operating Expenses	13,842,516	13,842,516	14,723,067
Operating Income (Loss)	(1,437,576)	(1,437,576)	(77,018)
Nonoperating Revenues (Expenses)			
Interest Income	-	-	172
Other Income	-	-	547,401
Interest Expense	-	-	(709,944)
	-	-	(162,371)
Income (Loss) Before Transfers	(1,437,576)	(1,437,576)	(239,389)
Transfers In	-	-	810,615
Change in Net Position	(1,437,576)	(1,437,576)	571,226
Net Position - Beginning as Restated			6,852,882
Net Position - Ending			7,424,108

CITY OF HARVEY, ILLINOIS

Nonmajor Enterprise Funds

**Combining Statement of Net Position
April 30, 2015**

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
ASSETS					
Current Assets					
Cash and Investments	\$ -	-	-	-	-
Receivables - Net of Allowances					
Customer Billings	-	-	-	77,263	77,263
Unbilled Services	-	-	-	34,857	34,857
Advances to Other Funds	31,152	-	481,408	659,194	1,171,754
Total Current Assets	31,152	-	481,408	771,314	1,283,874
Noncurrent Assets					
Capital Assets					
Nondepreciable	-	-	482,250	-	482,250
Depreciable	-	-	1,307,969	5,682,203	6,990,172
Accumulated Depreciation	-	-	(1,307,969)	(5,329,038)	(6,637,007)
	-	-	482,250	353,165	835,415
Other Assets					
Net Pension Asset	-	-	14,326	18,846	33,172
Total Noncurrent Assets	-	-	496,576	372,011	868,587
Total Assets	31,152	-	977,984	1,143,325	2,152,461
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Items - IMRF	-	-	2,575	3,387	5,962
Total Assets and Deferred Outflows of Resources	31,152	-	980,559	1,146,712	2,158,423

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	-	2,490	36,633	39,123
Accrued Payroll	-	-	-	1,309	1,309
Advances from Other Funds	-	-	-	630,656	630,656
Compensated Absences	-	-	4,682	-	4,682
Total Current Liabilities	-	-	7,172	668,598	675,770
Noncurrent Liabilities					
Compensated Absences	-	-	18,729	-	18,729
Total Liabilities	-	-	25,901	668,598	694,499
DEFERRED INFLOWS OF RESOURCES					
Deferred Items - IMRF	-	-	977	1,285	2,262
Total Liabilities and Deferred Inflows of Resources	-	-	26,878	669,883	696,761
NET POSITION					
Investment in Capital Assets	-	-	482,250	353,165	835,415
Unrestricted	31,152	-	471,431	123,664	626,247
Total Net Position	31,152	-	953,681	476,829	1,461,662

CITY OF HARVEY, ILLINOIS

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended April 30, 2015

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
Operating Revenues					
Charges for Services	\$ 6,099	26,811	48,911	207,391	289,212
Operating Expenses					
Operations					
Personnel Services	-	73,189	62,319	61,321	196,829
Commodities	-	203,315	-	-	203,315
Contractual Services	5,758	1,022	8,157	101,698	116,635
Depreciation	-	-	32,029	121,935	153,964
Total Operating Expenses	5,758	277,526	102,505	284,954	670,743
Operating Income (Loss)	341	(250,715)	(53,594)	(77,563)	(381,531)
Nonoperating Revenues					
Interest Income	13	1,098	55	-	1,166
Income (Loss) Before Transfers	354	(249,617)	(53,539)	(77,563)	(380,365)
Transfers In	-	249,617	-	-	249,617
Change in Net Position	354	-	(53,539)	(77,563)	(130,748)
Net Position - Beginning as Restated	30,798	-	1,007,220	554,392	1,592,410
Net Position - Ending	31,152	-	953,681	476,829	1,461,662

CITY OF HARVEY, ILLINOIS

**Combining Statement of Cash Flows - Nonmajor Enterprise Funds
For the Fiscal Year Ended April 30, 2015**

	Pace Bus Terminal Parking	Metra Lot	Commuter Parking Lot	Sewer	Totals
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$ 7,240	1,036,831	172,946	177,212	1,394,229
Payments to Employees	-	(90,953)	(35,856)	(47,171)	(173,980)
Payments to Suppliers	(7,253)	(1,196,593)	(137,145)	(130,041)	(1,471,032)
	(13)	(250,715)	(55)	-	(250,783)
Cash Flows from Investing Activities					
Interest Received	13	1,098	55	-	1,166
Cash Flows from Noncapital Financing Activities					
Transfers In	-	249,617	-	-	249,617
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)	341	(250,715)	(53,594)	(77,563)	(381,531)
Adjustments to Reconcile Operating Income to Net Income to Net Cash					
Provided by (Used in) Operating Activities					
Depreciation Expense	-	-	32,029	121,935	153,964
(Increase) Decrease in Current Assets	1,141	1,010,020	124,035	(30,179)	1,105,017
Increase (Decrease) in Current Liabilities	(1,495)	(1,010,020)	(102,525)	(14,193)	(1,128,233)
Net Cash Provided by Operating Activities	(13)	(250,715)	(55)	-	(250,783)

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, 2015**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 29,000	29,000	6,099
Operating Expenses			
Operations			
Contractual Services	16,000	16,000	5,758
Operating Income	13,000	13,000	341
Nonoperating Revenues			
Interest Income	20	20	13
Change in Net Position	13,020	13,020	354
Net Position - Beginning			30,798
Net Position - Ending			31,152

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, 2015

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 27,606	27,606	26,811
Operating Expenses			
Operations			
Personnel Services	54,212	54,212	73,189
Commodities	-	-	203,315
Contractual Services	2,049	2,049	1,022
Total Operating Expenses	56,261	56,261	277,526
Operating Income (Loss)	(28,655)	(28,655)	(250,715)
Nonoperating Revenues			
Interest Income	1,200	1,200	1,098
Income (Loss) Before Transfers	(27,455)	(27,455)	(249,617)
Transfers In	-	-	249,617
Change in Net Position	(27,455)	(27,455)	-
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, 2015**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 42,000	42,000	48,911
Operating Expenses			
Operations			
Personnel Services	79,758	79,758	62,319
Contractual Services	4,300	4,300	8,157
Depreciation	-	-	32,029
Total Operating Expenses	84,058	84,058	102,505
Operating Income (Loss)	(42,058)	(42,058)	(53,594)
Nonoperating Revenues			
Interest Income	40	40	55
Change in Net Position	(42,018)	(42,018)	(53,539)
Net Position - Beginning as Restated			1,007,220
Net Position - Ending			953,681

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, 2015**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 254,000	254,000	207,391
Operating Expenses			
Operations			
Personnel Services	62,451	62,451	61,321
Contractual Services	150,000	150,000	101,698
Depreciation	-	-	121,935
Total Operating Expenses	212,451	212,451	284,954
Change in Net Position	41,549	41,549	(77,563)
Net Position - Beginning as Restated			554,392
Net Position - Ending			476,829

CITY OF HARVEY, ILLINOIS**Pension Trust Funds****Combining Statement of Fiduciary Net Position
April 30, 2015**

	Police Pension	Firefighters' Pension	Totals
ASSETS			
Cash and Cash Equivalents	\$ 183,262	33,818	217,080
Investments			
U.S. Treasuries	2,859,451	701,437	3,560,888
U.S. Agencies	1,754,218	903,663	2,657,881
Corporate Bonds	940,284	1,660,130	2,600,414
Common Stock	4,016,768	-	4,016,768
Equity Securities	-	1,842,911	1,842,911
Equity Mutual Funds	6,672,948	5,389,951	12,062,899
Money Market Mutual Funds	-	353,831	353,831
Receivables			
Accrued Interest	54,218	23,252	77,470
Due from Other Funds	877,535	831,463	1,708,998
Reserve Uncollectible - Interfund	(790,229)	(831,463)	(1,621,692)
Other	21,323	44,000	65,323
Prepays	-	13,696	13,696
Total Assets	16,589,778	10,966,689	27,556,467
LIABILITIES			
Accounts Payable	855	12,470	13,325
NET POSITION			
Net Position Restricted for Pensions	16,588,923	10,954,219	27,543,142

CITY OF HARVEY, ILLINOIS

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended April 30, 2015

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - Employer	\$ 216,675	720,764	937,439
Contributions - Plan Members	361,391	343,183	704,574
Total Contributions	578,066	1,063,947	1,642,013
Investment Income			
Interest Income	1,345,183	399,248	1,744,431
Net Change in Fair Value	(224,448)	242,137	17,689
	1,120,735	641,385	1,762,120
Less Investment Expenses	(84,280)	(79,483)	(163,763)
Net Investment Income	1,036,455	561,902	1,598,357
Total Additions	1,614,521	1,625,849	3,240,370
Deductions			
Administration	116,692	82,327	199,019
Benefits and Refunds	1,630,027	2,011,098	3,641,125
Total Deductions	1,746,719	2,093,425	3,840,144
Change in Fiduciary Net Position	(132,198)	(467,576)	(599,774)
Net Position Restricted for Pensions			
Beginning	16,721,121	11,421,795	28,142,916
Ending	16,588,923	10,954,219	27,543,142

SUPPLEMENTAL SCHEDULES

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements General Obligation Bonds of 2002B

April 30, 2015

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
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>726,500</u>	<u>3,256,500</u>		<u>363,250</u>		<u>363,250</u>

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Bonds of 2002C

April 30, 2015

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
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>2,595,000</u>	<u>363,672</u>	<u>2,958,672</u>		<u>181,836</u>		<u>181,836</u>
	908,250	Governmental Activities					
	<u>1,686,750</u>	Business-Type Activities					
	<u>2,595,000</u>						

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Bonds of 2007A

April 30, 2015

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
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>17,116,644</u>	<u>39,391,644</u>		<u>8,558,322</u>		<u>8,558,322</u>
	17,275,000	Governmental Activities					
	<u>5,000,000</u>	Business-Type Activities					
	<u>22,275,000</u>						

CITY OF HARVEY, ILLINOIS**Long-Term Debt Requirements****General Obligation Refunding Bonds of 2007B****April 30, 2015**

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
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
	8,045,000	3,684,225	11,729,225

CITY OF HARVEY, ILLINOIS**Long-Term Debt Requirements****Hotel-Motel Tax and Sales Tax Revenue Bonds of 2008A****April 30, 2015**

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
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>4,950,000</u>	<u>2,744,158</u>	<u>7,694,158</u>		<u>1,457,157</u>		<u>1,287,001</u>

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

Tax Increment Allocation Revenue Bonds of 2010

April 30, 2015

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
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>1,179,376</u>	<u>6,179,376</u>		<u>589,688</u>		<u>589,688</u>

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements

General Obligation Refunding Capital Appreciation Bonds of 2002A

April 30, 2015

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>
2016	\$ 137,671	8,030	145,701	154,299	300,000

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements Demand Bonds of 2012

April 30, 2015

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

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2016	\$ 208,582	52,146	260,728
2017	417,165	89,170	506,335
2018	417,165	49,538	466,703
2019	208,582	3,303	211,885
	1,251,494	194,157	1,445,651

CITY OF HARVEY, ILLINOIS

Long-Term Debt Requirements Installment Payable of 2015

April 30, 2015

Date of Issue	Janaury 20, 2015
Date of Maturity	December 31, 2021
Authorized Issue	\$18,506,313
Interest Rates	3.00%
Interest Date	31st of the Month
Principal Maturity Dates	31st of the Month
Payable at	City of Chicago

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2016	\$ 2,430,288	496,748	2,927,036
2017	2,504,208	422,828	2,927,036
2018	2,580,376	346,660	2,927,036
2019	2,658,860	268,176	2,927,036
2020	2,739,732	187,304	2,927,036
2021	2,823,064	103,972	2,927,036
2022	1,929,586	21,771	1,951,357
	17,666,114	1,847,459	19,513,573