

# CITY OF HARVEY, ILLINOIS

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## ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
APRIL 30, 2016

# CITY OF HARVEY, ILLINOIS

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## **FINANCIAL SECTION**

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules

## **INDEPENDENT AUDITORS' REPORT**

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



## **INDEPENDENT AUDITORS' REPORT**

October 21, 2016

The Honorable City Mayor  
Members of the Board of Trustees  
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States 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, 2016**

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Our discussion and analysis of the City of Harvey's financial performance provides an overview of the City of Harvey's financial activities for the fiscal year ended April 30, 2016. 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 net position decreased as a result of this year's operations. Net position of business-type activities increased by \$2,435,496, or 27.4 percent and net position of the governmental activities decreased by \$7,782,885, or 5.3 percent.
- During the year, government-wide revenues for the primary government totaled \$47,718,992, while expenses totaled \$53,066,381, resulting in a decrease to net position of \$5,347,389.
- The City of Harvey's net position totaled (\$143,376,260) on April 30, 2016, which includes (\$13,985,438) net investment in capital assets, \$18,265,907 subject to external restrictions, and (\$147,656,729) 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 \$7,089,983, resulting in ending fund balance of (\$51,556,947), a decrease of 15.9 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, 2016**

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#### **USING THIS ANNUAL REPORT – Continued**

##### **Government-Wide Financial Statements**

The government-wide financial statements provide readers with a broad overview of the City of Harvey's finances, in a matter similar to a private-sector business. The government wide financial statements can be found on pages 4-7 of this report.

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

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

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

##### **Fund Financial Statements**

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

# **CITY OF HARVEY, ILLINOIS**

## **Management's Discussion and Analysis April 30, 2016**

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### **USING THIS ANNUAL REPORT – Continued**

#### **Fund Financial Statements – Continued**

##### **Governmental Funds**

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

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

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

The City of Harvey adopts an annual appropriated budget for all of the governmental funds except the Road Fund, the Special Assessment Fund, the Motor Fuel Tax Capital Projects Fund, the Wyman Gordon Fund, the Hotel/Motel Fund, the TIF V RPM Wyman Gordon Fund, the TIF VI Dixie Highway Corridor Fund, the Community Development 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, 2016**

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### **USING THIS ANNUAL REPORT – Continued**

#### **Fund Financial Statements – Continued**

#### **Proprietary Funds – Continued**

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, which is considered to be a major fund. Individual fund data for the three 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 20-73 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 74-83 of this report. Combining and individual fund statements and schedules can be found on pages 84-113 of this report.

# CITY OF HARVEY, ILLINOIS

## Management's Discussion and Analysis April 30, 2016

### 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 \$143,376,260.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current/Other Assets	\$ (2,118,824)	8,256,046	30,228,450	31,376,695	28,109,626	39,632,741
Capital Assets	6,777,219	3,165,803	6,472,447	6,895,506	13,249,666	10,061,309
Total Assets	4,658,395	11,421,849	36,700,897	38,272,201	41,359,292	49,694,050
Deferred Outflows of Resources	14,323,073	1,014,061	204,811	50,967	14,527,884	1,065,028
Total Assets/ Deferred Outflows	18,981,468	12,435,910	36,905,708	38,323,168	55,887,176	50,759,078
Long-Term Debt	143,103,905	126,188,876	19,508,934	22,796,152	162,612,839	148,985,028
Other Liabilities	14,978,733	19,740,165	6,044,108	6,621,914	21,022,841	26,362,079
Total Liabilities	158,082,638	145,929,041	25,553,042	29,418,066	183,635,680	175,347,107
Deferred Inflows of Resources	15,596,356	13,421,510	31,400	19,332	15,627,756	13,440,842
Total Liabilities/ Deferred Inflows	173,678,994	159,350,551	25,584,442	29,437,398	199,263,436	188,787,949
Net Position						
Net Investment in Capital Assets	(14,062,685)	(18,707,764)	77,247	186,948	(13,985,438)	(18,520,816)
Restricted	18,265,907	16,741,096	-	-	18,265,907	16,741,096
Unrestricted (Deficit)	(158,900,748)	(144,947,973)	11,244,019	8,698,822	(147,656,729)	(136,249,151)
Total Net Position	(154,697,526)	(146,914,641)	11,321,266	8,885,770	(143,376,260)	(138,028,871)

A large portion of the City of Harvey's net position, (\$13,985,438), 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, \$18,265,907, of the City of Harvey's net position represents resources that are subject to external restrictions on how they may be used. The remaining (\$147,656,729) 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, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Change in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$ 5,704,310	4,162,790	16,644,868	14,922,326	22,349,178	19,085,116
Operating Grants/Contrib.	728,332	2,051,548	-	-	728,332	2,051,548
Capital Grants/Contrib.	3,353,767	764,068	-	-	3,353,767	764,068
General Revenues						
Property Taxes	12,960,342	13,175,713	-	-	12,960,342	13,175,713
Utility Taxes	1,228,897	1,454,491	-	-	1,228,897	1,454,491
Telecommunication Taxes	538,165	575,131	-	-	538,165	575,131
Sales Taxes	2,114,301	2,137,271	-	-	2,114,301	2,137,271
Income Taxes	2,562,647	2,575,164	-	-	2,562,647	2,575,164
Other General Revenues	1,859,859	2,514,893	23,504	561,674	1,883,363	3,076,567
Total Revenues	31,050,620	29,411,069	16,668,372	15,484,000	47,718,992	44,895,069
Expenses						
General Government	11,263,323	12,742,012	-	-	11,263,323	12,742,012
Public Safety	18,329,769	16,057,017	-	-	18,329,769	16,057,017
Public Works	5,517,855	6,160,954	-	-	5,517,855	6,160,954
Community Development	575,257	214,049	-	-	575,257	214,049
Interest on Long-Term Debt	2,411,068	2,524,403	-	-	2,411,068	2,524,403
Water	-	-	14,586,121	15,433,011	14,586,121	15,433,011
Sewer	-	-	282,441	284,954	282,441	284,954
Parking	-	-	100,547	385,789	100,547	385,789
Total Expenses	38,097,272	37,698,435	14,969,109	16,103,754	53,066,381	53,802,189
Change in Net Position						
Before Transfers	(7,046,652)	(8,287,366)	1,699,263	(619,754)	(5,347,389)	(8,907,120)
Transfers	(736,233)	(1,060,232)	736,233	1,060,232	-	-
Change in Net Position	(7,782,885)	(9,347,598)	2,435,496	440,478	(5,347,389)	(8,907,120)
Net Position - Beginning	(146,914,641)	(137,567,043)	8,885,770	8,445,292	(138,028,871)	(129,121,751)
Net Position - Ending	(154,697,526)	(146,914,641)	11,321,266	8,885,770	(143,376,260)	(138,028,871)

The net position of the City of Harvey's governmental activities decreased by 5.3 percent (\$146,914,641 deficit in 2015 compared to a \$154,697,526 deficit in 2016). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, totaled a deficit \$158,900,748 at April 30, 2016 for the governmental activities.

The net position of business-type activities increased by 27.4 percent (\$8,885,770 in 2015 compared to \$11,321,266 in 2016).



# CITY OF HARVEY, ILLINOIS

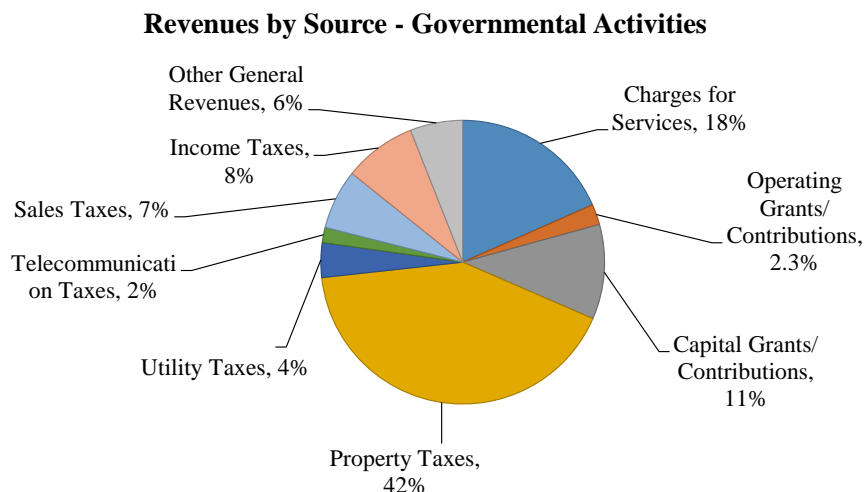
## Management's Discussion and Analysis April 30, 2016

### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

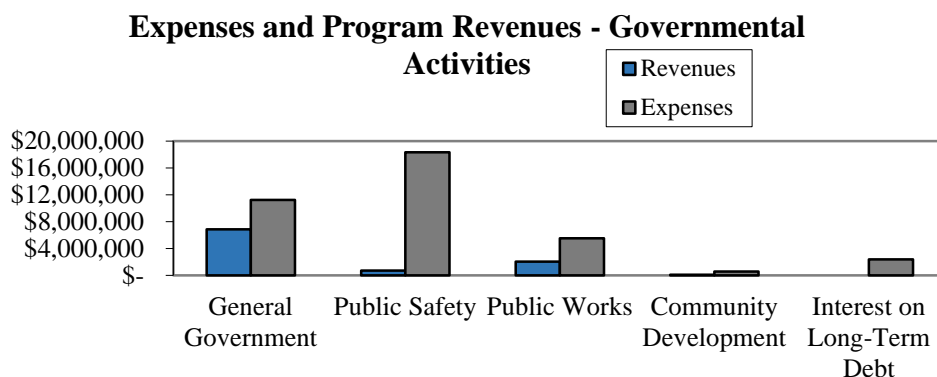
#### Governmental Activities

Revenues for governmental activities totaled \$31,050,620, while the cost of all governmental functions totaled \$38,097,272. This results in a deficit of \$7,046,652 prior to transfers out of \$736,223. In 2015, expenses of \$37,698,435 exceeded revenues of \$29,411,069 resulting in a deficit of \$8,287,366 prior to transfers out of \$1,060,232. During 2016, the City increased expenses for the general government and public safety functions due to the pension expenses related to the net pension liability and deferred outflows/inflows. Revenues came in \$1,639,551 higher than 2015, primarily due to an increase of charges for services and capital grant contributions.

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

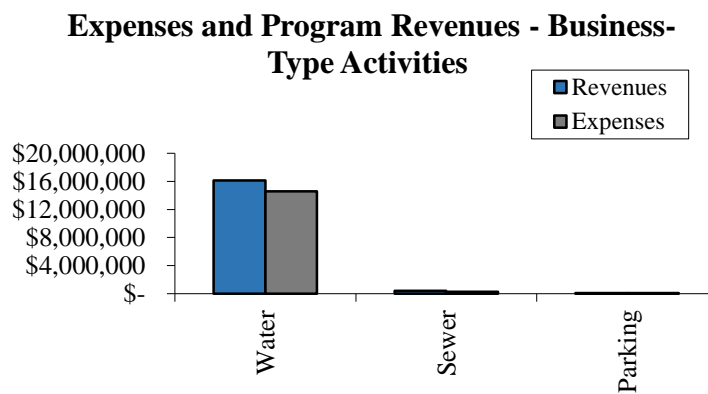
### Management's Discussion and Analysis April 30, 2016

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#### GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

##### Business-Type activities

Business-Type activities posted total revenues of \$16,668,372, while the cost of all business-type activities totaled \$14,969,109. This results in a surplus of \$1,699,263 prior to transfers in of \$736,233. In 2015, expenses of \$16,103,754 exceeded revenues of \$15,484,000, resulting in a deficit of \$619,754 prior to transfers in of \$1,060,232.



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 (\$30,551,964), which is \$5,920,129 lower than last year's total of (\$24,631,835). Of the (\$30,551,964) total, (\$51,647,735) of the fund balance constitutes unrestricted fund balance.

The General Fund reported a deficit in fund balance for the year of \$7,089,983, a decrease of 15.9 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 \$22,707,150 and the actual amount totaled \$17,313,689. 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, 2016**

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

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

The General Fund is the chief operating fund of the Village. At April 30, 2016, unassigned fund balance in the General Fund was (\$51,642,755).

The Motor Fuel Tax Fund reported a surplus in the current year of \$21,910, due primarily due to motor fuel tax allotments exceeding planned expenditures in the current year.

The Debt Service Fund reported no change in the current year as transfers to/from other funds covered the debt service expenditures.

The Economic Development Fund reported a deficit in the current year of \$461,380 due to planned capital expenditures.

The TIF I Dixie Square Fund reported a surplus for the year of \$310,566. This increase was due to no current year expenditures related to the TIF district.

The TIF II Center Street Fund had a surplus of \$815,607. This was due to property taxes received being greater than capital outlay expenditures and debt service payments.

##### **Proprietary Funds**

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

The 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 \$2,284,085, while the previous fiscal year reported a surplus of \$571,226. Unrestricted net position in the Water Fund totaled \$10,434,132 at April 30, 2016.

## CITY OF HARVEY, ILLINOIS

### Management's Discussion and Analysis April 30, 2016

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#### GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Harvey Council made no budget amendments to the General Fund during the year. General Fund actual revenues for the year totaled \$21,719,817, compared to budgeted revenues of \$25,710,450. 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 \$95,928 lower than budgeted (\$26,552,829 actual compared to \$26,618,757 budgeted). This is due mainly to the general government over budget being offset by capital outlay that was not expended.

#### 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, 2016 was \$13,249,666 (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			
	2016	2015	2016	2015	2016	2015
Land	\$ 227,134	227,134	608,738	608,738	835,872	835,872
Construction in Progress	3,143,142	-	-	-	3,143,142	-
Buildings and Property	1,463,976	1,535,617	729,601	759,114	2,193,577	2,294,731
Machinery and Equipment	701,376	730,402	29,393	38,701	730,769	769,103
Vehicles	600,210	672,650	-	-	600,210	672,650
Infrastructure	641,381	-	5,104,715	5,488,953	5,746,096	5,488,953
Total	6,777,219	3,165,803	6,472,447	6,895,506	13,249,666	10,061,309

This year's major additions included:

Construction in Progress	\$ 3,143,142
Machinery and Equipment	139,546
Vehicles	115,798
Infrastructure	663,356
	<u>4,061,842</u>

Additional information on the City of Harvey's capital assets can be found in note 3 on pages 40 - 41 of this report.

## CITY OF HARVEY, ILLINOIS

### Management's Discussion and Analysis April 30, 2016

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#### CAPITAL ASSETS AND DEBT ADMINISTRATION – Continued

##### Debt Administration

At year-end, the City of Harvey had total outstanding debt of \$64,458,309 as compared to \$59,423,738 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			
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 27,897,000	28,758,250	6,378,000	6,686,750	34,275,000	35,445,000
General Obligation Refunding						
Capital Appreciation Bonds	-	145,701	-	-	-	145,701
Tax Increment Financing						
Revenue Bonds	8,870,000	9,950,000	-	-	8,870,000	9,950,000
Demand Bonds	-	-	1,042,912	1,251,494	1,042,912	1,251,494
Installment Contracts	-	-	15,235,826	17,666,114	15,235,826	17,666,114
Total	36,767,000	38,853,951	22,656,738	25,604,358	59,423,738	64,458,309

Additional information on the City of Harvey's long-term debt can be found in Note 3 on pages 43-49 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 2017 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, 2016**

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**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Statement of Net Position  
April 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 3,719,610	930,998	4,650,608
Receivables - Net of Allowances	18,075,685	1,643,013	19,718,698
Due from Other Governments	687,000	-	687,000
Internal Balances	(27,255,109)	27,255,109	-
Inventories/Prepays	12,000	-	12,000
Total Current Assets	(4,760,814)	29,829,120	25,068,306
Noncurrent Assets			
Capital Assets			
Nondepreciable	3,370,276	608,738	3,979,014
Depreciable	19,948,043	24,787,028	44,735,071
Accumulated Depreciation	(16,541,100)	(18,923,319)	(35,464,419)
	6,777,219	6,472,447	13,249,666
Other Assets			
Net Pension Asset - IMRF	2,641,990	399,330	3,041,320
Total Noncurrent Assets	9,419,209	6,871,777	16,290,986
Total Assets	4,658,395	36,700,897	41,359,292
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Items - IMRF	1,355,043	204,811	1,559,854
Deferred Items - Police Pension	4,082,984	-	4,082,984
Deferred Items - Firefighters' Pension	8,885,046	-	8,885,046
Total Deferred Outflows of Resources	14,323,073	204,811	14,527,884
Total Assets and Deferred Outflows of Resources	18,981,468	36,905,708	55,887,176

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



	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 9,411,745	2,118,859	11,530,604
Accrued Payroll	382,752	19,179	401,931
Accrued Interest Payable	923,309	131,509	1,054,818
Deposits Payable	810,592	511,871	1,322,463
Due to Other Governments	110,164	-	110,164
Current Portion of Long-Term Debt	3,340,171	3,262,690	6,602,861
Total Current Liabilities	14,978,733	6,044,108	21,022,841
Noncurrent Liabilities			
Compensated Absences Payable	2,184,994	78,119	2,263,113
Net Pension Liability - Police Pension	36,733,768	-	36,733,768
Net Pension Liability - Firefighters' Pension	67,551,242	-	67,551,242
Self Insurance Claims Payable	1,366,726	-	1,366,726
Settlement Installment Payable	430,521	-	430,521
Demand Bonds	-	625,747	625,747
General Obligation Bonds Payable - Net	27,126,654	6,073,450	33,200,104
Installment Contracts	-	12,731,618	12,731,618
Revenues Bonds Payable	7,710,000	-	7,710,000
Total Noncurrent Liabilities	143,103,905	19,508,934	162,612,839
Total Liabilities	158,082,638	25,553,042	183,635,680
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Items - IMRF	207,747	31,400	239,147
Deferred Items - Police Pension	312,712	-	312,712
Property Taxes	15,075,897	-	15,075,897
Total Deferred Inflows of Resources	15,596,356	31,400	15,627,756
Total Liabilities and Deferred Inflows of Resources	173,678,994	25,584,442	199,263,436
<b>NET POSITION</b>			
Net Investment in Capital Assets	(14,062,685)	77,247	(13,985,438)
Restricted			
Grant	14,200	-	14,200
Public Safety	5,043,558	-	5,043,558
Capital Projects	13,208,149	-	13,208,149
Unrestricted (Deficit)	(158,900,748)	11,244,019	(147,656,729)
Total Net Position	(154,697,526)	11,321,266	(143,376,260)

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, 2016

		Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
	Expenses			
Governmental Activities				
General Government	\$ 11,263,323	4,163,990	65,470	2,661,193
Public Safety	18,329,769	720,904	-	-
Public Works	5,517,855	714,016	646,683	692,574
Community Development	575,257	105,400	16,179	-
Interest on Long-Term Debt	2,411,068	-	-	-
Total Governmental Activities	38,097,272	5,704,310	728,332	3,353,767
Business-Type Activities				
Water	14,586,121	16,133,885	-	-
Pace Bus Terminal Parking	-	46,177	-	-
Commuter Parking Lot	100,547	40,807	-	-
Sewer	282,441	423,999	-	-
Total Business-Type Activities	14,969,109	16,644,868	-	-
Total Primary Government	53,066,381	22,349,178	728,332	3,353,767

### General Revenues

#### Taxes

Property Taxes

Utility Taxes

Telecommunication Taxes

Other Taxes

Intergovernmental - Unrestricted

State Sales Taxes

Income Taxes

Local Use Taxes

Replacement Taxes

Interest Income

Miscellaneous

Transfers - Internal Activity

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses)/Revenues		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
(4,372,670)	-	(4,372,670)
(17,608,865)	-	(17,608,865)
(3,464,582)	-	(3,464,582)
(453,678)	-	(453,678)
(2,411,068)	-	(2,411,068)
(28,310,863)	-	(28,310,863)
-	1,547,764	1,547,764
-	46,177	46,177
-	(59,740)	(59,740)
-	141,558	141,558
-	1,675,759	1,675,759
(28,310,863)	1,675,759	(26,635,104)
12,960,342	-	12,960,342
1,228,897	-	1,228,897
538,165	-	538,165
453,493	-	453,493
2,114,301	-	2,114,301
2,562,647	-	2,562,647
583,610	-	583,610
711,168	-	711,168
4,843	93	4,936
106,745	23,411	130,156
(736,233)	736,233	-
20,527,978	759,737	21,287,715
(7,782,885)	2,435,496	(5,347,389)
(146,914,641)	8,885,770	(138,028,871)
(154,697,526)	11,321,266	(143,376,260)

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

**CITY OF HARVEY, ILLINOIS**

**Balance Sheet - Governmental Funds**  
**April 30, 2016**

---

**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Balance Sheet - Governmental Funds**

**April 30, 2016**

	General	Special Revenue Motor Fuel Tax	Debt Service
<b>ASSETS</b>			
Cash and Investments	\$ -	1,779,158	-
Receivables - Net of Allowances			
Taxes	13,750,639	57,537	3,671,831
Accounts	488,491	-	-
Other	107,187	-	-
Due from Other Governments	194,778	-	-
Advances to Other Funds	12,905	3,932,059	1,337,031
Inventories	12,000	-	-
Total Assets	14,566,000	5,768,754	5,008,862
<b>LIABILITIES</b>			
Accounts Payable	3,169,980	631,894	1,377,815
Accrued Payroll	382,752	-	-
Deposits Payable	810,592	-	-
Due to Other Governments	110,164	-	-
Advances from Other Funds	50,174,361	152,910	30,248
Total Liabilities	54,647,849	784,804	1,408,063
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	11,475,098	-	3,600,799
Total Liabilities and Deferred Inflows of Resources	66,122,947	784,804	5,008,862
<b>FUND BALANCES</b>			
Nonspendable	12,000	-	-
Restricted	73,808	4,983,950	-
Assigned	-	-	-
Unassigned	(51,642,755)	-	-
Total Fund Balances	(51,556,947)	4,983,950	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	14,566,000	5,768,754	5,008,862

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
9,456	122,685	1,677,860	130,451	3,719,610
-	-	-	-	17,480,007
-	-	-	-	488,491
-	-	-	-	107,187
470,608	-	14,589	7,025	687,000
3,930,397	3,247,717	6,647,313	4,209,389	23,316,811
-	-	-	-	12,000
4,410,461	3,370,402	8,339,762	4,346,865	45,811,106
2,439,181	-	49,307	28,892	7,697,069
-	-	-	-	382,752
-	-	-	-	810,592
-	-	-	-	110,164
-	-	1,916,172	12,905	52,286,596
2,439,181	-	1,965,479	41,797	61,287,173
-	-	-	-	15,075,897
2,439,181	-	1,965,479	41,797	76,363,070
-	-	-	-	12,000
-	3,370,402	6,374,283	3,963,464	18,765,907
1,971,280	-	-	346,584	2,317,864
-	-	-	(4,980)	(51,647,735)
1,971,280	3,370,402	6,374,283	4,305,068	(30,551,964)
4,410,461	3,370,402	8,339,762	4,346,865	45,811,106

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, 2016

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<b>Total Governmental Fund Balances</b>	<b>\$ (30,551,964)</b>
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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	6,777,219
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The net pension assets of the pension funds are included in the governmental activities in the Statement of Net Position. Net Pension Asset - IMRF	2,641,990
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Deferred outflows (inflows) of resources related to the pensions not reported in the funds.	
Deferred Items - IMRF	1,147,296
Deferred Items - Police Pension	3,770,272
Deferred Items - Firefighters' Pension	8,885,046

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued Interest Payable	(923,309)
Compensated Absences Payable	(2,731,243)
Net Pension Liability - Police Pension	(36,733,768)
Net Pension Liability - Firefighters' Pension	(67,551,242)
Self Insurance Claims Payable	(1,366,726)
Settlement Installment Payable	(851,193)
General Obligation Bonds Payable - Net	(28,339,904)
General Obligation Refunding Capital Appreciation Bonds Payable	-
Revenue Bonds Payable	<u>(8,870,000)</u>

<b>Net Position of Governmental Activities</b>	<b><u>(154,697,526)</u></b>
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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, 2016**

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**See Following Page**



**CITY OF HARVEY, ILLINOIS**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Fiscal Year Ended April 30, 2016**

		Special Revenue	
	General	Motor Fuel Tax	Debt Service
Revenues			
Taxes	\$ 9,929,280	-	2,368,871
Licenses and Permits	1,347,213	-	-
Intergovernmental	6,037,196	646,683	-
Charges for Services	3,597,793	-	-
Fines and Forfeits	697,530	-	-
Interest	4,060	352	69
Miscellaneous	106,745	-	-
Total Revenues	21,719,817	647,035	2,368,940
Expenditures			
Current			
General Government	12,134,667	-	5,575
Public Safety	9,709,763	-	-
Public Works	3,937,800	625,125	-
Community Development	113,766	-	-
Capital Outlay	626,833	-	-
Debt Service			
Principal Retirement	-	-	1,161,250
Interest and Fiscal Charges	-	-	1,775,728
Total Expenditures	26,522,829	625,125	2,942,553
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,803,012)	21,910	(573,613)
Other Financing Sources (Uses)			
Disposal of Capital Assets	75,953	-	-
Transfers In	-	-	1,309,846
Transfers Out	(2,362,924)	-	(736,233)
	(2,286,971)	-	573,613
Net Change in Fund Balances	(7,089,983)	21,910	-
Fund Balances - Beginning	(44,466,964)	4,962,040	-
Fund Balances - Ending	(51,556,947)	4,983,950	-

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, 2016

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (5,920,129)</b>
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

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

Capital Outlays	3,369,268
Depreciation Expense	(450,426)
Capital Contributions	692,574

An decrease in a net pension asset is not considered to be an decrease in a  
financial assets in the governmental funds.

	(1,949,123)
--	-------------

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

Change in Deferred Items - IMRF	635,068
Change in Deferred Items - Police Pension	4,118,938
Change in Deferred Items - Firefighters' Pension	8,738,427

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	(122,558)
Additions to Net Pension Liability - Police Pension	(7,364,438)
Additions to Net Pension Liability - Firefighters' Pension	(13,890,132)
Deductions to Settlement Installment Payable	429,033
Deductions to Self Insurance Claims	1,616,953
Additions to Accretion - General Obligation Capital Appreciation Bonds	(8,029)
Retirement of Debt	2,241,250
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.

53,727
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**Changes in Net Position of Governmental Activities**

<u><u>(7,782,885)</u></u>
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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, 2016**

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**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Statement of Net Position - Proprietary Funds**  
**April 30, 2016**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Investments	\$ 930,998	-	930,998
Receivables - Net of Allowances			
Customer Billings and Unbilled Services	1,428,217	214,796	1,643,013
Advances to Other Funds	26,559,807	765,302	27,325,109
Total Current Assets	28,919,022	980,098	29,899,120
Noncurrent Assets			
Capital Assets			
Nondepreciable	126,488	482,250	608,738
Depreciable	17,796,856	6,990,172	24,787,028
Accumulated Depreciation	(12,254,083)	(6,669,236)	(18,923,319)
	5,669,261	803,186	6,472,447
Other Assets			
Net Pension Asset - IMRF	397,329	2,001	399,330
Total Noncurrent Assets	6,066,590	805,187	6,871,777
Total Assets	34,985,612	1,785,285	36,770,897
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Items - IMRF	203,785	1,026	204,811
Total Assets and Deferred Outflows of Resources	35,189,397	1,786,311	36,975,708

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

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 2,022,846	96,013	2,118,859
Accrued Payroll	12,111	7,068	19,179
Accrued Interest Payable	131,509	-	131,509
Deposits Payable	511,871	-	511,871
Advances from Other Funds	-	70,000	70,000
Current Portion of Long-Term Debt	3,262,690	-	3,262,690
Total Current Liabilities	5,941,027	173,081	6,114,108
Noncurrent Liabilities			
Compensated Absences Payable	78,119	-	78,119
General Obligation Bonds Payable - Net	6,073,450	-	6,073,450
Demand Bonds	625,747	-	625,747
Installment Contract	12,731,618	-	12,731,618
Total Noncurrent Liabilities	19,508,934	-	19,508,934
Total Liabilities	25,449,961	173,081	25,623,042
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Items - IMRF	31,243	157	31,400
Total Liabilities and Deferred Inflows of Resources	25,481,204	173,238	25,654,442
<b>NET POSITION</b>			
Net Investment in Capital Assets	(725,939)	803,186	77,247
Unrestricted	10,434,132	809,887	11,244,019
Total Net Position	9,708,193	1,613,073	11,321,266

**CITY OF HARVEY, ILLINOIS**

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For the Fiscal Year Ended April 30, 2016**

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Operating Revenues			
Charges for Services	\$ 16,133,885	510,983	16,644,868
Miscellaneous	-	23,411	23,411
Total Operating Revenues	16,133,885	534,394	16,668,279
Operating Expenses			
Operations	13,254,176	350,759	13,604,935
Depreciation and Amortization	386,222	32,229	418,451
Total Operating Expenses	13,640,398	382,988	14,023,386
Operating Income (Loss)	2,493,487	151,406	2,644,893
Nonoperating Revenues (Expenses)			
Interest Income	88	5	93
Interest Expense	(945,723)	-	(945,723)
	(945,635)	5	(945,630)
Income (Loss) Before Transfers	1,547,852	151,411	1,699,263
Transfers In	736,233	-	736,233
Change in Net Position	2,284,085	151,411	2,435,496
Net Position - Beginning	7,424,108	1,461,662	8,885,770
Net Position - Ending	9,708,193	1,613,073	11,321,266

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, 2016

	Business-Type Activities - Enterprise		
	Water	Nonmajor	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 20,055,773	838,170	20,893,943
Payments to Employees	(603,834)	(172,890)	(776,724)
Payments to Suppliers	(15,363,919)	(665,285)	(16,029,204)
	4,088,020	(5)	4,088,015
Cash Flows from Noncapital Financing Activities			
Transfers In	736,233	-	736,233
Cash Flows from Capital and Related Financing Activities			
Principal Retirement	(2,947,620)	-	(2,947,620)
Interest Payments	(945,723)	-	(945,723)
	(3,893,343)	-	(3,893,343)
Cash Flows from Investing Activities			
Interest Received	88	5	93
Net Change in Cash and Cash Equivalents	930,998	-	930,998
Cash and Cash Equivalents - Beginning	-	-	-
Cash and Cash Equivalents - Ending	930,998	-	930,998
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	2,493,487	151,406	2,644,893
Adjustments to Reconcile Operating Income to Net Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization Expense	386,222	32,229	418,451
Other Expenses	291,550	34,002	325,552
(Increase) Decrease in Current Assets	3,921,888	303,776	4,225,664
Increase (Decrease) in Current Liabilities	(2,422,027)	(521,418)	(2,943,445)
Net Cash Provided by Operating Activities	4,671,120	(5)	4,671,115

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



**CITY OF HARVEY, ILLINOIS**

**Statement of Fiduciary Net Position  
April 30, 2016**

	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 648,368
Investments	
U.S. Treasuries	3,635,173
U.S. Agencies	2,169,924
Corporate Bonds	2,227,334
Common Stock	3,941,748
Equity Securities	1,634,972
Equity Mutual Funds	9,715,657
Money Market Mutual Funds	225,692
Receivables	
Accrued Interest	64,327
Due from Other Funds	1,714,676
Reserve Uncollectible - Interfund	(1,700,387)
Other	68,147
Prepays	<u>11,062</u>
Total Assets	24,356,693
<b>LIABILITIES</b>	
Accounts Payable	<u>34,187</u>
<b>NET POSITION</b>	
Net Position Restricted for Pensions	<u><u>24,322,506</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, 2016

	Pension Trust
Additions	
Contributions - Employer	\$ 508,785
Contributions - Plan Members	650,656
Total Contributions	<u>1,159,441</u>
Investment Income	
Interest Earned	929,183
Net Change in Fair Value	<u>(1,365,660)</u>
	(436,477)
Less Investment Expenses	<u>(137,436)</u>
Net Investment Income	<u>(573,913)</u>
Total Additions	<u>585,528</u>
Deductions	
Administration	209,107
Benefits and Refunds	<u>3,597,057</u>
Total Deductions	<u>3,806,164</u>
Change in Fiduciary Net Position	(3,220,636)
Net Position Restricted for Pensions	
Beginning	<u>27,543,142</u>
Ending	<u><u>24,322,506</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, 2016**

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

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

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

#### **REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Harvey
---------------------	----------------

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, 2016**

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

##### **REPORTING ENTITY – Continued**

###### **Firefighters' Pension Employees Retirement System**

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

##### **BASIS OF PRESENTATION**

###### **Government-Wide Statements**

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

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

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

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

##### **BASIS OF PRESENTATION – Continued**

##### **Government-Wide Statements – Continued**

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

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

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

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

##### **Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets/deferred outflows, liabilities/deferred inflows, fund equity/net position, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories.

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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

##### BASIS OF PRESENTATION – Continued

##### Fund Financial Statements – Continued

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

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

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

The various funds are reported by generic classification within the financial statements. The following fund types are used by the City:

##### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

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

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

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

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

##### **BASIS OF PRESENTATION – Continued**

##### **Fund Financial Statements – Continued**

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

**Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The City maintains fourteen capital projects funds. The Economic Development Fund, a major fund, is used to account for the proceeds of debt used for the acquisition of construction of capital projects. The TIF I Dixie Square, also a major fund, is used to account for the restricted incremental property taxes of the Dixie Square Tax Incremental Financing District. The TIF II Center Street Fund, also a major fund, is used to account for the incremental property taxes of the TIF II Tax Incremental Financing District and the use of those funds.

##### **Proprietary Funds**

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

**Enterprise funds** are required to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City maintains four enterprise funds. The Water Fund, a major fund, is used to account for the provision of water to the residents of the City. All activity necessary to provide such services is accounted for in this fund including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

##### **Fiduciary Funds**

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

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

##### **BASIS OF PRESENTATION – Continued**

##### **Fund Financial Statements – Continued**

##### **Fiduciary Funds – Continued**

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

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

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

##### **Measurement Focus**

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

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

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

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



## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued**

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

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

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

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

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

All proprietary and pension trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

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

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

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

##### **Cash and Investments**

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

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

##### **Interfund Receivables, Payables and Activity**

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

##### **Receivables**

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

##### **Prepays/Inventories**

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

# **CITY OF HARVEY, ILLINOIS**

## **Notes to the Financial Statements April 30, 2016**

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

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

##### **Capital Assets**

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

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

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

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

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

##### **Compensated Absences**

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

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

# **CITY OF HARVEY, ILLINOIS**

## **Notes to the Financial Statements April 30, 2016**

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

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

##### **Long-Term Obligations**

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

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

##### **Deferred Outflows/Inflows of Resources**

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

##### **Net Position**

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

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

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

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

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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

##### BUDGETARY INFORMATION

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

- Prior to July 31, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the previous May 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget document is available for public inspection for at least ten days prior to passage of the annual appropriation ordinance by the City Council, which is also required to hold at least one public hearing.
- Subsequently, the budget is legally enacted through passage of an ordinance prior to July 31.
- Formal budgetary integration is employed as a management control device during the year for General, Motor Fuel Tax, Debt Service, TIF I Dixie Square, TIF II Center Street, 911 Emergency Surcharge Tax, Community Development, Dixie Sibley, TIF III Cresco Business Park, TIF V RPM Business Park, TIF VII Arco/147<sup>th</sup> Street, Water, Pace Bus Terminal Parking, Commuter Parking Lot and Sewer Funds.
- Budgets for those funds were adopted on a basis consistent with generally accepted accounting principles.
- Budgetary authority lapses at year-end.
- State law requires that “expenditures be made in conformity with appropriation/budget.” As under the Budget Act, transfers between line items and department may be made by administrative action. Amounts to be transferred between funds would require City Board approval. The level of legal control is generally considered to be the fund budget in total.
- Budget amounts are as originally adopted.

##### DEFICIT FUND BALANCES

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

Fund	Deficit
General	\$ 51,556,947
TIF VI Dixie Hwy. Corridor	4,980

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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

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

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

Fund	Excess
Motor Fuel Tax	\$ 400,125
911 Emergency Surcharge Tax	458,551
Commuter Parking Lot	57,519

#### 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 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

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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

##### DEPOSITS AND INVESTMENTS – Continued

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 \$4,628,634 and the bank balances totaled \$4,822,637. In addition, the City has \$21,974 invested in IMET at year-end.

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

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

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

*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, \$131,072 of the bank balance of deposits was not covered by collateral, federal depository or equivalent insurance.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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 - Continued.* 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 \$525,974 and the bank balances totaled \$525,974.

*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	\$ 2,498,844	-	1,829,217	669,627	-
U.S. Agencies	1,483,320	180,833	1,115,797	-	186,690
Corporate Bonds	787,908	401,671	339,093	47,144	-
Illinois Funds	73,770	73,770	-	-	-
	4,843,842	656,274	3,284,107	716,771	186,690

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

*Credit Risk.* The Fund helps limit its exposure to credit risk by primarily investing only in investments authorized by Articles 1 and 3 of the Illinois Pension Code, as amended from time to time, and as authorized by other applicable law, including but not limited to Sections 1-113.2 through 1-113.4 of the Illinois Pension Code (40 ILCS 5/1-113.2-1-113.4). Illinois Funds are rated AAA by Standard & Poor's. The investments in the securities of U.S. government agencies were all rated Aaa 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 Baa1 to A3 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, 2016, 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, 2016

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#### 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 \$5,628,469 invested in equity mutual funds and \$3,941,748 invested in common stock. At April 30, 2016, 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 \$1,386,456.

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 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major 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, 2016 are listed in the table above.

##### Rate of Return

For the fiscal year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.63%). 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, 2016

### 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 \$48,624 and the bank balances totaled \$7,649.

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

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasuries	\$ 1,136,329	-	550,892	382,772	202,665
U.S. Agencies	686,604	15,047	139,523	21,637	510,397
Corporate Bonds	1,439,426	-	392,314	755,998	291,114
Money Market Mutual Funds	225,692	225,692	-	-	-
	3,488,051	240,739	1,082,729	1,160,407	1,004,176

*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, 2016

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

#### DEPOSITS AND INVESTMENTS – Continued

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

Unrated investments are listed on the following table:

Investment Type	Par Value	Interest Rate	Maturity Date	Standard and Poor's	Moody's Investors Services
Federal Home Loan Mortgage Corp.	\$ 8,544	3.500%	July 1, 2032	N/A	N/A
Federal Home Loan Mortgage Corp.	7,518	4.500%	March 1, 2034	N/A	N/A
Federal Home Loan Mortgage Corp.	5,160	5.500%	August 1, 2035	N/A	N/A
Federal Home Loan Mortgage Corp.	7,102	6.500%	August 1, 2036	N/A	N/A
Federal Home Loan Mortgage Corp.	4,574	6.500%	September 1, 2036	N/A	N/A
Federal Home Loan Mortgage Corp.	17,266	6.500%	September 1, 2036	N/A	N/A
Federal Home Loan Mortgage Corp.	2,557	6.000%	November 1, 2036	N/A	N/A
Federal Home Loan Mortgage Corp.	7,223	6.000%	November 1, 2036	N/A	N/A
Federal Home Loan Mortgage Corp.	2,517	6.000%	March 1, 2037	N/A	N/A
Federal Home Loan Mortgage Corp.	1,114	6.000%	August 1, 2037	N/A	N/A
Federal Home Loan Mortgage Corp.	2,083	6.500%	November 1, 2037	N/A	N/A
Federal Home Loan Mortgage Corp.	2,346	5.500%	May 1, 2038	N/A	N/A
Federal Home Loan Mortgage Corp.	5,517	5.000%	September 1, 2038	N/A	N/A
Federal Home Loan Mortgage Corp.	6,095	5.000%	February 1, 2039	N/A	N/A
Federal Home Loan Mortgage Corp.	3,786	4.500%	April 1, 2039	N/A	N/A
Federal Home Loan Mortgage Corp.	34,199	3.500%	July 1, 2044	N/A	N/A
Federal Home Loan Mortgage Corp.	25,056	3.500%	December 1, 2044	N/A	N/A
Federal Home Loan Mortgage Corp.	24,569	3.500%	December 1, 2045	N/A	N/A
Federal Home Loan Mortgage Corp.	29,779	3.500%	December 1, 2045	N/A	N/A
Federal National Mortgage Assoc.	35,000	0.000%	October 9, 2019	N/A	AA-
Federal National Mortgage Assoc.	4,204	3.500%	August 1, 2032	N/A	N/A
Federal National Mortgage Assoc.	874	5.500%	July 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	22,565	6.000%	July 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	43,847	6.500%	August 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	3,664	6.000%	October 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	293	5.500%	November 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	1,453	6.000%	November 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	2,802	5.500%	November 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	653	6.000%	December 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	744	5.500%	December 1, 2036	N/A	N/A
Federal National Mortgage Assoc.	6,983	6.000%	January 1, 2037	N/A	N/A

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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

##### DEPOSITS AND INVESTMENTS – Continued

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

Unrated investments are listed on the following table – Continued:

Investment Type	Par Value	Interest Rate	Maturity Date	Standard and Poor's	Moody's Investors Services
Federal National Mortgage Assoc.	\$ 5,648	6.000%	April 1, 2037	N/A	N/A
Federal National Mortgage Assoc.	1,129	6.000%	September 1, 2037	N/A	N/A
Federal National Mortgage Assoc.	1,266	6.500%	January 1, 2038	N/A	N/A
Federal National Mortgage Assoc.	1,317	6.000%	January 1, 2038	N/A	N/A
Federal National Mortgage Assoc.	4,109	5.000%	May 1, 2038	N/A	N/A
Federal National Mortgage Assoc.	8,221	5.000%	April 1, 2039	N/A	N/A
Federal National Mortgage Assoc.	7,438	4.500%	July 1, 2039	N/A	N/A
Federal National Mortgage Assoc.	22,100	5.500%	February 1, 2040	N/A	N/A
Federal National Mortgage Assoc.	33,783	5.000%	June 1, 2040	N/A	N/A
Federal National Mortgage Assoc.	29,075	3.500%	September 1, 2045	N/A	N/A
Federal National Mortgage Assoc.	38,949	3.500%	November 1, 2045	N/A	N/A
Federal National Mortgage Assoc.	30,000	3.000%	April 1, 2046	N/A	N/A

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, 2016, 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.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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.* In addition to the securities and fair values listed above, the Fund also has \$1,634,972 invested in equity securities and \$4,087,188 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
BlackRock Strategic Income Fund	\$ 786,112 *
Wells Fargo Advantage Absolute Return Fund	780,555 *
First Trust North America Energy Infrastructure ETF Fund	495,533 *
MGI Core Opportunities Fixed Income Fund	479,510 *
First Eagle Overseas Fund	315,857
iShares Russell 1000 Growth ETF Fund	299,052
Vanguard Extended Market Index ETF Fund	292,941
MFS International New Discovery Fund	156,464
PowerShares DWA Emerging Markets ETF Fund	120,080
KraneShares CSI China Internet ETF Fund	104,261
iShares MSCI Russia Capped ETF Fund	35,951
iShares MSCI South Africa ETF Fund	30,524
WisdomTree India Earnings ETF Fund	27,843
iShares MSCI Chile Capped ETF Fund	21,582
iShares MSCI Brazil Capped ETF Fund	20,244
iShares Russell 2000 ETF Fund	19,122
iShares MSCI China ETF Fund	15,513
iShares MSCI Taiwan ETF Fund	14,327
SPDR S&P Emerging Europe ETF Fund	14,004
iShares MSCI Malaysia ETF Fund	13,740
Deutsche MSCI South Korea Hedged Equity ETF Fund	12,417
Market Vectors Vietnam ETF Fund	12,098
iShares MSCI Turkey ETF Fund	11,352
iShares MSCI Mexico Capped ETF Fund	8,106
Total Equity Mutual Funds	<u>4,087,188</u>

\* Represents over 5% of Fiduciary Net Position

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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#### 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 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in May 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major 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, 2016 are listed in the table above.

##### **Rate of Return**

For the year ended April 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.73%). 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, 2016

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

#### PROPERTY TAXES

Property taxes for 2015 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about March 1 and August 1. The County collects such taxes and remits them periodically.

#### CAPITAL ASSETS

##### Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 227,134	-	-	227,134
Construction in Progress	-	3,143,142	-	3,143,142
	227,134	3,143,142	-	3,370,276
Depreciable Capital Assets				
Buildings and Property	7,943,103	-	-	7,943,103
Machinery and Equipment	4,303,968	139,546	-	4,443,514
Vehicles	6,782,272	115,798	-	6,898,070
Infrastructure	-	663,356	-	663,356
	19,029,343	918,700	-	19,948,043
Less Accumulated Depreciation				
Buildings and Property	6,407,486	71,641	-	6,479,127
Machinery and Equipment	3,573,566	168,572	-	3,742,138
Vehicles	6,109,622	188,238	-	6,297,860
Infrastructure	-	21,975	-	21,975
	16,090,674	450,426	-	16,541,100
Total Net Depreciable Capital Assets	2,938,669	468,274	-	3,406,943
Total Net Capital Assets	3,165,803	3,611,416	-	6,777,219

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 195,560
Public Safety	164,914
Public Works	89,952
	<u>450,426</u>

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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

#### CAPITAL ASSETS – Continued

##### Business-Type Activities

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

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 608,738	-	-	608,738
Depreciable Capital Assets				
Buildings and Property	1,365,626	-	-	1,365,626
Machinery and Equipment	2,089,311	-	-	2,089,311
Infrastructure	21,332,091	-	-	21,332,091
	<u>24,787,028</u>	<u>-</u>	<u>-</u>	<u>24,787,028</u>
Less Accumulated Depreciation				
Buildings and Property	606,512	29,513	-	636,025
Machinery and Equipment	2,050,610	9,308	-	2,059,918
Infrastructure	15,843,138	384,238	-	16,227,376
	<u>18,500,260</u>	<u>423,059</u>	<u>-</u>	<u>18,923,319</u>
Total Net Depreciable Capital Assets	<u>6,286,768</u>	<u>(423,059)</u>	<u>-</u>	<u>5,863,709</u>
Total Net Capital Assets	<u>6,895,506</u>	<u>(423,059)</u>	<u>-</u>	<u>6,472,447</u>

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

Water	\$ 390,830
Sewer	<u>32,229</u>
	<u>423,059</u>



**CITY OF HARVEY, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2016**

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

**INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund Advances**

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 12,905
Motor Fuel Tax	General	3,892,059
Motor Fuel Tax	TIF II Center Street	40,000
Debt Service	General	1,184,121
Debt Service	Motor Fuel Tax	152,910
Economic Development	General	3,930,397
TIF I Dixie Square	General	1,840,529
TIF I Dixie Square	TIF II Center Street	1,407,188
TIF II Center Street	General	6,647,313
Nonmajor Governmental	General	3,740,405
Nonmajor Governmental	TIF II Center Street	468,984
Water	General	26,459,559
Water	Debt Service	30,248
Water	Nonmajor Business-Type	70,000
Nonmajor Business-Type	General	765,302
Police Pension	General	843,865
Firefighters' Pension	General	870,811
		<u>52,356,596</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, 2016

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#### 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	\$ 1,309,846
Nonmajor Governmental	General	1,053,078
Nonmajor Governmental	Nonmajor Governmental	126,339
Water	Debt Service	<u>736,233</u>
		<u>3,225,496</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 911 Emergency Surcharge Tax Fund to the General Fund as of April 30, 2016.

#### LONG-TERM DEBT

##### General Obligation Bonds

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
General Obligation Bonds of 2002B, due in annual installments of \$305,000 to \$420,000 plus interest at 5.25% to 5.60% through May 1, 2023.	Debt Service	\$ 2,530,000	-	-	2,530,000

**CITY OF HARVEY, ILLINOIS**

**Notes to the Financial Statements  
April 30, 2016**

**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 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	\$ 908,250	-	166,250	742,000
	Water	1,686,750	-	308,750	1,378,000
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	8,045,000	-	695,000	7,350,000
		35,445,000	-	1,170,000	34,275,000

**Revenue Bonds**

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

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Hotel-Motel Tax and Sales Tax Revenue Bonds of 2008A, due in annual installments of \$160,000 to \$525,000 plus interest at 6.875% through August 1, 2028.	Hotel/Motel	\$ 4,950,000	-	220,000	4,730,000

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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

#### LONG-TERM DEBT – Continued

##### Revenue Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
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	-	860,000	4,140,000
		9,950,000	-	1,080,000	8,870,000

##### 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	\$ 145,701	-	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, 2016 is as follows:

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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

#### LONG-TERM DEBT – Continued

##### Demand Bonds – Continued

Issue	Fund Debt Retired by	Beginning Balances	Issuances	Retirements	Ending Balances
Demand Bonds of 2012, due in semi-annual installments of \$208,582 to \$417,165 plus interest at 7.50% to 9.50% through May 5, 2018.	Water	\$ 1,251,494	-	208,582	1,042,912

##### 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, 2016 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	\$ 17,666,114	-	2,430,288	15,235,826

##### 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, 2016

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

#### LONG-TERM DEBT – Continued

#### Long-Term Liability Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 2,608,685	245,116	122,558	2,731,243	546,249
Net Pension Liability - Police Pension	29,369,330	7,364,438	-	36,733,768	-
Net Pension Liability - Firefightrs' Pension	53,661,110	13,890,132	-	67,551,242	-
Settlement Installment Payable	1,280,226	-	429,033	851,193	420,672
Self Insurance Claims	2,983,679	797,969	2,414,922	1,366,726	-
General Obligation Bonds	28,758,250	-	861,250	27,897,000	1,213,250
Plus/Less Unamortized Items:					
Premium	469,616	-	26,712	442,904	-
General Obligation Refunding					
Capital Appreciation Bonds	145,701	-	145,701	-	-
Accretion - General Obligation Refunding					
Capital Appreciation Bonds	146,270	8,029	154,299	-	-
Revenue Bonds	9,950,000	-	1,080,000	8,870,000	1,160,000
	<u>129,372,867</u>	<u>22,305,684</u>	<u>5,234,475</u>	<u>146,444,076</u>	<u>3,340,171</u>
<b>Business-Type Activities</b>					
Compensated Absences	147,007	49,321	98,642	97,686	19,567
General Obligation Bonds	6,686,750	-	308,750	6,378,000	321,750
Plus Unamortized Items:					
Premium	21,808	-	4,608	17,200	-
Demand Bonds	1,251,494	-	208,582	1,042,912	417,165
Installment Payable	17,666,114	-	2,430,288	15,235,826	2,504,208
	<u>25,773,173</u>	<u>49,321</u>	<u>3,050,870</u>	<u>22,771,624</u>	<u>3,262,690</u>

For the governmental activities, the compensated absences, the net pension liabilities, 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, 2016****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		Revenue	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
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	27,897,000	16,057,857	8,870,000	3,215,784

**CITY OF HARVEY, ILLINOIS**

**Notes to the Financial Statements**  
**April 30, 2016**

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

**LONG-TERM DEBT – Continued**

**Debt Service Requirements to Maturity – Continued**

Fiscal Year	Business-Type Activities					
	General Obligation Bonds		Demand Bonds		Installment Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
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	6,378,000	3,722,759	1,042,912	142,011	15,235,826	1,350,711



# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### 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, 2016:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 6,777,219
Less Capital Related Debt:	
General Obligation Bonds of 2002B	(2,530,000)
General Obligation Refunding Bonds of 2002C	(742,000)
General Obligation Refunding Bonds of 2007A	(9,775,000)
General Obligation Refunding Bonds of 2007B	(7,350,000)
Unamortized Premium	<u>(442,904)</u>
Net Investment in Capital Assets	<u><u>(14,062,685)</u></u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	6,472,447
Less Capital Related Debt:	
General Obligation Refunding Bonds of 2002C	(1,378,000)
General Obligation Refunding Bonds of 2007A	(5,000,000)
Unamortized Premium	<u>(17,200)</u>
Net Investment in Capital Assets	<u><u>77,247</u></u>

##### Net Position/Fund Balance Restatement

Fund balance was restated due to a prior period adjustment for property taxes. The following is a summary of the net position as originally reported and as restated:

Net Position/Fund Balance	As Reported	As Restated	Increase (Decrease)
TIF I Dixie Square	\$ 4,401,960	3,059,836	(1,342,124)
Dixie Sibley	193,893	1,536,017	1,342,124

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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	Debt Service	Capital Projects			Nonmajor	Totals
		Motor Fuel Tax		Economic Development	TIF I Dixie Square	TIF II Center Street		
Fund Balances								
Nonspendable								
Inventories	\$ 12,000	-	-	-	-	-	-	12,000
Restricted								
Grant	14,200	-	-	-	-	-	-	14,200
Public Safety	59,608	4,983,950	-	-	-	-	-	5,043,558
Capital Projects	-	-	-	-	3,370,402	5,874,283	3,963,464	13,208,149
Debt Service	-	-	-	-	-	500,000	-	500,000
	73,808	4,983,950	-	-	3,370,402	6,374,283	3,963,464	18,765,907
Assigned								
Capital Projects	-	-	-	1,971,280	-	-	346,584	2,317,864
Unassigned	(51,642,755)	-	-	-	-	-	(4,980)	(51,647,735)
Total Fund Balances	(51,556,947)	4,983,950	-	1,971,280	3,370,402	6,374,283	4,305,068	(30,551,964)

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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#### **NOTE 4 – OTHER INFORMATION**

##### **INTERGOVERNMENTAL AGREEMENT – SOUTH SUBURBAN JAWA**

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

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

Due to SSJAWA not being deemed feasible by the bank, the bonds have been recorded as a long-term liability in Water Fund of \$1,347,444 (Note 3). The amount recorded as a long-term liability includes the amount of principal paid by the City on the original bonds and the total remaining called balance of the bonds. The outstanding balance of the bonds at April 30, 2016 is \$1,042,912.

##### **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, 2016

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### NOTE 4 – OTHER INFORMATION – Continued

#### RISK MANAGEMENT – Continued

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

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

As of April 30, 2016 the amount of these liabilities total \$1,366,726 which is the City's best estimate based on available information. Changes in the reported liability since April 30, 2016 resulted in the following:

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	2,983,679
Incurred Claims	797,969
Claims Paid	<u>(2,414,922)</u>
Claims Payable - April 30, 2016	<u><u>1,366,726</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, 2016, the balance of the installment payable in the Water Fund is \$15,235,826.

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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#### **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, 2016**

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

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

##### **Litigation – Continued**

##### **City of Harvey Board of Trustees of the Firefighters' Pension Fund v. City of Harvey, Case Nos. 10 CH 53364 & 93 CH 1459, Circuit Court of Cook County, Illinois – 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 liability for the Firefighters' Pension has been recorded in the City's Government-Wide financial statements and 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 \$870,811 as of April 30, 2016. 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. If any unfavorable ruling against the City does occur the City is expected 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, 2016**

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

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

##### **Litigation – Continued**

##### **Board of Trustees of the Harvey Police Pension Fund v. City of Harvey, Case No. 06 CH 15468, Circuit Court of Cook County, Illinois – 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 liability for the Police Pension has been recorded in the City's Government-Wide financial statements and 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, 2016 is \$843,865. 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. If any unfavorable ruling against the City does occur the City is expected 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, 2016 is \$676,533.

##### **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, 2016 is \$174,660.

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

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

###### **Bond Default**

The City defaulted on its bond payments for the 2007B GO Bonds at December 1, 2015 and the 2002C GO Bonds at February 1, 2016 for \$1,001,206 and \$355,334, respectively. The outstanding balances are included as accounts payable in the Debt Service fund at April 30, 2016. The outstanding balances are paid in full by the City in August 2016.

###### **TIF Expiration**

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

###### **Grants**

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

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

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

###### **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.



# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### NOTE 4 – OTHER INFORMATION – Continued

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

##### Illinois Municipal Retirement Fund (IMRF) – Continued

###### Plan Descriptions – Continued

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

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

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

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

*Plan Membership.* As of December 31, 2015, the measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members Currently Receiving Benefits	109
Inactive Plan Members Entitled to but not yet Receiving Benefits	82
Active Plan Members	<u>70</u>
Total	<u><u>261</u></u>

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### NOTE 4 – OTHER INFORMATION – Continued

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

##### Illinois Municipal Retirement Fund (IMRF) – Continued

###### Plan Descriptions – Continued

*Contributions.* As set by statute, the City's Regular Plan Members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City's annual contribution rate for calendar year 2015 was 7.81% of covered payroll.

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

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation performed, as of December 31, 2015, using the following actuarial methods and assumptions:

Actuarial Valuation Date	12/31/2015
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	2.75%
Inflation	2.75%

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, 2016

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### 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)	\$ (378,140)	(3,041,320)	(5,210,171)

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### 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, 2014	\$ 23,330,248	28,204,919	(4,874,671)
Changes for the Year:			
Service Cost	356,490	-	356,490
Interest on the Total Pension Liability	1,716,206	-	1,716,206
Difference Between Expected and Actual Experience of the Total Pension Liability	(371,551)	-	(371,551)
Changes of Assumptions	-	-	-
Contributions - Employer	-	249,956	(249,956)
Contributions - Employees	-	143,948	(143,948)
Net Investment Income	-	138,881	(138,881)
Benefit Payments, including Refunds of Employee Contributions	(1,251,483)	(1,251,483)	-
Other (Net Transfer)	-	(664,991)	664,991
Net Changes	449,662	(1,383,689)	1,833,351
Balances at December 31, 2015	23,779,910	26,821,230	(3,041,320)

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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, 2016, the City recognized pension expense of \$1,056,507. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ -	(239,147)	(239,147)
Change in Assumptions	-	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,535,514	-	1,535,514
Pension Contributions Made Subsequent to the Measurement Date	24,340	-	24,340
Total Deferred Amounts Related to IMRF	1,559,854	(239,147)	1,320,707

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
2017	\$ 275,814
2018	277,135
2019	383,878
2020	383,880
2021	-
Thereafter	-
Total	1,320,707

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### 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, 2016, 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, 2016

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### 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 1<sup>st</sup> 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 preceding calendar year.

*Contributions.* Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan 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, 2016, the City's contribution was 2.92% 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	\$ 1,386,456

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### 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, 2016, using the following actuarial methods and assumptions:

Actuarial Valuation Date	4/30/16
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.75%
Salary Increases	Service-Based
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment projected to valuation date using Scale BB. The actuarial assumptions used in the April 30, 2016 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 3.51% 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 3.32%, and the resulting single discount rate is 3.51%.



# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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 (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Net Pension Liability	\$ 45,896,773	36,733,768	29,478,297

##### Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2015	\$ 45,958,253	16,588,923	29,369,330
Changes for the Year:			
Service Cost	2,014,804	-	2,014,804
Interest on the Total Pension Liability	1,830,616	-	1,830,616
Difference Between Expected and Actual Experience of the Total Pension Liability	667,515	-	667,515
Changes of Assumptions	2,878,930	-	2,878,930
Contributions - Employer	-	110,219	(110,219)
Contributions - Employees	-	324,861	(324,861)
Net Investment Income	-	(292,841)	292,841
Benefit Payments, including Refunds of Employee Contributions	(1,584,446)	(1,584,446)	-
Administrative Expense	-	(114,812)	114,812
Net Changes	5,807,419	(1,557,019)	7,364,438
Balances at April 30, 2016	51,765,672	15,031,904	36,733,768

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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, 2016, the City recognized pension expense of \$3,245,500. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 556,265	(312,712)	243,553
Change in Assumptions	2,399,110	-	2,399,110
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,127,609	-	1,127,609
Total Deferred Amounts Related to Police Pension	4,082,984	(312,712)	3,770,272

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
2017	\$ 797,439
2018	797,438
2019	797,438
2020	786,882
2021	591,075
Thereafter	-
Total	3,770,272

## CITY OF HARVEY, ILLINOIS

### Notes to the Financial Statements April 30, 2016

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#### 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, 2016, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	60
Inactive Plan Members Entitled to but not yet Receiving Benefits	4
Active Plan Members	<u>47</u>
Total	<u><u>111</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 ½ 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 3percent compounded annually thereafter.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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 1<sup>st</sup> 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, 2015, the City's contribution was 12.09% 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
BlackRock Strategic Income Fund	\$ 786,112
Wells Fargo Advantage Absolute Return Fund	780,555
First Trust North America Energy Infrastructure ETF Fund	495,533
MGI Core Opportunities Fixed Income Fund	479,510

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

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### 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, 2016, using the following actuarial methods and assumptions:

Actuarial Valuation Date	4/30/16
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	6.50%
Salary Increases	3.75% - 46.23%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates are based on the assumption study prepared by the independent actuary in 2016. The table combines observed experience of Illinois Firefighters with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

##### Discount Rate

A Single Discount Rate of 3.38% 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 6.50%, the municipal bond rate is 3.32%, and the resulting single discount rate is 3.38%.

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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 (2.38%)	Current Discount Rate (3.38%)	1% Increase (4.38%)
Net Pension Liability	\$ 81,044,859	67,551,242	56,784,994

##### Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at April 30, 2015	\$ 64,615,329	10,954,219	53,661,110
Changes for the Year:			
Service Cost	1,789,745	-	1,789,745
Interest on the Total Pension Liability	2,149,985	-	2,149,985
Difference Between Expected and Actual Experience of the Total Pension Liability	255,396	-	255,396
Changes of Assumptions	10,044,000	-	10,044,000
Contributions - Employer	-	398,566	(398,566)
Contributions - Employees	-	325,795	(325,795)
Net Investment Income	-	(281,071)	281,071
Benefit Payments, including Refunds of Employee Contributions	(2,012,611)	(2,012,611)	-
Administrative Expense	-	(94,296)	94,296
Net Changes	12,226,515	(1,663,617)	13,890,132
Balances at April 30, 2016	76,841,844	9,290,602	67,551,242

# CITY OF HARVEY, ILLINOIS

## Notes to the Financial Statements April 30, 2016

### 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, 2016, the City recognized pension expense of \$5,151,705. At April 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Totals
Difference Between Expected and Actual Experience	\$ 201,514	-	201,514
Change in Assumptions	7,925,012	-	7,925,012
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	758,520	-	758,520
Total Deferred Amounts Related to Firefighters' Pension	8,885,046	-	8,885,046

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
2017	\$ 2,362,500
2018	2,362,500
2019	2,362,500
2020	1,797,546
2021	-
Thereafter	-
Total	8,885,046

## **CITY OF HARVEY, ILLINOIS**

### **Notes to the Financial Statements April 30, 2016**

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

##### **OTHER POST-EMPLOYMENT BENEFITS**

The City has evaluated its potential other post-employment benefits liability. Former employees who choose to retain their rights to health insurance through the City are required to pay 100% of the current premium. However, no former employees have chosen to stay in the City's health insurance plan. There has been 0% utilization; therefore, no implicit subsidy to calculate in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Additionally, the City had no former employees for which the City was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the City has not recorded any post-employment benefit liability as of April 30, 2016.

##### **SUBSEQUENT EVENT**

After the fiscal year-end April 30, 2016, the City defaulted on its bond payments for the 2002B GO Bonds at May 1, 2016, 2007A GO Bonds at June 1, 2016, and 2007B GO Bonds at June 1, 2016 for \$69,109, \$620,538, and \$281,013, respectively. All amounts are paid by the City as of August 2016.



## **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, 2016

Calendar 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
2014	\$ 189,788	\$ 189,788	\$ -	\$ 3,323,783	5.71%
2015	147,806	249,956	102,150	3,199,267	7.81%

#### Notes to the Required Supplementary Information:

Actuarial Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	28 Years
Asset Valuation Method	5-Year Smoothed Market; 20% Corridor
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, 2016

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%
2016	1,220,938	110,219	(1,110,719)	3,776,616	2.92%

#### 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	25 Years
Asset Valuation Method	5-Year Smoothed Market
Inflation	2.50%
Salary Increases	Service Based
Investment Rate of Return	6.75%
Retirement Age	50-70
Mortality	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment

#### Note:

This schedule is intended to show information for ten years 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, 2016

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%
2016	2,405,480	398,566	(2,006,914)	3,297,935	12.09%

#### 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	2.50%
Salary Increases	3.75% - 46.23%
Investment Rate of Return	6.50%
Retirement Age	See the Notes to the Financial Statements
Mortality	Independent Actuary 2016 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, 2016

	12/31/14	12/31/15
Total Pension Liability		
Service Cost	\$ 363,143	356,490
Interest	1,636,718	1,716,206
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(505,541)	(371,551)
Change of Assumptions	819,879	-
Benefit Payments, Including Refunds of Member Contributions	(1,250,577)	(1,251,483)
Net Change in Total Pension Liability	1,063,622	449,662
Total Pension Liability - Beginning	22,266,626	23,330,248
Total Pension Liability - Ending	23,330,248	23,779,910
Plan Fiduciary Net Position		
Contributions - Employer	\$ 189,788	249,956
Contributions - Members	155,726	143,948
Net Investment Income	1,651,805	138,881
Benefit Payments, Including Refunds of Member Contributions	(1,250,577)	(1,251,483)
Other (Net Transfer)	(73,127)	(664,991)
Net Change in Plan Fiduciary Net Position	673,615	(1,383,689)
Plan Net Position - Beginning	27,531,304	28,204,919
Plan Net Position - Ending	28,204,919	26,821,230
Employer's Net Pension Liability (Asset)	\$ (4,874,671)	(3,041,320)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.89%	112.79%
Covered-Employee Payroll	\$ 3,323,783	3,199,267
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	(146.66%)	(95.06%)

#### 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, 2016

	4/30/15	4/30/16
Total Pension Liability		
Service Cost	\$ 1,970,450	2,014,804
Interest	1,764,538	1,830,616
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	(469,066)	667,515
Change of Assumptions	-	2,878,930
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)	(1,584,446)
Net Change in Total Pension Liability	1,635,895	5,807,419
Total Pension Liability - Beginning	44,322,358	45,958,253
Total Pension Liability - Ending	45,958,253	51,765,672
Plan Fiduciary Net Position		
Contributions - Employer	\$ 216,675	110,219
Contributions - Members	361,391	324,861
Net Investment Income	1,036,455	(292,842)
Benefit Payments, Including Refunds of Member Contributions	(1,630,027)	(1,584,446)
Administrative Expense	(116,692)	(114,811)
Net Change in Plan Fiduciary Net Position	(132,198)	(1,557,019)
Plan Net Position - Beginning	16,721,121	16,588,923
Plan Net Position - Ending	16,588,923	15,031,904
Employer's Net Pension Liability	\$ 29,369,330	36,733,768
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.10%	29.04%
Covered-Employee Payroll	\$ 3,646,731	3,776,616
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	805.36%	972.66%

#### 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

## Firefighters' Pension Fund

### Required Supplementary Information Schedule of Changes in the Employer's Net Pension Liability April 30, 2016

	4/30/15	4/15/16
Total Pension Liability		
Service Cost	\$ 1,583,616	1,789,745
Interest	2,290,794	2,149,985
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	255,396
Change of Assumptions	-	10,044,000
Benefit Payments, Including Refunds of Member Contributions	(2,011,098)	(2,012,611)
Net Change in Total Pension Liability	1,863,312	12,226,515
Total Pension Liability - Beginning	62,752,017	64,615,329
Total Pension Liability - Ending	64,615,329	76,841,844
Plan Fiduciary Net Position		
Contributions - Employer	\$ 720,764	398,566
Contributions - Members	343,183	325,795
Net Investment Income	561,902	(281,071)
Benefit Payments, Including Refunds of Member Contributions	(2,011,098)	(2,012,611)
Administrative Expense	(82,327)	(94,296)
Net Change in Plan Fiduciary Net Position	(467,576)	(1,663,617)
Plan Net Position - Beginning	11,421,795	10,954,219
Plan Net Position - Ending	10,954,219	9,290,602
Employer's Net Pension Liability	\$ 53,661,110	67,551,242
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	16.95%	12.09%
Covered-Employee Payroll	\$ 3,188,558	3,297,935
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	1682.93%	2048.29%

#### 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, 2016**

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

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, 2016**

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<b>Fiscal Year</b>	<b>Annual Money- Weighted Rate of Return, Net of Investment Expense</b>
2015	5.19%
2016	(2.73%)

**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, 2016

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 13,225,000	13,225,000	9,929,280
Licenses and Permits	1,412,150	1,412,150	1,347,213
Intergovernmental	8,070,000	8,070,000	6,037,196
Charges for Services	2,280,700	2,280,700	3,597,793
Fines and Forfeitures	630,000	630,000	697,530
Interest	5,000	5,000	4,060
Miscellaneous	87,600	87,600	106,745
Total Revenues	25,710,450	25,710,450	21,719,817
Expenditures			
General Government	10,007,117	10,007,117	12,134,667
Public Safety	9,813,240	9,813,240	9,709,763
Public Works	4,733,000	4,733,000	3,937,800
Community Development	45,400	45,400	113,766
Capital Outlay	2,020,000	2,020,000	626,833
Total Expenditures	26,618,757	26,618,757	26,522,829
Excess (Deficiency) of Revenues Over (Under) Expenditures	(908,307)	(908,307)	(4,803,012)
Other Financing Sources (Uses)			
Disposal of Capital Assets	100,000	100,000	75,953
Transfers Out	(1,900,000)	(1,900,000)	(2,362,924)
	(1,800,000)	(1,800,000)	(2,286,971)
Net Change in Fund Balance	(2,708,307)	(2,708,307)	(7,089,983)
Fund Balance - Beginning			(44,466,964)
Fund Balance - Ending			(51,556,947)

**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, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 625,000	625,000	646,683
Interest	-	-	352
Total Revenues	625,000	625,000	647,035
Expenditures			
Public Works			
Contractual Services	225,000	225,000	625,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	400,000	400,000	21,910
Other Financing (Uses)			
Transfers Out	(275,000)	(275,000)	-
Net Change in Fund Balance	125,000	125,000	21,910
Fund Balance - Beginning			4,962,040
Fund Balance - Ending			4,983,950

## **OTHER SUPPLEMENTARY INFORMATION**

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

Such statements and schedules include:

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

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

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## **GENERAL FUND**

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

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## **SPECIAL REVENUE FUNDS**

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

### **Motor Fuel Tax Fund**

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

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

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

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## **DEBT SERVICE FUND**

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

### **Debt Service Fund**

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

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

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## **CAPITAL PROJECTS FUNDS**

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

### **Economic Development Fund**

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

### **TIF I Dixie Square Fund**

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

### **TIF II Center Street Fund**

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

### **Hotel/Motel Fund**

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

### **Community Development Fund**

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

### **Road Fund**

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

### **Special Assessment Fund**

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

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

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## **CAPITAL PROJECTS FUNDS – Continued**

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

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

### **TIF IV Dixie Sibley Fund**

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

### **TIF III Cresco Business Park Fund**

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

### **Wyman Gordon Fund**

The 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 Wyman Gordon Fund**

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

### **TIF VI Dixie Highway Corridor Fund**

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

### **TIF VII Arco/147<sup>th</sup> Street Fund**

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

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

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## **ENTERPRISE FUNDS**

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

### **Water Fund**

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

### **Pace Bus Terminal Parking Fund**

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

### **Commuter Parking Lot Fund**

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

### **Sewer Fund**

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

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

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## **PENSION TRUST FUNDS**

### **Police Pension Fund**

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

### **Firefighters' Pension Fund**

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

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## CITY OF HARVEY, ILLINOIS

### General Fund

#### Schedule of Revenues - Budget and Actual For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
Taxes			
Property	\$ 9,400,000	9,400,000	6,339,958
RE Transaction Tax	80,000	80,000	94,210
Utility	1,400,000	1,400,000	1,228,897
Telecommunication	600,000	600,000	538,165
Video Gaming Tax	35,000	35,000	53,207
Casino	1,400,000	1,400,000	1,368,767
Franchise	180,000	180,000	142,767
Hotel/Motel	130,000	130,000	163,309
	<u>13,225,000</u>	<u>13,225,000</u>	<u>9,929,280</u>
Licenses and Permits			
Licenses			
Vehicles	1,175,300	1,175,300	191,918
Liquor	-	-	86,625
Business	-	-	264,210
Vending Machines	20,000	20,000	23,444
Contractors	-	-	67,000
Permits			
Building	216,250	216,250	709,883
Electric	-	-	1,065
Plumbing	-	-	1,393
Other	600	600	1,675
	<u>1,412,150</u>	<u>1,412,150</u>	<u>1,347,213</u>
Intergovernmental			
Federal/State Grant	2,350,000	2,350,000	65,470
Replacement Tax	600,000	600,000	711,168
State Sales Tax	2,300,000	2,300,000	2,114,301
State Income Tax	2,300,000	2,300,000	2,562,647
State Use Tax	520,000	520,000	583,610
	<u>8,070,000</u>	<u>8,070,000</u>	<u>6,037,196</u>

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Revenues - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
Charges for Services			
Debris Usage/Mowing Fees	\$ -	-	1,580
Refuse Collection Fees	1,800,000	1,800,000	2,074,617
Garbage Can Replacement Fee	-	-	760
Towing Collection Fees	-	-	362,461
Vacant Property Registration Fees	206,000	206,000	51,501
Public Safety Registration	-	-	69,125
Inspection Point of Sale	40,000	40,000	-
Birth/Death Certificate Fees	-	-	34,780
Zoning Fees	-	-	5
Fire Service Fees	-	-	250,000
Fuel Tax Distributors	125,000	125,000	149,611
Civil Service Testing Fees	-	-	7,700
Rental Unit Inspections	30,000	30,000	118,628
Photostats	22,500	22,500	18,877
Rents	42,000	42,000	42,972
Special Events	13,000	13,000	2,728
Other	2,200	2,200	412,448
	2,280,700	2,280,700	3,597,793
Fines and Forfeitures			
Housing Court	97,020	97,020	38,400
Police	532,980	532,980	659,130
	630,000	630,000	697,530
Interest			
Investment Income	5,000	5,000	4,060
Miscellaneous			
Refunds/Reimbursements	65,000	65,000	38,530
Miscellaneous	22,600	22,600	68,215
	87,600	87,600	106,745
Total Revenues	25,710,450	25,710,450	21,719,817

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Expenditures - Budget and Actual For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
General Government			
Mayor			
Personnel Services	\$ 58,000	58,000	54,254
Other Services/Expenditures	15,000	15,000	14,023
	<u>73,000</u>	<u>73,000</u>	<u>68,277</u>
Mayor's Office			
Personnel Services	180,000	180,000	189,628
Commodities	32,000	32,000	14,570
Contractual Services	123,000	123,000	127,442
Other Services/Expenditures	32,500	32,500	34,564
Equipment	-	-	56
	<u>367,500</u>	<u>367,500</u>	<u>366,260</u>
Legal Department			
Contractual Services	<u>1,400,000</u>	<u>1,400,000</u>	<u>886,590</u>
Aldermen			
Personnel Services	240,000	240,000	241,705
Other Services/Expenditures	150,000	150,000	66,075
	<u>390,000</u>	<u>390,000</u>	<u>307,780</u>
City Clerk			
Personnel Services	125,600	125,600	130,512
Commodities	4,500	4,500	3,251
Contractual Services	5,500	5,500	15,016
Other Services/Expenditures	3,000	3,000	1,196
Equipment	-	-	1,973
	<u>138,600</u>	<u>138,600</u>	<u>151,948</u>
City Treasurer			
Personnel Services	25,000	25,000	16,865
Commodities	-	-	1,450
Contractual Services	3,000	3,000	3,117
Other Services/Expenditures	3,000	3,000	493
	<u>31,000</u>	<u>31,000</u>	<u>21,925</u>

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
General Government - Continued			
Finance Department			
Commodities	\$ 7,000	7,000	2,560
Contractual Services	782,001	782,001	1,193,910
Other Services/Expenditures	2,000	2,000	59,309
Equipment	-	-	12,730
	791,001	791,001	1,268,509
Planning and Development			
Personnel Services	416,000	416,000	365,350
Commodities	12,000	12,000	16,070
Contractual Services	177,500	177,500	525,989
Other Services/Expenditures	178,200	178,200	8,365
	783,700	783,700	915,774
Miscellaneous Grant			
Personnel Services	180,000	180,000	7,380
Commodities	-	-	826
Contractual Services	-	-	5,162
Equipment	-	-	403
	180,000	180,000	13,771
Miscellaneous Appropriations/Specific Purpose			
Personnel Services	304,597	304,597	1,211,845
Contractual Services	4,447,719	4,447,719	4,856,497
Other Services/Expenditures	1,100,000	1,100,000	2,065,491
	5,852,316	5,852,316	8,133,833
Total General Government	10,007,117	10,007,117	12,134,667
Public Safety			
Police Department			
Personnel Services	5,718,240	5,718,240	5,241,288
Commodities	118,000	118,000	146,426
Contractual Services	295,600	295,600	432,577
Other Services/Expenditures	54,500	54,500	43,051
	6,186,340	6,186,340	5,863,342

**CITY OF HARVEY, ILLINOIS****General Fund****Schedule of Expenditures - Budget and Actual - Continued  
For the Fiscal Year Ended April 30, 2016**

	Budget		Actual
	Original	Final	
Public Safety - Continued			
Fire Department			
Personnel Services	\$ 3,405,000	3,405,000	3,662,630
Commodities	30,450	30,450	16,825
Contractual Services	161,450	161,450	144,396
Other Services/Expenditures	30,000	30,000	18,701
Equipment	-	-	3,869
	3,626,900	3,626,900	3,846,421
 Total Public Safety	 9,813,240	 9,813,240	 9,709,763
Public Works			
Streets Administration			
Personnel Services	170,000	170,000	132,335
Commodities	2,000	2,000	-
Contractual Services	4,000	4,000	48
Other Services/Expenditures	2,500	2,500	40
	178,500	178,500	132,423
 Street Maintenance Department			
Personnel Services	650,000	650,000	855,045
Commodities	447,000	447,000	208,431
Contractual Services	2,082,000	2,082,000	1,983,264
Other Services/Expenditures	105,000	105,000	31,158
Equipment	-	-	-
	3,284,000	3,284,000	3,077,898
 Vehicle Maintenance Division			
Personnel Services	175,000	175,000	252,885
Contractual Services	5,000	5,000	-
Other Services/Expenditures	48,500	48,500	7,353
	228,500	228,500	260,238

# CITY OF HARVEY, ILLINOIS

## General Fund

### Schedule of Expenditures - Budget and Actual - Continued For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
Public Works - Continued			
Weatherization			
Contractual Services	\$ 350,000	350,000	-
Public Property/Utility Maintenance			
Personnel Services	135,000	135,000	184,656
Commodities	-	-	20,458
Contractual Services	412,000	412,000	127,989
Other Services/Expenditures	145,000	145,000	134,138
	692,000	692,000	467,241
Total Public Works	4,733,000	4,733,000	3,937,800
Community Development			
Community Center			
Personnel Services	28,250	28,250	87,623
Commodities	600	600	-
Contractual Services	14,700	14,700	10,863
Other Services/Expenditures	1,850	1,850	11,251
	45,400	45,400	109,737
Senior Services			
Personnel Services	-	-	4,029
Total Community Development	45,400	45,400	113,766
Capital Outlay			
General Government			
IKE Roadway Improvement	1,820,000	1,820,000	-
City Wide Capital Projects	-	-	20,849
Equipment	200,000	200,000	-
Public Safety			
Vehicles	-	-	72,544
Equipment	-	-	196,695
Public Works			
Equipment	-	-	31,802
Vehicles	-	-	304,943
Total Capital Outlay	2,020,000	2,020,000	626,833
Total Expenditures	26,618,757	26,618,757	26,522,829

# 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, 2016

	Budget		
	Original	Final	Actual
Revenues			
Taxes			
Property	\$ -	-	2,368,871
Interest	-	-	69
Total Revenues	-	-	2,368,940
Expenditures			
General Government			
Contractual Services	6,000	6,000	5,575
Debt Service			
Principal Retirement	1,690,000	1,690,000	1,161,250
Interest and Fiscal Charges	2,451,413	2,451,413	1,775,728
Total Expenditures	4,147,413	4,147,413	2,942,553
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,147,413)	(4,147,413)	(573,613)
Other Financing Sources (Uses)			
Transfers In	-	-	1,309,846
Transfers Out	-	-	(736,233)
	-	-	573,613
Net Change in Fund Balance	(4,147,413)	(4,147,413)	-
Fund Balance - Beginning			-
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, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 286,000	286,000	310,497
Interest	-	-	69
Total Revenues	286,000	286,000	310,566
Expenditures			
Capital Outlay	200,000	200,000	-
Net Change in Fund Balance	86,000	86,000	310,566
Fund Balance - Beginning as Restated			3,059,836
Fund Balance - Ending			3,370,402

**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, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 1,615,000	1,615,000	2,127,772
Intergovernmental			
Grant	-	-	16,179
Interest	-	-	49
Total Revenues	1,615,000	1,615,000	2,144,000
Expenditures			
Capital Outlay	300,000	300,000	93,393
Debt Service			
Principal Retirement	860,000	860,000	860,000
Interest and Fiscal Charges	365,000	365,000	375,000
Total Expenditures	1,525,000	1,525,000	1,328,393
Net Change in Fund Balance	90,000	90,000	815,607
Fund Balance - Beginning			5,558,676
Fund Balance - Ending			6,374,283

**CITY OF HARVEY, ILLINOIS****Nonmajor Governmental Funds****Combining Balance Sheet****April 30, 2016**

	Special Revenue		
	911		
	Emergency Surcharge	Capital	
	Tax	Projects	Totals
<b>ASSETS</b>			
Cash and Investments	\$ -	130,451	130,451
Due from Other Governments	-	7,025	7,025
Advances to Other Funds	-	4,209,389	4,209,389
Total Assets	-	4,346,865	4,346,865
<b>LIABILITIES</b>			
Accounts Payable	-	28,892	28,892
Advances from Other Funds	-	12,905	12,905
Total Liabilities	-	41,797	41,797
<b>FUND BALANCES</b>			
Restricted	-	3,963,464	3,963,464
Assigned	-	346,584	346,584
Unassigned	-	(4,980)	(4,980)
Total Fund Balances	-	4,305,068	4,305,068
Total Liabilities and Fund Balances	-	4,346,865	4,346,865

# CITY OF HARVEY, ILLINOIS

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Year Ended April 30, 2016

	Special Revenue		
	911 Emergency Surcharge Tax	Capital Projects	Totals
Revenues			
Taxes	\$ -	444,477	444,477
Charges for Services	61,774	-	61,774
Interest	-	133	133
Total Revenues	61,774	444,610	506,384
Expenditures			
Public Works	518,551	5,010	523,561
Debt Service			
Principal Retirement	-	220,000	220,000
Interest and Fiscal Charges	-	332,750	332,750
Total Expenditures	518,551	557,760	1,076,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(456,777)	(113,150)	(569,927)
Other Financing Sources (Uses)			
Transfers In	500,328	679,089	1,179,417
Transfers Out	-	(126,339)	(126,339)
	500,328	552,750	1,053,078
Net Change in Fund Balances	43,551	439,600	483,151
Fund Balances - Beginning as Restated	(43,551)	3,865,468	3,821,917
Fund Balances - Ending	-	4,305,068	4,305,068

**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, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Charges for Services			
911 Tax on Users	\$ 175,000	175,000	61,774
Expenditures			
Public Works			
Personnel Services	-	-	479,564
Contractual Services	60,000	60,000	38,987
Total Expenditures	60,000	60,000	518,551
Excess (Deficiency) of Revenues Over (Under) Expenditures	115,000	115,000	(456,777)
Other Financing Sources			
Transfers In	-	-	500,328
Net Change in Fund Balance	115,000	115,000	43,551
Fund Balance - Beginning			(43,551)
Fund Balance - Ending			-

**CITY OF HARVEY, ILLINOIS**

**Nonmajor Governmental - Capital Projects Funds**

**Combining Balance Sheet**

**April 30, 2016**

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**See Following Page**

**CITY OF HARVEY, ILLINOIS**

**Nonmajor Governmental - Capital Projects Funds**

**Combining Balance Sheet**

**April 30, 2016**

	Hotel/ Motel	Community Development	Road	Special Assessment
<b>ASSETS</b>				
Cash and Investments	\$ -	887	-	-
Due from Other Governments	-	7,025	-	-
Advances to Other Funds	5,897	-	346,584	28,892
Total Assets	5,897	7,912	346,584	28,892
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	-	-	-	28,892
Advances from Other Funds	-	7,912	-	-
Total Liabilities	-	7,912	-	28,892
<b>Fund Balances</b>				
Restricted	5,897	-	-	-
Assigned	-	-	346,584	-
Unassigned	-	-	-	-
Total Fund Balances	5,897	-	346,584	-
Total Liabilities and Fund Balances	5,897	7,912	346,584	28,892

Motor Fuel Tax	TIF IV Dixie Sibley	TIF III Cresco Business Park	Wyman Gordon	TIF V RPM Wyman Gordon	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
-	-	87,774	-	14,942	-	26,848	130,451
-	-	-	-	-	-	-	7,025
465,401	1,745,215	913,196	-	704,204	-	-	4,209,389
465,401	1,745,215	1,000,970	-	719,146	-	26,848	4,346,865
-	-	-	-	-	-	-	28,892
-	-	-	-	-	4,980	13	12,905
-	-	-	-	-	4,980	13	41,797
465,401	1,745,215	1,000,970	-	719,146	-	26,835	3,963,464
-	-	-	-	-	-	-	346,584
-	-	-	-	-	(4,980)	-	(4,980)
465,401	1,745,215	1,000,970	-	719,146	(4,980)	26,835	4,305,068
465,401	1,745,215	1,000,970	-	719,146	-	26,848	4,346,865



# 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, 2016

	Hotel/ Motel	Community Development	Road	Special Assessment	Motor Fuel Tax
Revenues					
Taxes	\$ -	-	-	-	-
Interest	-	-	19	-	-
Total Revenues	-	-	19	-	-
Expenditures					
Public Works	-	-	-	-	-
Debt Service					
Principal Retirement	220,000	-	-	-	-
Interest and Fiscal Charges	332,750	-	-	-	-
Total Expenditures	552,750	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(552,750)	-	19	-	-
Other Financing Sources (Uses)					
Transfers In	552,750	-	-	-	-
Transfers Out	-	-	-	-	-
	552,750	-	-	-	-
Net Change in Fund Balances	-	-	19	-	-
Fund Balances - Beginning as Restated	5,897	-	346,565	-	465,401
Fund Balances - Ending	5,897	-	346,584	-	465,401

TIF IV Dixie Sibley	TIF III Cresco Business Park	Wyman Gordon	TIF V RPM Wyman Gordon	TIF VI Dixie Highway Corridor	TIF VII Arco/ 147th Street	Totals
209,198	181,053	-	27,378	-	26,848	444,477
-	51	-	46	16	1	133
209,198	181,104	-	27,424	16	26,849	444,610
-	-	-	-	5,000	10	5,010
-	-	-	-	-	-	220,000
-	-	-	-	-	-	332,750
-	-	-	-	5,000	10	557,760
209,198	181,104	-	27,424	(4,984)	26,839	(113,150)
-	-	-	126,339	-	-	679,089
-	-	(126,339)	-	-	-	(126,339)
-	-	(126,339)	126,339	-	-	552,750
209,198	181,104	(126,339)	153,763	(4,984)	26,839	439,600
1,536,017	819,866	126,339	565,383	4	(4)	3,865,468
1,745,215	1,000,970	-	719,146	(4,980)	26,835	4,305,068

**CITY OF HARVEY, ILLINOIS**

**Dixie Sibley - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 228,000	228,000	209,198
Expenditures			
Public Works	-	-	-
Net Change in Fund Balance	<u>228,000</u>	<u>228,000</u>	209,198
Fund Balance - Beginning as Restated			<u>1,536,017</u>
Fund Balance - Ending			<u>1,745,215</u>

**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, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 155,000	155,000	181,053
Interest	-	-	51
Total Revenues	155,000	155,000	181,104
Expenditures			
Public Works	50,000	50,000	-
Net Change in Fund Balance	105,000	105,000	181,104
Fund Balance - Beginning			819,866
Fund Balance - Ending			1,000,970

**CITY OF HARVEY, ILLINOIS****TIF V RPM Wyman Gordon - Capital Projects Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 23,000	23,000	27,378
Interest	-	-	46
Total Revenues	23,000	23,000	27,424
Expenditures			
Public Works	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,000	23,000	27,424
Other Financing Sources			
Transfers In	-	-	126,339
Net Change in Fund Balance	23,000	23,000	153,763
Fund Balance - Beginning			565,383
Fund Balance - Ending			719,146

**CITY OF HARVEY, ILLINOIS**

**TIF VII Arco/147th Street - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended April 30, 2016**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property	\$ 50,000	50,000	26,848
Interest	-	-	1
Total Revenues	50,000	50,000	26,849
Expenditures			
Public Works	10,000	10,000	10
Net Change in Fund Balance	40,000	40,000	26,839
Fund Balance - Beginning			(4)
Fund Balance - Ending			26,835

# 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, 2016

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Water Sales	\$ 18,500,000	18,500,000	16,016,481
Other	226,500	226,500	117,404
Miscellaneous	12,000	12,000	-
Total Operating Revenues	18,738,500	18,738,500	16,133,885
Operating Expenses			
Operations			
Personnel Services	632,245	632,245	493,142
Commodities	84,500	84,500	71,257
Contractual Services	14,055,000	14,055,000	12,657,612
Other Services/Expenses	1,500	1,500	16,839
Equipment	17,000	17,000	15,326
Depreciation and Amortization	-	-	386,222
Total Operating Expenses	14,790,245	14,790,245	13,640,398
Operating Income	3,948,255	3,948,255	2,493,487
Nonoperating Revenues (Expenses)			
Interest Income	25	25	88
Interest Expense	(310,000)	(310,000)	(945,723)
	(309,975)	(309,975)	(945,635)
Income Before Transfers	3,638,280	3,638,280	1,547,852
Transfers In	-	-	736,233
Change in Net Position	3,638,280	3,638,280	2,284,085
Net Position - Beginning			7,424,108
Net Position - Ending			9,708,193

**CITY OF HARVEY, ILLINOIS**

**Nonmajor Enterprise Funds**

**Combining Statement of Net Position  
April 30, 2016**

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
<b>ASSETS</b>				
Current Assets				
Cash and Investments	\$ -	-	-	-
Receivables - Net of Allowances				
Customer Billings and Unbilled Services	-	-	214,796	214,796
Advances to Other Funds	77,332	465,696	222,274	765,302
Total Current Assets	77,332	465,696	437,070	980,098
Noncurrent Assets				
Capital Assets				
Nondepreciable	-	482,250	-	482,250
Depreciable	-	1,307,969	5,682,203	6,990,172
Accumulated Depreciation	-	(1,307,969)	(5,361,267)	(6,669,236)
	-	482,250	320,936	803,186
Other Assets				
Net Pension Asset - IMRF	-	-	2,001	2,001
Total Noncurrent Assets	-	482,250	322,937	805,187
Total Assets	77,332	947,946	760,007	1,785,285
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	-	-	1,026	1,026
Total Assets and Deferred Outflows of Resources	77,332	947,946	761,033	1,786,311



	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ -	29,424	66,589	96,013
Accrued Payroll	-	1,168	5,900	7,068
Advances from Other Funds	-	-	70,000	70,000
Total Current Liabilities	-	30,592	142,489	173,081
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Items - IMRF	-	-	157	157
Total Liabilities and Deferred Inflows of Resources	-	30,592	142,646	173,238
<b>NET POSITION</b>				
Investment in Capital Assets	-	482,250	320,936	803,186
Unrestricted	77,332	435,104	297,451	809,887
Total Net Position	77,332	917,354	618,387	1,613,073

# CITY OF HARVEY, ILLINOIS

## Nonmajor Enterprise Funds

### Combining Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended April 30, 2016

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
Operating Revenues				
Charges for Services	\$ 46,177	40,807	423,999	510,983
Miscellaneous		23,411	-	23,411
Total Operating Revenues	46,177	64,218	423,999	534,394
Operating Expenses				
Operations				
Personnel Services	-	65,394	192,752	258,146
Contractual Services	-	35,153	57,460	92,613
Depreciation	-	-	32,229	32,229
Total Operating Expenses	-	100,547	282,441	382,988
Operating Income (Loss)	46,177	(36,329)	141,558	151,406
Nonoperating Revenues				
Interest Income	3	2	-	5
Change in Net Position	46,180	(36,327)	141,558	151,411
Net Position - Beginning	31,152	953,681	476,829	1,461,662
Net Position - Ending	77,332	917,354	618,387	1,613,073

**CITY OF HARVEY, ILLINOIS**

**Combining Statement of Cash Flows - Nonmajor Enterprise Funds  
For the Fiscal Year Ended April 30, 2016**

	Pace Bus Terminal Parking	Commuter Parking Lot	Sewer	Totals
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ (3)	79,930	758,243	838,170
Payments to Employees	-	(39,927)	(132,963)	(172,890)
Payments to Suppliers	-	(40,005)	(625,280)	(665,285)
	(3)	(2)	-	(5)
Cash Flows from Investing Activities				
Interest Received	3	2	-	5
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)	46,177	(36,329)	141,558	151,406
Adjustments to Reconcile Operating				
Income to Net Income to Net Cash				
Provided by (Used in) Operating Activities				
Depreciation Expense	-	-	32,229	32,229
Other Expenses	-	15,924	18,078	34,002
(Increase) Decrease in Current Assets	(46,180)	15,712	334,244	303,776
Increase (Decrease) in Current				
Liabilities	-	4,691	(526,109)	(521,418)
Net Cash Provided by Operating Activities	(3)	(2)	-	(5)

**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, 2016**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 30,000	30,000	46,177
Operating Expenses			
Operations			
Contractual Services	8,500	8,500	-
Operating Income	21,500	21,500	46,177
Nonoperating Revenues			
Interest Income	-	-	3
Change in Net Position	<u>21,500</u>	<u>21,500</u>	46,180
Net Position - Beginning			<u>31,152</u>
Net Position - Ending			<u><u>77,332</u></u>

## CITY OF HARVEY, ILLINOIS

### Commuter Parking Lot - Enterprise Fund

#### Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual For the Fiscal Year Ended April 30, 2016

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 57,600	57,600	40,807
Miscellaneous	-	-	23,411
Total Operating Revenues	57,600	57,600	64,218
Operating Expenses			
Operations			
Personnel Services	35,848	35,848	65,394
Contractual Services	7,180	7,180	35,153
Total Operating Expenses	43,028	43,028	100,547
Operating Income (Loss)	14,572	14,572	(36,329)
Nonoperating Revenues			
Interest Income	40	40	2
Change in Net Position	14,612	14,612	(36,327)
Net Position - Beginning			953,681
Net Position - Ending			917,354

**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, 2016**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services	\$ 354,000	354,000	423,999
Operating Expenses			
Operations			
Personnel Services	171,738	171,738	192,752
Contractual Services	128,500	128,500	57,460
Depreciation	-	-	32,229
Total Operating Expenses	300,238	300,238	282,441
Change in Net Position	53,762	53,762	141,558
Net Position - Beginning			476,829
Net Position - Ending			618,387

**CITY OF HARVEY, ILLINOIS****Pension Trust Funds****Combining Statement of Fiduciary Net Position  
April 30, 2016**

	Police Pension	Firefighters' Pension	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 599,744	48,624	648,368
Investments			
U.S. Treasuries	2,498,844	1,136,329	3,635,173
U.S. Agencies	1,483,320	686,604	2,169,924
Corporate Bonds	787,908	1,439,426	2,227,334
Common Stock	3,941,748	-	3,941,748
Equity Securities	-	1,634,972	1,634,972
Equity Mutual Funds	5,628,469	4,087,188	9,715,657
Money Market Mutual Funds	-	225,692	225,692
Receivables			
Accrued Interest	44,886	19,441	64,327
Due from Other Funds	843,865	870,811	1,714,676
Reserve Uncollectible - Interfund	(829,576)	(870,811)	(1,700,387)
Other	50,930	17,217	68,147
Prepays	-	11,062	11,062
Total Assets	15,050,138	9,306,555	24,356,693
<b>LIABILITIES</b>			
Accounts Payable	18,234	15,953	34,187
<b>NET POSITION</b>			
Net Position Restricted for Pensions	15,031,904	9,290,602	24,322,506

# CITY OF HARVEY, ILLINOIS

## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Position For the Fiscal Year Ended April 30, 2016

	Police Pension	Firefighters' Pension	Totals
Additions			
Contributions - Employer	\$ 110,219	398,566	508,785
Contributions - Plan Members	324,861	325,795	650,656
Total Contributions	435,080	724,361	1,159,441
Investment Income			
Interest Income	629,109	300,074	929,183
Net Change in Fair Value	(856,068)	(509,592)	(1,365,660)
	(226,959)	(209,518)	(436,477)
Less Investment Expenses	(65,883)	(71,553)	(137,436)
Net Investment Income	(292,842)	(281,071)	(573,913)
Total Additions	142,238	443,290	585,528
Deductions			
Administration	114,811	94,296	209,107
Benefits and Refunds	1,584,446	2,012,611	3,597,057
Total Deductions	1,699,257	2,106,907	3,806,164
Change in Fiduciary Net Position	(1,557,019)	(1,663,617)	(3,220,636)
Net Position Restricted for Pensions			
Beginning	16,588,923	10,954,219	27,543,142
Ending	15,031,904	9,290,602	24,322,506



## **SUPPLEMENTAL SCHEDULES**



## CITY OF HARVEY, ILLINOIS

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

April 30, 2016

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
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>588,282</u>	<u>3,118,282</u>		<u>294,141</u>		<u>294,141</u>

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

### General Obligation Refunding Bonds of 2002C

April 30, 2016

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
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>2,120,000</u>	<u>244,946</u>	<u>2,364,946</u>		<u>122,473</u>		<u>122,473</u>
	742,000	Governmental Activities					
	<u>1,378,000</u>	Business-Type Activities					
	<u>2,120,000</u>						

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

### General Obligation Refunding Bonds of 2007A

April 30, 2016

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
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>15,875,568</u>	<u>38,150,568</u>		<u>7,937,784</u>		<u>7,937,784</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, 2016**

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

**CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS**

Fiscal Year	Requirements		
	Principal	Interest	Totals
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
	<hr/> 7,350,000	<hr/> 3,071,812	<hr/> 10,421,812 <hr/>

# CITY OF HARVEY, ILLINOIS

## Long-Term Debt Requirements

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

April 30, 2016

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
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>4,730,000</u>	<u>2,411,408</u>	<u>7,141,408</u>		<u>1,287,001</u>		<u>1,124,407</u>

# **CITY OF HARVEY, ILLINOIS**

## **Long-Term Debt Requirements**

### **Tax Increment Allocation Revenue Bonds of 2010**

**April 30, 2016**

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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
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>4,140,000</u>	<u>804,376</u>	<u>4,944,376</u>		<u>402,188</u>		<u>402,188</u>



**CITY OF HARVEY, ILLINOIS**

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

**April 30, 2016**

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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
2017	\$ 417,165	89,170	506,335
2018	417,165	49,538	466,703
2019	208,582	3,303	211,885
	1,042,912	142,011	1,184,923

## CITY OF HARVEY, ILLINOIS

### Long-Term Debt Requirements Installment Payable of 2015

April 30, 2016

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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
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
	15,235,826	1,350,711	16,586,537