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**TOWN OF SHIELDS
LAKE COUNTY, ILLINOIS**

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2015

eder, casella
& co.

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TOWN OF SHIELDS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Shields
Lake Bluff, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Town of Shields (Township), Lake County, Illinois as of and for the year ended February 28, 2015, and the related notes to the financial statements, which collectively comprise the Township'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township'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.

eder, casella & co.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Town of Shields as of February 28, 2015, and the respective changes in modified cash basis financial position, for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison information on pages 3 through 6 and 23 through 36, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 10, 2015

SUPPLEMENTAL INFORMATION

TOWN OF SHIELDS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Town of Shields (Township), we offer readers of the Township's statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended February 28, 2015.

FINANCIAL HIGHLIGHTS

- Net Position decreased \$113,543 compared to the prior year.
- Of the total capital assets of \$1,335,992, 60%, or \$795,698, are allocated to the Road and Bridge Fund. The remainder is allocated to the General Fund.
- At February 28, 2015, the General Fund and Road and Bridge Fund combine to report ending fund balances of \$1,295,317, a decrease of \$84,419 from the prior year. Of this total amount, \$347,334 is restricted, \$168,553 is assigned in the Road and Bridge Fund, and the balance (\$779,430) is available to meet the obligations of the Township (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

This Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position – Modified Cash Basis presents information on all of the Township's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference 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 Township is improving or deteriorating.

The Statement of Activities – Modified Cash Basis presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported on the cash basis as soon as cash is received or disbursed, regardless of when the underlying event giving rise to the change occurs.

Both of the government-wide financial statements distinguish functions of the Township 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 Township include general government, assessor, road and bridge, and community assistance and services. The Township does not have any business-type activities.

The government-wide financial statements can be found on pages 7 and 8 of this report.

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 Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, 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 a government'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 Township's near-term financing decisions. Both the governmental fund Balance Sheet – Modified Cash Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet – Modified Cash Basis and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis for the General Fund and Road and Bridge Fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9 through 12 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 13 through 22 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information concerning the Township's progress in meeting its obligation to provide as fully adequate as possible services to all of its residents.

The Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The budgetary comparison statements and related notes can be found on pages 24 through 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$2,631,309 at the close of the most recent fiscal year.

Town of Shields' Net Position

	Governmental Activities	
	2/28/2015	2/28/2014
Current and Other Assets	\$ 1,301,691	\$ 1,383,123
Capital Assets	1,335,992	1,389,017
Total Assets	<u>\$ 2,637,683</u>	<u>\$ 2,772,140</u>
Long-Term Liabilities Outstanding	\$ -	\$ 48,949
Other Liabilities	6,374	3,387
Total Liabilities	<u>\$ 6,374</u>	<u>\$ 52,336</u>
Net Position		
Net Investment in Capital Assets	\$ 1,335,992	\$ 1,389,017
Restricted	347,334	323,406
Unrestricted	<u>947,983</u>	<u>1,007,381</u>
Total Net Position	<u>\$ 2,631,309</u>	<u>\$ 2,719,804</u>

The largest portion of the Township's net position (\$1,335,992) reflects its investment in capital assets (e.g., land, buildings, leasehold improvements, infrastructure, furniture and fixtures, machinery and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The

Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. A majority of these assets (60%) are allocated to Road and Bridge.

An additional portion of the Township's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position for the Township as a whole.

The Township's net position decreased by \$113,543 during the current fiscal year. The difference is primarily attributable to an increase in General Fund community assistance and services expenditures of \$76,596 and assessor expenditures of \$32,442.

Governmental activities - Governmental activities decreased the Township's net position by \$113,543. Key elements of this decrease are as follows:

Town of Shields' Change in Net Position			
	Governmental Activities		
	2/28/2015	2/28/2014	
Revenues			
Program Revenues			
Charges for Services	\$ 16,802	\$ 1,455	
Operating Grants and Contributions	162,994	200,946	
General Revenues			
Property Taxes	908,814	912,191	
Motor Fuel Tax	4,806	4,486	
Personal Property Replacement Tax	45,954	47,326	
Unrestricted Investment Earnings	480	579	
Other	8,872	9,223	
Total Revenues	<u>\$ 1,148,722</u>	<u>\$ 1,176,206</u>	
Expenses			
General Government	\$ 393,482	\$ 450,263	
Assessor	322,976	290,534	
Road and Bridge	228,469	244,128	
Community Assistance and Services	305,261	228,665	
Depreciation - Unallocated	12,077	12,077	
Total Expenses	<u>\$ 1,262,265</u>	<u>\$ 1,225,667</u>	
Increase/(Decrease) in Net Position	<u>\$ (113,543)</u>	<u>\$ (49,461)</u>	
Net Position - Beginning of Year	2,719,804	2,769,265	
Net Position Adjustment	25,048	-	
Net Position - End of Year	<u>\$ 2,631,309</u>	<u>\$ 2,719,804</u>	

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

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

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

The fund balance of the Township's General Fund decreased by \$156,441 and the Road and Bridge Fund increased by \$72,022 during the current fiscal year. The decrease in the General Fund balance is primarily due to an increase in community assistance and services expenditures of \$76,596 and assessor expenditures of \$32,442. The increase in the Road and Bridge Fund balance is primarily due to an increase of total fund revenue of \$14,309 and a decrease of total fund expenses of \$4,235 compared to the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the budget and actual revenues and expenditures are summarized as follows:

- HUD Grant revenues exceeded budgeted HUD Grant revenues by \$162,994. In total, actual revenues exceeded budgeted revenues by \$184,419.
- Actual expenditures exceeded budgeted expenditures by \$191,279. This was primarily attributable to expenditures related to the HUD Grant for which there was no budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of February 28, 2015 amounts to \$1,335,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, leasehold improvements, infrastructure, furniture and fixtures, machinery and equipment, and vehicles. The net decrease in the Township's investment in capital assets for the current fiscal year was \$53,025 and was primarily due to current year depreciation expense.

Town of Shields' Capital Assets
(net of depreciation)

	Governmental Activities	
	2/28/2015	2/28/2014
Land	\$ 486,499	\$ 486,499
Buildings	2,646	2,911
Leasehold Improvements	47,488	58,447
Infrastructure	764,246	796,942
Furniture and Fixtures	4,493	5,335
Machinery and Equipment	5,901	8,671
Vehicles	24,719	30,212
Total	<u>\$ 1,335,992</u>	<u>\$ 1,389,017</u>

Additional information on the Township's capital assets can be found in note 3 on page 18 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Trustees of the Township considered various factors in preparing the appropriations ordinance for the Township which was adopted for the 2016 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Town of Shields, 906 Muir Ave., Lake Bluff, Illinois 60044.

BASIC FINANCIAL STATEMENTS

TOWN OF SHIELDS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FEBRUARY 28, 2015

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 913,083
Investments	373,738
Due from Other Governments	14,870
Capital Assets	
Land	486,499
Other Capital Assets, Net of Depreciation	<u>849,493</u>
Total Assets	<u>\$ 2,637,683</u>
LIABILITIES	
Unremitted Payroll Withholdings	\$ 3,874
Deposits	<u>2,500</u>
Total Liabilities	<u>\$ 6,374</u>
NET POSITION	
Net Investment in Capital Assets	\$ 1,335,992
Restricted for:	
Road and Bridge	294,787
Illinois Municipal Retirement	43,882
Housing and Urban Development	8,665
Unrestricted / (Deficit)	<u>947,983</u>
Total Net Position	<u>\$ 2,631,309</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF SHIELDS
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED FEBRUARY 28, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Functions/Programs					
Governmental Activities					
General Government	\$ 393,482	\$ 16,802	\$ -	\$ (376,680)	
Assessor	322,976	-	-	(322,976)	
Road and Bridge	228,469	-	-	(228,469)	
Community Assistance and Services	305,261	-	162,994	(142,267)	
Depreciation - Unallocated	12,077	-	-	(12,077)	
Total Governmental Activities	<u>\$ 1,262,265</u>	<u>\$ 16,802</u>	<u>\$ 162,994</u>	<u>\$ (1,082,469)</u>	
General Revenues					
Taxes					
Property Taxes				\$ 908,814	
Motor Fuel Tax				4,806	
Personal Property Replacement Taxes				45,954	
Unrestricted Investment Earnings				480	
Other Income				8,872	
Total General Revenues				<u>\$ 968,926</u>	
Change in Net Position					
Net Position - Beginning of Year				2,719,804	
Net Position Adjustment (Note 14)				<u>25,048</u>	
Net Position - End of Year				<u>\$ 2,631,309</u>	

The Notes to Financial Statements are an integral part of this statement.

TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF FEBRUARY 28, 2015

	General Fund	Road and Bridge Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 460,966	\$ 452,117	\$ 913,083
Investments	373,738	-	373,738
Due from Other Governments	-	14,870	14,870
Total Assets	<u>\$ 834,704</u>	<u>\$ 466,987</u>	<u>\$ 1,301,691</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 2,727	\$ 1,147	\$ 3,874
Deposits	-	2,500	2,500
Total Liabilities	<u>\$ 2,727</u>	<u>\$ 3,647</u>	<u>\$ 6,374</u>
Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 43,882	\$ -	\$ 43,882
Road and Bridge	-	294,787	294,787
Housing and Urban Development	8,665	-	8,665
Assigned			
Road and Bridge	-	168,553	168,553
Unassigned	<u>779,430</u>	<u>-</u>	<u>779,430</u>
Total Fund Balance	<u>\$ 831,977</u>	<u>\$ 463,340</u>	<u>\$ 1,295,317</u>
Total Liabilities and Fund Balance	<u>\$ 834,704</u>	<u>\$ 466,987</u>	<u>\$ 1,301,691</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FEBRUARY 28, 2015**

Total Fund Balances - Governmental Funds \$ 1,295,317

Amounts reported for governmental activities in the Statement of Net Position - Modified Cash Basis are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets, net of accumulated depreciation 1,335,992

Net Position of Governmental Activities \$ 2,631,309

TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2015

	General Fund	Road and Bridge Fund	Total Governmental Funds
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 622,586	\$ 286,228	\$ 908,814
Intergovernmental			
Motor Fuel Tax	-	4,806	4,806
Personal Property Replacement Taxes	33,734	12,220	45,954
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	162,994	-	162,994
Other Local Sources			
Interest	432	48	480
Passports	16,802	-	16,802
Miscellaneous			
Other	7,171	1,701	8,872
	<u>\$ 843,719</u>	<u>\$ 305,003</u>	<u>\$ 1,148,722</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 372,447	\$ 43,851	\$ 416,298
Community Assistance and Services	305,061	-	305,061
Assessor	322,652	-	322,652
Road and Bridge	-	155,787	155,787
CAPITAL OUTLAY	-	33,343	33,343
	<u>\$ 1,000,160</u>	<u>\$ 232,981</u>	<u>\$ 1,233,141</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED			
	\$ (156,441)	\$ 72,022	\$ (84,419)
OTHER FINANCING SOURCES/(USES)			
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (156,441)	\$ 72,022	\$ (84,419)
FUND BALANCE - MARCH 1, 2014	<u>988,418</u>	<u>391,318</u>	<u>1,379,736</u>
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 831,977</u>	<u>\$ 463,340</u>	<u>\$ 1,295,317</u>

The Notes to Financial Statements are an integral part of this statement.

TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED FEBRUARY 28, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (84,419)

Amounts reported for governmental activities in the Statement of Activities - Modified
Cash Basis are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities - Modified Cash Basis the cost of those assets is allocated
over their estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlay exceeds depreciation expense in the current period.

Depreciation Expense (53,025)

The change in the Net Pension Obligation is not included in the governmental funds. 23,901

Change in Net Position of Governmental Activities \$ (113,543)

TOWN OF SHIELDS
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Town of Shields' (Township) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies used by the Township are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the Township. Component units are legally separate entities for which the Township (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Township's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Township. Using these criteria, the Township has determined that the Shields Township News meets the above criteria. The Shields Township News is blended into the Township's primary government financial statements as part of the General Fund although it remains a separate legal entity. In addition, the Township is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

B. *Basic Financial Statements – Government-Wide Financial Statements*

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund (reporting the Township's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities. The Township's general government, assessor, road and bridge, and community assistance and services are classified as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Position – Modified Cash Basis, the governmental activities column (a) is presented on a consolidated basis by column, and (b) is reported on a modified cash, economic resource basis, which recognizes all long-term assets as well as long-term debt and obligations. The Township's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, personal property replacement taxes, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basic Financial Statements – Government-Wide Financial Statements (Continued)*

directly associated with the function (general government, assessor, road and bridge and community assistance and services). Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The Township did not receive any capital grants during the year ended February 28, 2015.

The net costs (by function) are normally covered by general revenue (property taxes, personal property replacement taxes, unrestricted investment earnings, etc.).

The Township does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Township 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, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The Township electively made all governmental funds major funds.

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 Township reports these major governmental funds and fund types:

1. General Fund – The General Fund is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Town and General Assistance Funds are included in this fund.
2. Special Revenue Funds – The Special Revenue Fund (Road and Bridge Fund) is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects.

The activities reported in these funds are reported in the governmental activities in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In the government-wide Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. The government-wide financial statements would be presented on the accrual basis of accounting.

E. *Cash and Cash Equivalents and Investments*

The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

F. *Inventories*

No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the Township's inventories is not deemed to be material.

G. *Interfund Activities*

Interfund activity is reported either 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. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. 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. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

Buildings	75 years
Leasehold Improvements	20 years
Infrastructure	25-40 years
Furniture and Fixtures	15-20 years
Machinery and Equipment	5-15 years
Vehicles	8-15 years

GASBS No. 34 requires the Township to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Township. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

I. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position – Modified Cash Basis. Bond premiums and discounts are amortized over the life of the bonds on a straight-line basis, rather than expensed in the current year. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the year they occur.

In the fund financial statements, governmental funds 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.

J. *Government-Wide Net Position*

Net position is divided into three components:

- Net Investment in Capital Assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – consists of net position that is restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Government-Wide Net Position* (Continued)

- Unrestricted Net Position – all other net positions are reported in this category.

K. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

- Restricted – Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- Committed – Committed fund balances are amounts that can only be used for specific purposes as a result of a resolution of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by way of resolution. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned – Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to which the Board of Trustees has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. Pursuant to resolution #R-2012-01 by the Board of Trustees, the Supervisor has been delegated this authority. All assigned fund balances are the residual amounts of the fund.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Township itself.

- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Township permits funds to be expended in the following order: Restricted, Committed, Assigned and Unassigned.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Property Tax Calendar and Revenues*

Property taxes are levied each calendar year on all taxable real property located in the Township's district on or before the last Tuesday in December. The 2013 tax levies were passed by the board on December 12, 2013. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments early in June and early in September of the following calendar year. The Township receives significant distributions of tax receipts approximately one month after these dates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured or collateralized by securities held in the Township's name.

The Township is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2015 was as follows:

	Balance 3/1/2014	Increases	Decreases	Balance 2/28/2015
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 486,499	\$ -	\$ -	\$ 486,499
	\$ 486,499	\$ -	\$ -	\$ 486,499
Other Capital Assets				
Buildings	\$ 19,839	\$ -	\$ -	\$ 19,839
Leasehold Improvements	219,178	-	-	219,178
Infrastructure	994,070	-	-	994,070
Furniture and Fixtures	19,404	-	-	19,404
Machinery and Equipment	178,483	-	-	178,483
Vehicles	158,119	-	-	158,119
	\$ 1,589,093	\$ -	\$ -	\$ 1,589,093
Less Accumulated Depreciation for:				
Buildings	\$ 16,928	\$ 265	\$ -	\$ 17,193
Leasehold Improvements	160,731	10,959	-	171,690
Infrastructure	197,128	32,696	-	229,824
Furniture and Fixtures	14,069	842	-	14,911
Machinery and Equipment	169,812	2,770	-	172,582
Vehicles	127,907	5,493	-	133,400
	\$ 686,575	\$ 53,025	\$ -	\$ 739,600
Other Capital Assets, Net	\$ 902,518	\$ (53,025)	\$ -	\$ 849,493
Governmental Activities Capital Assets, Net	\$ 1,389,017	\$ (53,025)	\$ -	\$ 1,335,992

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 305
Assessor	324
Road and Bridge	40,119
Community Assistance and Services	200
Unallocated	12,077
Total Governmental Activities Depreciation Expense	\$ 53,025

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - INTERFUND LOANS

There were no interfund loans as of February 28, 2015.

NOTE 5 - DEFICIT FUND BALANCES

There were no funds with a deficit fund balance as of February 28, 2015.

NOTE 6 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2013 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2013, 2012, and 2011 follows:

Tax Year	2013		2012		2011			
	Assessed Valuation		\$1,690,026,662	Assessed Valuation		\$1,781,099,584	Assessed Valuation	
	Rates	Extensions	Rates	Extensions	Rates	Extensions		
Corporate	0.0350	\$ 591,509	0.0340	\$ 605,574	0.0400	\$ 770,766		
Illinois Municipal Retirement	0.0020	33,801	0.0020	35,622	0.0030	57,807		
*Road and Bridge	0.0320	287,368	0.0290	274,133	0.0260	258,612		
	<u>0.0690</u>	<u>\$ 912,678</u>	<u>0.0650</u>	<u>\$ 915,329</u>	<u>0.0690</u>	<u>\$ 1,087,185</u>		

* Extensions for Road and Bridge are shown net, after deducting the portion of the taxes extended which are allocable to the underlying municipalities within the Township.

NOTE 7 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended February 28, 2015 the General Fund had expenditures that exceeded the amount budgeted by \$191,279. The excess is primarily attributable to expenses related to a U.S. Department of Housing and Urban Development Shelter Care Plus Grant received in the Town Fund.

NOTE 8 - OPERATING LEASES

The Township had a rental agreement with the Board of Education of School District No. 65 for the second floor of the West Elementary School Building. The agreement is for 30 years beginning July 1, 1999 and ending June 30, 2029. The building has since been sold and payments are now being made to the Korogluyan Family Trust. The annual rent during the first year of the lease was \$26,116 and each year thereafter rent shall increase at the lesser of the Consumer Price Index – Urban rate for each July 1 to June 30 period or five percent. Total rent expense for the year ended February 28, 2015 was \$37,248.

The Township has a copier lease for 60 months which began on February 1, 2014 with payments of \$375 per month. Total equipment leasing expense for the year ended February 28, 2015 was \$4,529.

Future minimum rental payments to cover outstanding lease agreements at February 28, 2015 are:

Year Ending February 28	Amount
2016	\$ 42,778
2017	42,778
2018	42,778
2019	42,403
2020	38,276
2021-2025	191,382
2026-2030	127,588
	<u>\$ 527,983</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS

A. *Illinois Municipal Retirement Fund*

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

Funding Policy. As set by statute, the Township'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 Township's contribution rate for calendar year 2014 used by the Township was 11.50%. The Township also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The Township's annual pension cost and the net pension obligation to the plan as of December 31, 2014 (the date the most current actuarial information is available) is as follows:

Annual required contribution	\$ 41,455
Adjustments to annual required contribution	(23,902)
Annual pension cost	\$ 17,553
Contributions made	(41,455)
Increase/(decrease) in net pension obligation	\$ (23,902)
Net pension obligation - beginning of the year	23,902
Net pension obligation - end of the year	\$ -

For calendar year ending December 31, 2014, the Township's actual contributions for pension cost for the Regular plan were \$41,455, which was its required contribution for calendar year 2014.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2014	\$ 41,455	100%	\$ -
12/31/2013	52,028	100%	23,902
12/31/2012	56,733	97%	23,402

The required contribution for 2014 was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Township's

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund (Continued)*

Annual Pension Cost (Continued)

Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Township's Regular plan's unfunded actuarial accrued liability at December 31, 2012 is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 80.31% funded. The actuarial accrued liability for benefits was \$1,380,408 and the actuarial value of assets was \$1,108,646, resulting in an underfunded actuarial accrued liability (UAAL) of \$271,762. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$360,478 and the ratio of the UAAL to the covered payroll was 75%.

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

B. *Social Security*

All employees are covered under Social Security. The Township paid \$32,250 to Social Security in fiscal year 2015, the total contribution required.

NOTE 10 - INTERFUND TRANSFERS

There were no interfund transfers for the year ended February 28, 2015.

NOTE 11 - RISK MANAGEMENT

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

The Township is a member of the Township Officials of Illinois Risk Management Association (TOIRMA), a joint risk management pool of townships through which property, general liability, automobile liability, uninsured motorists, underinsured motorists, public officials and employees liability, employee benefits liability, and workers' compensation and employers' liability coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the Township and TOIRMA is governed by a contract and bylaws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions for TOIRMA, to report claims on a timely basis, cooperate with TOIRMA, its claims administrator, and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by TOIRMA. Members have a contractual obligation to fund any deficit of TOIRMA attributable to a membership year during which they were a member. TOIRMA is responsible for administering the self-insurance program and purchasing excess insurance according to

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RISK MANAGEMENT (Continued)

the direction of the Board of Directors. TOIRMA also provides its members with risk management services, including the defense and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended February 28, 2015 there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. The Township is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended February 28, 2015, there were no significant adjustments in premiums based on actual experience.

NOTE 12 - CONTINGENCIES

The Township is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 13 - SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 10, 2015, the date on which the financial statements were available to be issued.

NOTE 14 - NET POSITION ADJUSTMENT

The Township had the following net position adjustment for the year ended February 28, 2015:

Adjustment to correct February 28, 2014 balances for modified cash basis of accounting Remove liability for compensated absences	\$ <u>25,048</u>
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SUPPLEMENTAL INFORMATION

TOWN OF SHIELDS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
FEBRUARY 28, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 1,108,646	\$ 1,380,408	\$ 271,762	80.31%	\$ 360,478	75.39%
12/31/2013	1,716,793	1,826,957	110,164	93.97%	460,834	23.91%
12/31/2012	1,468,140	1,739,495	271,355	84.40%	524,824	51.70%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$1,366,234. On a market basis, the funded ratio would be 98.97%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Township. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 625,000	\$ 622,586	
Intergovernmental			
Personal Property Replacement Taxes	24,000	33,734	
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	-	162,994	
Other Local Sources			
Interest	300	432	
Passports	6,500	16,802	
Miscellaneous			
Other	3,500	7,171	
	<u>\$ 659,300</u>	<u>\$ 843,719</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 162,953	\$ 151,305	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,500	10,372	
Payroll Taxes			
Administration	17,898	11,791	
Assessor	-	3,825	
Highway Commissioner	-	2,295	
Town Clerk	-	459	
IMRF Contributions	13,496	15,438	
Unemployment Compensation	900	958	
Worker's Compensation	11,000	5,836	
Maintenance - Building	4,200	4,341	
Maintenance - Landscape	825	657	
Maintenance - Equipment	300	414	
Accounting Services	10,300	7,887	
Legal Services	6,500	11,070	
Postage	1,400	1,751	
Telephone	3,600	3,567	
Computer Software	1,100	764	
Website Management	3,000	3,278	
Publishing	1,000	159	
Printing	750	169	
Dues and Conferences	1,500	1,958	
Travel Expense	1,000	815	
Training	900	-	
Utilities	5,150	7,473	
Liability Insurance	9,500	8,390	
Office Rental	18,727	18,624	
Real Estate Taxes	2,000	2,536	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	
	ORIGINAL AND FINAL			
EXPENDITURES DISBURSED (Continued)				
CURRENT (Continued)				
General Government (Continued)				
Professional Services	\$	-	\$ 2,224	
Computer Assistance		900	-	
Equipment Leasing		3,000	3,578	
Office and Operating Supplies		3,300	1,974	
Miscellaneous		4,500	2,539	
	<u>\$ 388,199</u>		<u>\$ 372,447</u>	
Community Assistance and Services				
Administration - HUD	\$	-	\$ 115	
Rent - HUD		-	178,571	
Food Pantry		6,500	1,309	
Lake Forest Senior Care		25,000	50,000	
E/A Partnership Fund		10,000	20,000	
Sr. Citizen Taxi Program		32,000	19,976	
Phoenix Rising Contribution		-	11,900	
Prescriptions		200	38	
Utilities		6,500	7,684	
Shelter		18,000	12,148	
Transient/Auto Fuel		700	405	
Transportation		4,000	-	
Personal Incidentals		3,300	1,277	
Miscellaneous		2,300	1,638	
	<u>\$ 108,500</u>		<u>\$ 305,061</u>	
Assessor				
Salaries	\$	194,000	\$ 198,908	
Health and Dental Insurance				
Assessor and Staff		12,500	8,787	
Payroll Taxes		14,650	14,941	
Unemployment Compensation		200	220	
IMRF Contributions		22,080	25,165	
Maintenance - Building		4,200	4,341	
Maintenance - Landscape		825	657	
Maintenance - Equipment		300	414	
Accounting Services		2,000	2,361	
Legal Services		500	4,408	
Postage		600	-	
Telephone		1,700	1,882	
Computer Software		500	2,890	
Website Management		500	602	
Printing		500	154	
Dues and Conferences		2,500	453	
Travel Expense		2,500	2,812	
Training		2,500	2,255	
Utilities		5,150	7,473	
Open Tax File		7,200	6,450	
Office Rental		18,727	18,624	
Real Estate Taxes		2,000	2,536	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS	ORIGINAL AND FINAL	ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
Assessor (Continued)			
Professional Services	\$ 3,000	\$ 2,936	
Computer Assistance	750	5,236	
Office and Operating Supplies	3,500	1,717	
Equipment Leasing	1,800	2,344	
Miscellaneous	7,500	4,086	
	<u>\$ 312,182</u>	<u>\$ 322,652</u>	
TOTAL EXPENDITURES DISBURSED	<u>\$ 808,881</u>	<u>\$ 1,000,160</u>	
EXCESS OR (DEFICIENCY) OF REVENUE			
RECEIVED OVER EXPENDITURES DISBURSED	<u>\$ (149,581)</u>	<u>\$ (156,441)</u>	
OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>	
NET CHANGE IN FUND BALANCE	<u>\$ (149,581)</u>	<u>\$ (156,441)</u>	
FUND BALANCE - MARCH 1, 2014	<u>988,418</u>	<u>988,418</u>	
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 838,837</u>	<u>\$ 831,977</u>	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>BUDGETED AMOUNTS</u>	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 275,000	\$ 286,228	
Intergovernmental			
Motor Fuel Tax	3,000	4,806	
Personal Property Replacement Taxes	10,000	12,220	
Interest	75	48	
Miscellaneous			
Other	-	1,701	
	<u>\$ 288,075</u>	<u>\$ 305,003</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries	\$ 4,500	\$ 5,500	
Health Insurance	650	490	
Unemployment Insurance	400	233	
Worker's Compensation	6,000	7,704	
Payroll Taxes	7,500	6,481	
Medical - Drug Testing	360	345	
Accounting Services	2,500	3,202	
Legal Services	3,000	322	
Postage	100	-	
Telephone	2,200	1,843	
Publishing	400	-	
Printing	300	115	
Travel	1,000	593	
Training	250	80	
Liability Insurance	9,000	7,103	
Dues and Conferences	400	325	
Julie Fees	300	423	
NPDES Fees	1,200	1,000	
Office and Operating Supplies	200	64	
Miscellaneous	-	3,523	
Municipal Replacement Tax	5,600	4,505	
	<u>\$ 45,860</u>	<u>\$ 43,851</u>	
Road and Bridge			
Salaries	\$ 100,000	\$ 84,723	
IMRF Contributions	2,400	-	
Maintenance - Building	4,000	1,493	
Maintenance - Equipment	16,000	8,803	
Utilities	2,500	2,814	
Rentals	6,000	-	
Street Lighting	11,000	11,920	
Scavenger	900	1,136	
Maintenance - Traffic Signal	2,000	1,491	
Truck Testing	200	140	
Land Fill	2,000	-	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>BUDGETED</u> <u>AMOUNTS</u>	<u>ORIGINAL</u> <u>AND FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
Road and Bridge (Continued)			
Maintenance Supplies - Building	\$ 1,000	\$ 3,099	
Maintenance Supplies - Equipment	- -	4,316	
Maintenance Supplies - Road	2,000	46	
Small Tools	1,000	-	
Automotive - Fuel, Oil, Etc.	8,500	6,087	
Tree Removal	3,000	10,488	
Uniforms	800	-	
Road Salt	22,000	15,389	
Road Signs	1,500	3,554	
Miscellaneous	1,500	288	
	<u>\$ 188,300</u>	<u>\$ 155,787</u>	
CAPITAL OUTLAY			
General Government	\$ 1,500	\$ 780	
Road and Bridge	101,500	32,563	
	<u>\$ 103,000</u>	<u>\$ 33,343</u>	
TOTAL EXPENDITURES DISBURSED	<u>\$ 337,160</u>	<u>\$ 232,981</u>	
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED			
	\$ (49,085)	\$ 72,022	
OTHER FINANCING SOURCES/(USES)	- -	- -	
NET CHANGE IN FUND BALANCE	<u>\$ (49,085)</u>	<u>\$ 72,022</u>	
FUND BALANCE - MARCH 1, 2014	<u>391,318</u>	<u>391,318</u>	
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 342,233</u>	<u>\$ 463,340</u>	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
COMBINING BALANCE SHEET - MODIFIED CASH BASIS - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2015

	Town Fund	General Assistance Fund	General Fund Total
ASSETS			
Cash and Cash Equivalents	\$ 450,162	\$ 10,804	\$ 460,966
Investments	<u>373,738</u>	-	<u>373,738</u>
Total Assets	<u>\$ 823,900</u>	<u>\$ 10,804</u>	<u>\$ 834,704</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 2,727	\$ -	\$ 2,727
Total Liabilities	<u>\$ 2,727</u>	<u>\$ -</u>	<u>\$ 2,727</u>
Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 43,882	\$ -	\$ 43,882
Housing and Urban Development	8,665	-	8,665
Unassigned	<u>768,626</u>	10,804	779,430
Total Fund Balance	<u>\$ 821,173</u>	<u>\$ 10,804</u>	<u>\$ 831,977</u>
Total Liabilities and Fund Balance	<u>\$ 823,900</u>	<u>\$ 10,804</u>	<u>\$ 834,704</u>

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TOWN OF SHIELDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	Town Fund	General Assistance Fund	General Fund Total
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 622,586	\$ -	\$ 622,586
Intergovernmental			
Personal Property Replacement Taxes	33,734	-	33,734
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	162,994	-	162,994
Other Local Sources			
Interest	432	-	432
Passports	16,802	-	16,802
Miscellaneous			
Other	7,171	-	7,171
	<u>\$ 843,719</u>	<u>\$ -</u>	<u>\$ 843,719</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 370,087	\$ 2,360	\$ 372,447
Community Assistance and Services	281,871	23,190	305,061
Assessor	322,652	-	322,652
	<u>\$ 974,610</u>	<u>\$ 25,550</u>	<u>\$ 1,000,160</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (130,891)	\$ (25,550)	\$ (156,441)
OTHER FINANCING SOURCES/(USES)			
Transfers	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (155,891)	\$ (550)	\$ (156,441)
FUND BALANCE - MARCH 1, 2014	<u>977,064</u>	<u>11,354</u>	<u>988,418</u>
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 821,173</u>	<u>\$ 10,804</u>	<u>\$ 831,977</u>

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 625,000	\$ 622,586	
Intergovernmental			
Personal Property Replacement Taxes	24,000	33,734	
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	- -	162,994	
Other Local Sources			
Interest	300	432	
Passports	6,500	16,802	
Miscellaneous			
Other	3,500	7,171	
	<u>\$ 659,300</u>	<u>\$ 843,719</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 162,953	\$ 151,305	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,500	10,372	
Payroll Taxes			
Administration	17,898	11,791	
Assessor	- -	3,825	
Highway Commissioner	- -	2,295	
Town Clerk	- -	459	
IMRF Contributions	13,496	15,438	
Unemployment Compensation	900	958	
Worker's Compensation	11,000	5,836	
Maintenance - Building	4,200	4,341	
Maintenance - Landscape	825	657	
Maintenance - Equipment	300	414	
Accounting Services	10,300	7,887	
Legal Services	6,500	11,070	
Postage	1,400	1,751	
Telephone	3,600	3,567	
Computer Software	1,100	764	
Website Management	3,000	3,278	
Publishing	1,000	159	
Printing	750	169	
Dues and Conferences	1,500	1,958	
Travel Expense	1,000	815	
Training	900	- -	
Utilities	5,150	7,473	
Liability Insurance	9,500	6,030	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	
	ORIGINAL AND FINAL			
EXPENDITURES DISBURSED (Continued)				
CURRENT (Continued)				
General Government (Continued)				
Office Rental	\$ 18,727	\$ 18,624		
Real Estate Taxes	2,000	2,536		
Professional Services	-	2,224		
Computer Assistance	900	-		
Equipment Leasing	3,000	3,578		
Office and Operating Supplies	3,300	1,974		
Miscellaneous	4,500	2,539		
	\$ 388,199	\$ 370,087		
Community Assistance and Services				
Administration - HUD	\$ -	\$ 115		
Rent - HUD	-	178,571		
Food Pantry	6,500	1,309		
Lake Forest Senior Care	25,000	50,000		
E/A Partnership Fund	10,000	20,000		
Sr. Citizen Taxi Program	32,000	19,976		
Phoenix Rising Contribution	-	11,900		
	\$ 73,500	\$ 281,871		
Assessor				
Salaries	\$ 194,000	\$ 198,908		
Health and Dental Insurance				
Assessor and Staff	12,500	8,787		
Payroll Taxes	14,650	14,941		
Unemployment Compensation	200	220		
IMRF Contributions	22,080	25,165		
Maintenance - Building	4,200	4,341		
Maintenance - Landscape	825	657		
Maintenance - Equipment	300	414		
Accounting Services	2,000	2,361		
Legal Services	500	4,408		
Postage	600	-		
Telephone	1,700	1,882		
Computer Software	500	2,890		
Website Management	500	602		
Printing	500	154		
Dues and Conferences	2,500	453		
Travel Expense	2,500	2,812		
Training	2,500	2,255		
Utilities	5,150	7,473		
Open Tax File	7,200	6,450		
Office Rental	18,727	18,624		
Real Estate Taxes	2,000	2,536		
Professional Services	3,000	2,936		
Computer Assistance	750	5,236		
Office and Operating Supplies	3,500	1,717		

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TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
Assessor (Continued)		
Equipment Leasing	\$ 1,800	\$ 2,344
Miscellaneous	7,500	4,086
	<u>\$ 312,182</u>	<u>\$ 322,652</u>
TOTAL EXPENDITURES DISBURSED	<u>\$ 773,881</u>	<u>\$ 974,610</u>
EXCESS OR (DEFICIENCY) OF REVENUE		
RECEIVED OVER EXPENDITURES DISBURSED	<u>\$ (114,581)</u>	<u>\$ (130,891)</u>
OTHER FINANCING SOURCES/(USES)		
Transfer to General Assistance Fund	-	(25,000)
NET CHANGE IN FUND BALANCE	<u>\$ (114,581)</u>	<u>\$ (155,891)</u>
FUND BALANCE - MARCH 1, 2014	<u>977,064</u>	<u>977,064</u>
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 862,483</u>	<u>\$ 821,173</u>

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TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL ASSISTANCE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>BUDGETED AMOUNTS</u>	<u>ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS</u>
REVENUE RECEIVED	\$ -	\$ -	\$ -
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ -	\$ 2,360	\$ -
Liability Insurance	\$ -	\$ 2,360	\$ -
Community Assistance and Services			
Prescriptions	\$ 200	\$ 38	\$ -
Utilities	6,500	7,684	- 12,148
Shelter	18,000	405	- 12,148
Transient/Auto Fuel	700	- 405	4,000
Transportation	- 4,000	- 405	- 4,000
Personal Incidentals	3,300	1,277	- 3,300
Miscellaneous	2,300	1,638	- 2,300
	<u>\$ 35,000</u>	<u>\$ 23,190</u>	<u>\$ 23,190</u>
TOTAL EXPENDITURES DISBURSED	\$ 35,000	\$ 25,550	\$ 25,550
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (35,000)	\$ (25,550)	\$ (25,550)
OTHER FINANCING SOURCES/(USES)			
Transfer from Town Fund	-	25,000	- 25,000
NET CHANGE IN FUND BALANCE	\$ (35,000)	\$ (550)	\$ (550)
FUND BALANCE - MARCH 1, 2014	11,354	11,354	11,354
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ (23,646)</u>	<u>\$ 10,804</u>	<u>\$ 10,804</u>

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
NOTES TO SUPPLEMENTAL INFORMATION
FEBRUARY 28, 2015

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The Township Board of Trustees adopts the budgets for all governmental fund types; however, two separate budgets are prepared. The Township and Road District budgets were passed on February 20, 2014.

A. *Road and Bridge Fund*

1. The tentative budget is prepared by the Highway Commissioner and filed with the Town Clerk.
2. The Town Clerk makes the tentative budget conveniently available for public inspection for a period of at least thirty days prior to final action.
3. At least thirty days prior, notice of the public hearing is published in a newspaper published in the town.
4. The tentative budget is adopted by the Town Board of Trustees prior to May 31.

B. *Town Funds (General Town and General Assistance)*

1. The tentative budget is prepared by the Board of Trustees and filed with the Town Clerk.
2. The Town Clerk makes the tentative budget conveniently available for public inspection for a period of at least thirty days prior to final action.
3. At least thirty days prior, notice of the public hearing is published in a newspaper published in the town.
4. The tentative budget is adopted by the Town Board of Trustees prior to May 31.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The budgets are adopted using the modified cash basis method of accounting.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended February 28, 2015 the General Fund had expenditures that exceeded the amount budgeted by \$191,279. The excess is primarily attributable to expenses related to a U.S. Department of Housing and Urban Development Shelter Care Plus Grant received in the Town Fund.

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - NOT INCLUDING GRANTS
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL AND FINAL</u>		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 625,000	\$ 622,586	
Intergovernmental			
Personal Property Replacement Taxes	24,000	33,734	
Other Local Sources			
Interest	300	432	
Passports	6,500	16,802	
Miscellaneous			
Other	3,500	7,171	
	<u>\$ 659,300</u>	<u>\$ 680,725</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 162,953	\$ 151,305	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,500	10,372	
Payroll Taxes			
Administration	17,898	11,791	
Assessor	-	3,825	
Highway Commissioner	-	2,295	
Town Clerk	-	459	
IMRF Contributions	13,496	15,438	
Unemployment Compensation	900	958	
Worker's Compensation	11,000	5,836	
Maintenance - Building	4,200	4,341	
Maintenance - Landscape	825	657	
Maintenance - Equipment	300	414	
Accounting Services	10,300	7,887	
Legal Services	6,500	11,070	
Postage	1,400	1,751	
Telephone	3,600	3,567	
Computer Software	1,100	764	
Website Management	3,000	3,278	
Publishing	1,000	159	
Printing	750	169	
Dues and Conferences	1,500	1,958	
Travel Expense	1,000	815	
Training	900	-	
Utilities	5,150	7,473	
Liability Insurance	9,500	6,030	
Office Rental	18,727	18,624	
Real Estate Taxes	2,000	2,536	
Professional Services	-	2,224	

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TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - NOT INCLUDING GRANTS
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	BUDGETED AMOUNTS	ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
General Government (Continued)			
Computer Assistance	\$ 900	\$ -	\$ -
Equipment Leasing	3,000	3,578	3,578
Office and Operating Supplies	3,300	1,974	1,974
Miscellaneous	4,500	2,539	2,539
	<u>\$ 388,199</u>	<u>\$ 370,087</u>	<u>\$ 370,087</u>
Community Assistance and Services			
Food Pantry	\$ 6,500	\$ 1,309	\$ 1,309
Lake Forest Senior Care	25,000	50,000	50,000
E/A Partnership Fund	10,000	20,000	20,000
Sr. Citizen Taxi Program	32,000	19,976	19,976
Phoenix Rising Contribution	-	11,900	11,900
	<u>\$ 73,500</u>	<u>\$ 103,185</u>	<u>\$ 103,185</u>
Assessor			
Salaries	\$ 194,000	\$ 198,908	\$ 198,908
Health and Dental Insurance			
Assessor and Staff	12,500	8,787	8,787
Payroll Taxes	14,650	14,941	14,941
Unemployment Compensation	200	220	220
IMRF Contributions	22,080	25,165	25,165
Maintenance - Building	4,200	4,341	4,341
Maintenance - Landscape	825	657	657
Maintenance - Equipment	300	414	414
Accounting Services	2,000	2,361	2,361
Legal Services	500	4,408	4,408
Postage	600	-	-
Telephone	1,700	1,882	1,882
Computer Software	500	2,890	2,890
Website Management	500	602	602
Printing	500	154	154
Dues and Conferences	2,500	453	453
Travel Expense	2,500	2,812	2,812
Training	2,500	2,255	2,255
Utilities	5,150	7,473	7,473
Open Tax File	7,200	6,450	6,450
Office Rental	18,727	18,624	18,624
Real Estate Taxes	2,000	2,536	2,536
Professional Services	3,000	2,936	2,936
Computer Assistance	750	5,236	5,236
Office and Operating Supplies	3,500	1,717	1,717
Equipment Leasing	1,800	2,344	2,344
Miscellaneous	7,500	4,086	4,086
	<u>\$ 312,182</u>	<u>\$ 322,652</u>	<u>\$ 322,652</u>
TOTAL EXPENDITURES DISBURSED	\$ 773,881	\$ 795,924	\$ 795,924

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - NOT INCLUDING GRANTS
TOWN FUND
FOR THE YEAR ENDED FEBRUARY 28, 2015

	<u>BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL AND FINAL</u>	
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (114,581)	\$ (115,199)
OTHER FINANCING SOURCES/(USES)		
Transfer to General Assistance Fund	<u>-</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	\$ (114,581)	\$ (140,199)
FUND BALANCE - MARCH 1, 2014	<u>866,132</u>	<u>866,132</u>
FUND BALANCE - FEBRUARY 28, 2015	<u>\$ 751,551</u>	<u>\$ 725,933</u>

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