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**TOWN OF SHIELDS
LAKE COUNTY, ILLINOIS**

ANNUAL FINANCIAL REPORT

FEBRUARY 28, 2017

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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, 2017, 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.

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, 2017, 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, the Township implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

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 Changes in the Employer's Net Pension Liability and Related Ratios, Schedule of Employer Contribution, and budgetary comparison information on pages 3 through 7 and 26 through 42, 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
June 15, 2017

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, 2017.

FINANCIAL HIGHLIGHTS

The Township's total net position increased \$105,499 compared to the prior year.

Of the total capital assets of \$1,359,285, 60%, or \$815,022, are allocated to the Road and Bridge Fund. The remainder is allocated to the General Fund.

At February 28, 2017, the General Fund and Road and Bridge Fund combine to report ending fund balances of \$1,049,540, an increase of \$124,634 from the prior year. Of this total amount, \$160,186 is restricted, \$143,279 is assigned in the Road and Bridge Fund, and the balance (\$746,075) 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 8 and 9 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 Statement of Assets, Liabilities, and Fund Balance – 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 Statement of Assets, Liabilities, and Fund Balance - 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 10 through 13 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 14 through 25 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 28 through 39 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 \$2,343,205 at the close of the most recent fiscal year.

Town of Shields' Net Position

	Governmental Activities	
	2/28/2017	2/29/2016
Current and Other Assets	\$ 1,058,291	\$ 940,772
Capital Assets	1,359,285	1,312,800
Total Assets	\$ 2,417,576	\$ 2,253,572
Long-Term Liabilities Outstanding	\$ 65,620	\$ -
Other Liabilities	8,751	15,866
Total Liabilities	\$ 74,371	\$ 15,866
Net Position		
Net Investment in Capital Assets	\$ 1,293,665	\$ 1,312,800
Restricted	160,186	54,640
Unrestricted	889,354	870,266
Total Net Position	\$ 2,343,205	\$ 2,237,706

The largest portion of the Township's net position (\$1,293,665) reflects its investment in capital assets (e.g., land, buildings, building improvements, 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 (7%) 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 increased by \$105,499 during the current fiscal year. The difference is primarily attributable to a decrease in Road and Bridge Fund expenditures of \$487,312.

Governmental activities - Governmental activities increased the Township's net position by \$105,499. Key elements of this increase are as follows:

Town of Shields' Change in Net Position			
	Governmental Activities		
	2/28/2017	2/29/2016	
Revenues			
Program Revenues			
Charges for Services	\$ 31,020	\$ 27,572	
Operating Grants and Contributions	167,183	177,548	
General Revenues			
Property Taxes	947,910	944,343	
Motor Fuel Tax	3,528	3,910	
Personal Property Replacement Tax	45,258	49,748	
Unrestricted Investment Earnings	790	866	
Other	9,810	6,726	
Total Revenues	<u>\$ 1,205,499</u>	<u>\$ 1,210,713</u>	
Expenses			
General Government	\$ 387,811	\$ 389,313	
Assessor	303,584	312,874	
Road and Bridge	156,542	643,854	
Community Assistance and Services	237,895	246,198	
Interest and Fees on Long-Term Debt	2,381	-	
Depreciation - Unallocated	11,787	12,077	
Total Expenses	<u>\$ 1,100,000</u>	<u>\$ 1,604,316</u>	
Increase/(Decrease) in Net Position	<u>\$ 105,499</u>	<u>\$ (393,603)</u>	
Net Position - Beginning of Year	<u>2,237,706</u>	<u>2,631,309</u>	
Net Position - End of Year	<u>\$ 2,343,205</u>	<u>\$ 2,237,706</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 increased by \$1,255 during the current fiscal year. The increase in the General Fund balance is primarily due to revenues being greater than expenditures.

The fund balance of the Road and Bridge Fund increased by \$123,379 during the current fiscal year. The increase in the Road and Bridge Fund balance is primarily due to a decrease in capital outlay expenditures of \$445,592 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 \$161,183. In total, actual revenues exceeded budgeted revenues by \$196,959.

Actual expenditures exceeded budgeted expenditures by \$136,967. This was primarily attributable to expenditures related to the HUD Grant for which the Township did not budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of February 28, 2017 amounts to \$1,359,285 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, leasehold improvements, infrastructure, furniture and fixtures, machinery and equipment, and vehicles. The net increase in the Township's investment in capital assets for the current fiscal year was \$46,485 and was primarily due to current year purchases offset by depreciation expense.

Major capital asset events during the current fiscal year included the following:

New Roof on Highway Department Building - \$17,355

Case Compact Wheel Loader – \$81,888

Town of Shields' Capital Assets
(net of depreciation)

	Governmental Activities	
	2/28/2017	2/29/2016
Land	\$ 515,588	\$ 515,588
Buildings	2,116	2,381
Building Improvements	17,283	-
Leasehold Improvements	25,570	36,529
Infrastructure	698,854	731,550
Furniture and Fixtures	2,809	3,651
Machinery and Equipment	83,332	3,875
Vehicles	13,733	19,226
Total	<u>\$ 1,359,285</u>	<u>\$ 1,312,800</u>

Additional information on the Township's capital assets can be found in note 3 on pages 18 and 19 of this report.

Long-Term Debt

At February 28, 2017, the Township had total debt outstanding of \$65,620. All of this debt is collateralized by equipment.

Town of Shields' Outstanding Debt

	Governmental Activities	
	2/28/2017	2/29/2016
Equipment Loan	\$ 65,620	\$ -
Total	\$ 65,620	\$ -

The Township's total debt increased by \$65,620 during the year ended February 28, 2017. The key factor in the increase was an equipment loan of \$74,688.

Additional information on the Township's long-term debt can be found in note 4 on page 19 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 2018 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, 2017

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,035,983
Due from Other Governments	22,308
Capital Assets	
Land	515,588
Other Capital Assets, Net of Depreciation	<u>843,697</u>
Total Assets	<u>\$ 2,417,576</u>
LIABILITIES	
Unremitted Payroll Withholdings	\$ 6,251
Deposits	2,500
Long-Term Liabilities	
Due Within One Year	12,536
Due in More Than One Year	<u>53,084</u>
Total Liabilities	<u>\$ 74,371</u>
NET POSITION	
Net Investment in Capital Assets	\$ 1,293,665
Restricted for:	
Road and Bridge	111,264
Illinois Municipal Retirement	42,418
Housing and Urban Development	6,504
Unrestricted / (Deficit)	<u>889,354</u>
Total Net Position	<u>\$ 2,343,205</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, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
		Governmental Activities		
Governmental Activities				
General Government	\$ 387,811	\$ 31,020	\$ -	\$ (356,791)
Assessor	303,584	-	-	(303,584)
Road and Bridge	156,542	-	-	(156,542)
Community Assistance and Services	237,895	-	167,183	(70,712)
Interest and Fees on Long-Term Debt	2,381	-	-	(2,381)
Depreciation - Unallocated	11,787	-	-	(11,787)
Total Governmental Activities	<u>\$ 1,100,000</u>	<u>\$ 31,020</u>	<u>\$ 167,183</u>	<u>\$ (901,797)</u>
General Revenues				
Taxes				
Property Taxes				\$ 947,910
Motor Fuel Tax				3,528
Personal Property Replacement Taxes				45,258
Unrestricted Investment Earnings				790
Other Income				9,810
Total General Revenues				<u>\$ 1,007,296</u>
Change in Net Position				\$ 105,499
Net Position - Beginning of Year				<u>2,237,706</u>
Net Position - End of Year				<u>\$ 2,343,205</u>

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

TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
STATEMENT OF ASSETS, LIABILITIES, AND
FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF FEBRUARY 28, 2017

	General Fund	Road and Bridge Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 799,669	\$ 236,314	\$ 1,035,983
Due from Other Governments	-	22,308	22,308
Total Assets	<u>\$ 799,669</u>	<u>\$ 258,622</u>	<u>\$ 1,058,291</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 4,672	\$ 1,579	\$ 6,251
Deposits	-	2,500	2,500
Total Liabilities	<u>\$ 4,672</u>	<u>\$ 4,079</u>	<u>\$ 8,751</u>
 Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 42,418	\$ -	\$ 42,418
Road and Bridge	-	111,264	111,264
Housing and Urban Development	6,504	-	6,504
Assigned			
Road and Bridge	-	143,279	143,279
Unassigned	<u>746,075</u>	<u>-</u>	<u>746,075</u>
Total Fund Balance	<u>\$ 794,997</u>	<u>\$ 254,543</u>	<u>\$ 1,049,540</u>
Total Liabilities and Fund Balance	<u>\$ 799,669</u>	<u>\$ 258,622</u>	<u>\$ 1,058,291</u>

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

**TOWN OF SHIELDS
FUND FINANCIAL STATEMENTS
RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCE - MODIFIED CASH BASIS TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FEBRUARY 28, 2017**

Total Fund Balances - Governmental Funds \$ 1,049,540

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 1,359,285

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Loans Payable (65,620)

Net Position of Governmental Activities \$ 2,343,205

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

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, 2017

	General Fund	Road and Bridge Fund	Total Governmental Funds
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 654,523	\$ 293,387	\$ 947,910
Intergovernmental			
Motor Fuel Tax	-	3,528	3,528
Personal Property Replacement Taxes	33,223	12,035	45,258
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	167,183	-	167,183
Other Local Sources			
Interest	734	56	790
Passports	31,020	-	31,020
Miscellaneous			
Other	9,786	24	9,810
	<u>\$ 896,469</u>	<u>\$ 309,030</u>	<u>\$ 1,205,499</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 354,059	\$ 33,447	\$ 387,506
Community Assistance and Services	237,895	-	237,895
Assessor	303,260	-	303,260
Road and Bridge	-	121,758	121,758
DEBT SERVICE			
Principal	-	9,068	9,068
Interest and Fees	-	2,381	2,381
CAPITAL OUTLAY			
	<u>\$ 895,214</u>	<u>\$ 185,651</u>	<u>\$ 1,080,865</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED			
	\$ 1,255	\$ 123,379	\$ 124,634
OTHER FINANCING SOURCES/(USES)			
NET CHANGE IN FUND BALANCES			
	\$ 1,255	\$ 123,379	\$ 124,634
FUND BALANCE - MARCH 1, 2016			
	<u>793,742</u>	<u>131,164</u>	<u>924,906</u>
FUND BALANCE - FEBRUARY 28, 2017			
	<u>\$ 794,997</u>	<u>\$ 254,543</u>	<u>\$ 1,049,540</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 124,634

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	\$ (56,837)
Capital Outlays	<u>103,322</u>
	46,485

Long-term debt proceeds provide current financial resources to governmental funds and are therefore shown as a revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis, but issuing debt increases long-term liabilities in the Statement of Net Position - Modified Cash Basis and is therefore not reported in the Statement of Activities - Modified Cash Basis.

Proceeds from Long-Term Debt	(74,688)
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Repayment of long-term debt requires the use of current financial resources of governmental funds and is therefore shown as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis and is therefore not reported in the Statement of Activities - Modified Cash Basis.

Repayment of Long-Term Debt	<u>9,068</u>
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Change in Net Position of Governmental Activities	<u>\$ 105,499</u>
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TOWN OF SHIELDS
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2017

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 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, 2017.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 Road and Bridge Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for road improvements and maintenance within the Township.

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

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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
Building Improvements	20 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

GASB 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

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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 2015 tax levies were passed by the Board on December 18, 2014. 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, 2017 was as follows:

	Balance 3/1/2016	Increases	Decreases	Balance 2/28/2017
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 515,588	\$ -	\$ -	\$ 515,588
	<u>\$ 515,588</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 515,588</u>
Other Capital Assets				
Buildings	\$ 19,839	\$ -	\$ -	\$ 19,839
Building Improvements	-	17,355	-	17,355
Leasehold Improvements	219,178	-	-	219,178
Infrastructure	994,070	-	-	994,070
Furniture and Fixtures	19,404	-	-	19,404
Machinery and Equipment	178,483	85,967	30,000	234,450
Vehicles	158,119	-	-	158,119
	<u>\$ 1,589,093</u>	<u>\$ 103,322</u>	<u>\$ 30,000</u>	<u>\$ 1,662,415</u>
Less Accumulated Depreciation for:				
Buildings	\$ 17,458	\$ 265	\$ -	\$ 17,723
Building Improvements	-	72	-	72
Leasehold Improvements	182,649	10,959	-	193,608
Infrastructure	262,520	32,696	-	295,216
Furniture and Fixtures	15,753	842	-	16,595
Machinery and Equipment	174,608	6,510	30,000	151,118
Vehicles	138,893	5,493	-	144,386
	<u>\$ 791,881</u>	<u>\$ 56,837</u>	<u>\$ 30,000</u>	<u>\$ 818,718</u>
Other Capital Assets, Net	<u>\$ 797,212</u>	<u>\$ 46,485</u>	<u>\$ -</u>	<u>\$ 843,697</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,312,800</u>	<u>\$ 46,485</u>	<u>\$ -</u>	<u>\$ 1,359,285</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 305
Assessor	324
Road and Bridge	44,421
Unallocated	11,787
Total Governmental Activities Depreciation Expense	\$ 56,837

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended February 28, 2017 was as follows:

	Balance 3/1/2016	Additions	Retirement	Balance 2/28/2017	Amounts Due Within One Year
Governmental Activities					
Long-Term Debt					
Equipment Loan	\$ -	\$ 74,688	\$ 9,068	\$ 65,620	\$ 12,536
Total Long-Term Debt	\$ -	\$ 74,688	\$ 9,068	\$ 65,620	\$ 12,536
Total Governmental Activities					
Long-Term Liabilities	\$ -	\$ 74,688	\$ 9,068	\$ 65,620	\$ 12,536

Liabilities payable consist of the following at February 28, 2017:

	Maturity Date	Interest Rate	Face Amount	Carrying Amount
Governmental Activities				
Equipment Loan	7/10/2021	5.83%	\$ 74,688	\$ 65,620

At February 28, 2017 the annual debt service requirements to service long-term debt attributable to governmental activities are:

Year Ending February 28	Principal	Interest	Total
2018	\$ 12,536	\$ 3,205	\$ 15,741
2019	14,460	2,712	17,172
2020	15,326	1,847	17,173
2021	16,244	929	17,173
2022	7,054	102	7,156
	\$ 65,620	\$ 8,795	\$ 74,415

NOTE 5 - INTERFUND LOANS

There were no interfund loans as of February 28, 2017.

NOTE 6 - DEFICIT FUND BALANCES

There were no funds with a deficit fund balance as of February 28, 2017.

NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2015 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2015, 2014, and 2013 follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Tax Year	2015		2014		2013	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
Corporate	0.0355	\$ 616,003	0.0370	\$ 616,004	0.0350	\$ 591,509
Illinois Municipal Retirement	0.0023	40,004	0.0024	40,006	0.0020	33,801
*Road and Bridge	0.0322	293,936	0.0331	291,772	0.0320	287,368
	<u>0.0700</u>	<u>\$ 949,943</u>	<u>0.0725</u>	<u>\$ 947,782</u>	<u>0.0690</u>	<u>\$ 912,678</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 8 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended February 28, 2017 the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual
			Over Budget
General Fund	\$ 758,247	\$ 895,214	\$ 136,967

The General Fund 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 9 - 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, 2017 was \$37,505.

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, 2017 was \$4,127.

Future minimum rental payments to cover outstanding lease agreements at February 28, 2017 are:

Year Ending February 28	Amount
2018	\$ 42,382
2019	41,632
2020	37,505
2021	37,505
2022	37,505
2023-2027	187,525
2028-2030	<u>87,511</u>
	<u>\$ 471,565</u>

NOTE 10 - 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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits

NOTES TO FINANCIAL STATEMENTS (Continued)

Provided" section of this document. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position and required supplementary information. This report may be obtained on-line at www.imrf.org.

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).

All three IMRF benefit plans have two tiers. 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 ten 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 ten 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.

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. At December 31, 2016, the measurement date, the Township's membership consisted of:

Retirees and Beneficiaries	10
Inactive, Non-Retired Members	5
Active Members	6
Total	21

Contributions

As set by statute, the Township's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Township's annual contribution rate for calendar year 2016 was 12.62%. For the fiscal year ended February 28, 2017, the Township contributed \$45,283 to the Plan. The Township also contributes for disability benefits, death benefits, and

NOTES TO FINANCIAL STATEMENTS (Continued)

supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2016, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 3,068,317
IMRF Fiduciary Net Position	2,840,945
Township's Net Pension Liability	227,372
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	92.59%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the Supplemental Information following the notes to the financial statements for additional information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial methods and assumptions.

Actuarial Cost Method	Entry Age Normal
Assumptions	
Inflation	3.50%
Price Inflation	2.75%
Salary Increases	3.75% - 14.50% including inflation
Interest Rate	7.50%
Asset Valuation Method	Market Value of assets
Projected Retirement Age	Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013

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

Long-Term Expected Rate of Return

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

NOTES TO FINANCIAL STATEMENTS (Continued)

Asset Class	Target Allocation	Projected Return
Equities	38.00%	6.85%
International Equities	17.00%	6.75%
Fixed Income	27.00%	3.00%
Real Estate	8.00%	5.75%
Alternatives	9.00%	
Private Equity		7.35%
Hedge Funds		5.25%
Commodities		2.65%
Cash	1.00%	2.25%
	100.00%	

Single Discount Rate

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 this discount rate, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.78%; and resulting single discount rate is 7.50%.

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 Township calculated using the discount rate of 7.50% as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Current		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability/(Asset)	\$ 611,686	\$ 227,372	\$ (92,184)

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

For the year ended February 28, 2017, the Township's pension expense is \$11,129. At February 28, 2017, the Township's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 29,471	\$ (29,471)
Assumption changes	2,019	8,340	(6,321)
Net difference between projected and actual earnings on pension investments	126,360	-	126,360
Total deferred amounts to be recognized in pension expense in future periods	\$ 128,379	\$ 37,811	\$ 90,568
Pension contributions made subsequent to the measurement date	6,445	-	6,445
Total deferred amounts related to pensions	<u>\$ 134,824</u>	<u>\$ 37,811</u>	<u>\$ 97,013</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future years as follows:

Year Ending December 31	Net Deferred Outflows Resources
2017	\$ 11,717
2018	34,879
2019	41,195
2020	2,777
	<u>\$ 90,568</u>

B. Social Security

All employees are covered under Social Security. The Township paid the total required contribution for the current fiscal year.

NOTE 11 - INTERFUND TRANSFERS

There were no interfund transfers for the year ended February 28, 2017.

NOTE 12 - 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 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

During the year ended February 28, 2017 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, 2017, there were no significant adjustments in premiums based on actual experience.

NOTE 13 - 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 14 - SUBSEQUENT EVENTS

The Township has evaluated subsequent events through June 15, 2017, the date on which the financial statements were available to be issued.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended February 28, 2017, the Township has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement further clarifies how the fair value is determined for assets and liabilities. The Statement also requires additional disclosures about the fair value measurement of the investments held by the Township (no investments were held by the Township as of February 28, 2017).

SUPPLEMENTAL INFORMATION

TOWN OF SHIELDS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
FEBRUARY 28, 2017

	<u>2/28/17 *</u>	<u>2/29/16 *</u>
TOTAL PENSION LIABILITY		
Service Cost	\$ 41,980	\$ 43,066
Interest	218,944	215,973
Differences Between Expected and Actual Experience	(23,910)	(82,727)
Changes in Assumptions	(14,315)	10,745
Benefit Payments, Including Refunds of Member Contributions	(136,608)	(133,578)
Net Change in Total Pension Liability	<u>\$ 86,091</u>	<u>\$ 53,479</u>
Total Pension Liability - Beginning	<u>2,982,226</u>	<u>2,928,747</u>
Total Pension Liability - Ending	<u>\$ 3,068,317</u>	<u>\$ 2,982,226</u>
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 45,652	\$ 36,554
Contributions - Member	16,278	16,238
Net Investment Income	186,888	13,821
Benefit Payments, Including Refunds of Member Contributions	(136,608)	(133,578)
Other	28,749	(37,600)
Net Change in Plan Fiduciary Net Position	<u>\$ 140,959</u>	<u>\$ (104,565)</u>
Plan Net Position - Beginning	<u>2,699,986</u>	<u>2,804,551</u>
Plan Net Position - Ending	<u>\$ 2,840,945</u>	<u>\$ 2,699,986</u>
Township's Net Pension Liability	<u>\$ 227,372</u>	<u>\$ 282,240</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.59%	90.54%
Covered-Employee Payroll	\$ 361,743	\$ 360,850
Employer's Net Pension Liability as a percentage of Covered-Employee Payroll	62.85%	78.22%

* The information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

TOWN OF SHIELDS
 ILLINOIS MUNICIPAL RETIREMENT FUND
 SCHEDULE OF EMPLOYER CONTRIBUTION
 FEBRUARY 28, 2017

	2/28/17 *	2/29/16 *
Actuarially-Determined Contribution	\$ 45,652	\$ 36,554
Contributions in relation to Actuarially-Determined Contribution	<u>45,652</u>	<u>36,554</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 361,743	\$ 360,850
Contributions as a percentage of Covered-Employee Payroll	12.62%	10.13%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2016 Contribution Rate *

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 27-year closed period until remaining period reaches 15 years (then 15-year rolling period)

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 4%

Price Inflation: 3%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 4.40% to 16%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 20011 to 2013.

Mortality: For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projections scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

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, 2017

	<u>BUDGETED</u> <u>AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>
	<u>ORIGINAL</u> <u>AND FINAL</u>		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 656,000	\$ 654,523	
Intergovernmental			
Personal Property Replacement Taxes	24,480	33,223	
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	6,000	167,183	
Other Local Sources			
Interest	330	734	
Passports	8,500	31,020	
Miscellaneous			
Other	4,200	9,786	
	<u>\$ 699,510</u>	<u>\$ 896,469</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 160,000	\$ 151,656	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,000	9,711	
Payroll Taxes			
Administration	19,000	11,660	
Assessor	-	3,825	
Highway Commissioner	-	2,295	
Town Clerk	-	459	
IMRF Contributions	16,000	19,818	
Unemployment Compensation	900	848	
Worker's Compensation	9,000	8,198	
Maintenance - Building	4,800	3,181	
Maintenance - Landscape	825	812	
Maintenance - Traffic Signals	1,600	910	
Accounting Services	5,000	4,272	
Legal Services	6,000	2,581	
Postage	400	1,670	
Telephone	2,700	2,550	
Computer Software	1,000	289	
Website Management	2,100	2,295	
Publishing	500	389	
Printing	200	215	
Dues and Conferences	2,000	1,536	
Travel Expense	1,500	1,352	
Training	1,000	515	
Utilities	5,000	593	
Liability Insurance	8,600	8,472	
Office Rental	20,000	18,752	
Real Estate Taxes	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
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2017

	BUDGETED AMOUNTS	ORIGINAL AND FINAL	ACTUAL AMOUNTS	
EXPENDITURES DISBURSED (Continued)				
CURRENT (Continued)				
General Government (Continued)				
Professional Services	\$ 1,500	\$ -		
Computer Assistance	1,000	-		
Bank Fees	300	244		
Equipment Leasing	3,500	3,731		
Office and Operating Supplies	1,500	1,476		
Miscellaneous	4,000	3,754		
	<u>\$ 379,925</u>	<u>\$ 354,059</u>		
Community Assistance and Services				
Administration - HUD	\$ -	\$ 141		
Rent - HUD	-	161,451		
Lake Forest Senior Care	10,000	10,000		
E/A Partnership Fund	10,000	10,000		
Sr. Citizen Taxi Program	5,000	6,471		
Phoenix Rising Contribution	8,500	28,625		
Prescriptions	200	-		
Utilities	6,000	6,076		
Shelter	12,000	11,529		
Transient/Auto Fuel	700	259		
Transportation	1,000	130		
Food	100	-		
Personal Incidentals	3,300	1,265		
Miscellaneous	3,300	1,948		
	<u>\$ 60,100</u>	<u>\$ 237,895</u>		
Assessor				
Salaries	\$ 200,139	\$ 204,054		
Health and Dental Insurance				
Assessor and Staff	7,820	7,073		
Payroll Taxes	15,131	15,335		
Unemployment Compensation	220	214		
IMRF Contributions	25,258	25,425		
Maintenance - Building	4,300	3,181		
Maintenance - Landscape	804	812		
Accounting Services	5,000	3,972		
Legal Services	500	-		
Postage	400	-		
Telephone	2,750	2,408		
Computer Software	1,600	300		
Website Management	700	525		
Printing	200	74		
Dues and Conferences	200	114		
Travel Expense	3,600	2,399		
Training	2,400	2,040		
Utilities	4,700	-		
Open Tax File	7,200	7,200		
Office Rental	19,200	18,753		
Real Estate Taxes	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
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
Assessor (Continued)		
Professional Services	\$ 5,000	\$ -
Computer Assistance	4,000	5,800
Office and Operating Supplies	2,400	2,089
Equipment Leasing	1,500	1,329
Miscellaneous	1,200	163
	<u>\$ 318,222</u>	<u>\$ 303,260</u>
TOTAL EXPENDITURES DISBURSED	<u>\$ 758,247</u>	<u>\$ 895,214</u>
EXCESS OR (DEFICIENCY) OF REVENUE		
RECEIVED OVER EXPENDITURES DISBURSED	\$ (58,737)	\$ 1,255
OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ (58,737)	\$ 1,255
FUND BALANCE - MARCH 1, 2016	<u>793,742</u>	<u>793,742</u>
FUND BALANCE - FEBRUARY 28, 2017	<u>\$ 735,005</u>	<u>\$ 794,997</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, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 294,000	\$ 293,387	
Intergovernmental			
Motor Fuel Tax	4,000	3,528	
Personal Property Replacement Taxes	13,500	12,035	
Other Local Sources			
Interest	100	56	
Miscellaneous			
Other	1,000	24	
	\$ 312,600	\$ 309,030	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries	\$ 4,500	\$ 4,500	
Health Insurance	500	505	
Unemployment Insurance	600	160	
Worker's Compensation	4,400	4,414	
Payroll Taxes	8,000	5,416	
Medical - Drug Testing	300	270	
Accounting Services	4,000	3,972	
Legal Services	5,000	1,409	
Postage	400	-	
Telephone	2,000	2,496	
Publishing	400	55	
Printing	150	-	
Travel	200	-	
Training	250	-	
Liability Insurance	8,600	8,445	
Dues and Conferences	350	175	
Julie Fees	450	390	
NPDES Fees	1,000	1,000	
Office and Operating Supplies	350	240	
Municipal Replacement Tax	1,000	-	
	\$ 42,450	\$ 33,447	
Road and Bridge			
Salaries	\$ 100,000	\$ 70,795	
Maintenance - Building	4,000	13,528	
Maintenance - Equipment	10,000	5,328	
Utilities	1,800	2,036	
Rentals	2,000	1,708	
Street Lighting	8,000	12,587	
Scavenger	1,200	1,119	
Truck Testing	150	140	
Land Fill	1,000	-	
Maintenance Supplies - Building	2,500	1,014	
Maintenance Supplies - Equipment	2,500	316	

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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, 2017

	<u>BUDGETED</u> <u>AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u>
	<u>ORIGINAL</u> <u>AND FINAL</u>		
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
Road and Bridge (Continued)			
Small Tools	\$ 1,000	\$ -	
Automotive - Fuel, Oil, Etc.	3,000	3,560	
Tree Removal	6,000	-	
Uniforms	1,000	-	
Road Salt	8,000	7,972	
Road Signs	1,500	1,383	
Miscellaneous	2,500	272	
	<u>\$ 156,150</u>	<u>\$ 121,758</u>	
DEBT SERVICE			
Principal	\$ -	\$ 9,068	
Interest	- \$ -	2,381	
	<u>\$ -</u>	<u>\$ 11,449</u>	
CAPITAL OUTLAY			
General Government	\$ 250	\$ -	
Road and Bridge	236,000	18,997	
	<u>\$ 236,250</u>	<u>\$ 18,997</u>	
TOTAL EXPENDITURES DISBURSED	<u>\$ 434,850</u>	<u>\$ 185,651</u>	
EXCESS OR (DEFICIENCY) OF REVENUE			
RECEIVED OVER EXPENDITURES DISBURSED	<u>\$ (122,250)</u>	<u>\$ 123,379</u>	
OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>	
NET CHANGE IN FUND BALANCE	<u>\$ (122,250)</u>	<u>\$ 123,379</u>	
FUND BALANCE - MARCH 1, 2016	<u>131,164</u>	<u>131,164</u>	
FUND BALANCE - FEBRUARY 28, 2017	<u>\$ 8,914</u>	<u>\$ 254,543</u>	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND
FUND BALANCE - MODIFIED CASH BASIS - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2017

	Town Fund	General Assistance Fund	General Fund Total
ASSETS			
Cash and Cash Equivalents	\$ 796,239	\$ 3,430	\$ 799,669
Total Assets	<u>\$ 796,239</u>	<u>\$ 3,430</u>	<u>\$ 799,669</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 4,672	\$ -	\$ 4,672
Total Liabilities	<u>\$ 4,672</u>	<u>\$ -</u>	<u>\$ 4,672</u>
Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 42,418	\$ -	\$ 42,418
Housing and Urban Development	6,504	-	6,504
Unassigned	<u>742,645</u>	<u>3,430</u>	<u>746,075</u>
Total Fund Balance	<u>\$ 791,567</u>	<u>\$ 3,430</u>	<u>\$ 794,997</u>
Total Liabilities and Fund Balance	<u>\$ 796,239</u>	<u>\$ 3,430</u>	<u>\$ 799,669</u>

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2017

	Town Fund	General Assistance Fund	General Fund Total
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 654,523	\$ -	\$ 654,523
Intergovernmental			
Personal Property Replacement Taxes	33,223	-	33,223
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	167,183	-	167,183
Other Local Sources			
Interest	734	-	734
Passports	31,020	-	31,020
Miscellaneous			
Other	7,336	2,450	9,786
	<u>\$ 894,019</u>	<u>\$ 2,450</u>	<u>\$ 896,469</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 351,680	\$ 2,379	\$ 354,059
Community Assistance and Services	216,688	21,207	237,895
Assessor	303,260	-	303,260
	<u>\$ 871,628</u>	<u>\$ 23,586</u>	<u>\$ 895,214</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED			
	\$ 22,391	\$ (21,136)	\$ 1,255
OTHER FINANCING SOURCES/(USES)			
Transfers	<u>(22,899)</u>	<u>22,899</u>	<u>-</u>
NET CHANGE IN FUND BALANCES			
	\$ (508)	\$ 1,763	\$ 1,255
FUND BALANCE - MARCH 1, 2016			
	<u>792,075</u>	<u>1,667</u>	<u>793,742</u>
FUND BALANCE - FEBRUARY 28, 2017			
	<u>\$ 791,567</u>	<u>\$ 3,430</u>	<u>\$ 794,997</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, 2017

	<u>BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>	
		<u>ORIGINAL AND FINAL</u>	
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 656,000	\$ 654,523	
Intergovernmental			
Personal Property Replacement Taxes	24,480	33,223	
U.S. Department of Housing and Urban Development			
Shelter Care Plus (HUD) Grant	6,000	167,183	
Other Local Sources			
Interest	330	734	
Passports	8,500	31,020	
Miscellaneous			
Other	4,200	7,336	
	<u>\$ 699,510</u>	<u>\$ 894,019</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 160,000	\$ 151,656	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,000	9,711	
Payroll Taxes			
Administration	19,000	11,660	
Assessor	-	3,825	
Highway Commissioner	-	2,295	
Town Clerk	-	459	
IMRF Contributions	16,000	19,818	
Unemployment Compensation	900	848	
Worker's Compensation	9,000	8,198	
Maintenance - Building	4,800	3,181	
Maintenance - Landscape	825	812	
Maintenance - Traffic Signals	1,600	910	
Accounting Services	5,000	4,272	
Legal Services	6,000	2,581	
Postage	400	1,670	
Telephone	2,700	2,550	
Computer Software	1,000	289	
Website Management	2,100	2,295	
Publishing	500	389	
Printing	200	215	
Dues and Conferences	2,000	1,517	
Travel Expense	1,500	1,352	
Training	1,000	515	
Utilities	5,000	593	
Liability Insurance	6,200	6,112	
Office Rental	20,000	18,752	
Real Estate Taxes	2,000	-	

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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, 2017

	<u>BUDGETED</u> <u>AMOUNTS</u>	<u>ORIGINAL</u> <u>AND FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
General Government (Continued)			
Professional Services	\$ 1,500	\$ -	\$ -
Computer Assistance	1,000	-	-
Bank Fees	300	244	244
Equipment Leasing	3,500	3,731	3,731
Office and Operating Supplies	1,500	1,476	1,476
Miscellaneous	4,000	3,754	3,754
	<u>\$ 377,525</u>	<u>\$ 351,680</u>	<u>\$ 351,680</u>
Community Assistance and Services			
Administration - HUD	\$ -	\$ 141	\$ 141
Rent - HUD	-	161,451	161,451
Lake Forest Senior Care	10,000	10,000	10,000
E/A Partnership Fund	10,000	10,000	10,000
Sr. Citizen Taxi Program	5,000	6,471	6,471
Phoenix Rising Contribution	8,500	28,625	28,625
	<u>\$ 33,500</u>	<u>\$ 216,688</u>	<u>\$ 216,688</u>
Assessor			
Salaries	\$ 200,139	\$ 204,054	\$ 204,054
Health and Dental Insurance			
Assessor and Staff	7,820	7,073	7,073
Payroll Taxes	15,131	15,335	15,335
Unemployment Compensation	220	214	214
IMRF Contributions	25,258	25,425	25,425
Maintenance - Building	4,300	3,181	3,181
Maintenance - Landscape	804	812	812
Accounting Services	5,000	3,972	3,972
Legal Services	500	-	-
Postage	400	-	-
Telephone	2,750	2,408	2,408
Computer Software	1,600	300	300
Website Management	700	525	525
Printing	200	74	74
Dues and Conferences	200	114	114
Travel Expense	3,600	2,399	2,399
Training	2,400	2,040	2,040
Utilities	4,700	-	-
Open Tax File	7,200	7,200	7,200
Office Rental	19,200	18,753	18,753
Real Estate Taxes	2,000	-	-
Professional Services	5,000	-	-
Computer Assistance	4,000	5,800	5,800
Office and Operating Supplies	2,400	2,089	2,089
Equipment Leasing	1,500	1,329	1,329
Miscellaneous	1,200	163	163
	<u>\$ 318,222</u>	<u>\$ 303,260</u>	<u>\$ 303,260</u>
TOTAL EXPENDITURES DISBURSED	\$ 729,247	\$ 871,628	\$ 871,628

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, 2017

	<u>BUDGETED</u>	<u>ORIGINAL</u>	<u>ACTUAL</u>
	<u>AMOUNTS</u>		
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (29,737)	\$ 22,391	
OTHER FINANCING SOURCES/(USES) Transfer to General Assistance Fund	_____ -		<u>(22,899)</u>
NET CHANGE IN FUND BALANCE	\$ (29,737)	\$ (508)	
FUND BALANCE - MARCH 1, 2016	<u>792,075</u>		<u>792,075</u>
FUND BALANCE - FEBRUARY 28, 2017	<u>\$ 762,338</u>		<u>\$ 791,567</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
GENERAL ASSISTANCE FUND
FOR THE YEAR ENDED FEBRUARY 28, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
REVENUE RECEIVED			
Other Local Sources			
Miscellaneous			
Other	\$ -	\$ 2,450	
	<u>\$ -</u>	<u>\$ 2,450</u>	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Liability Insurance	\$ 2,400	\$ 2,360	
Dues and Conferences	-	19	
	<u>\$ 2,400</u>	<u>\$ 2,379</u>	
Community Assistance and Services			
Prescriptions	\$ 200	\$ -	
Utilities	6,000	6,076	
Shelter	12,000	11,529	
Transient/Auto Fuel	700	259	
Transportation	1,000	130	
Food	100	-	
Personal Incidentals	3,300	1,265	
Miscellaneous	3,300	1,948	
	<u>\$ 26,600</u>	<u>\$ 21,207</u>	
TOTAL EXPENDITURES DISBURSED	\$ 29,000	\$ 23,586	
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (29,000)	\$ (21,136)	
OTHER FINANCING SOURCES/(USES)			
Transfer from Town Fund	-	22,899	
NET CHANGE IN FUND BALANCE	\$ (29,000)	\$ 1,763	
FUND BALANCE - MARCH 1, 2016	1,667	1,667	
FUND BALANCE - FEBRUARY 28, 2017	\$ (27,333)	\$ 3,430	

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
NOTES TO SUPPLEMENTAL INFORMATION
FEBRUARY 28, 2017

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 April 21, 2016.

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.

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, 2017 the expenditures of the following fund exceeded the budget:

Fund	Budget	Actual	Excess of Actual Over Budget
General Fund	\$ 758,247	\$ 895,214	\$ 136,967

The General Fund 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, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 656,000	\$ 654,523	
Intergovernmental			
Personal Property Replacement Taxes	24,480	33,223	
Other Local Sources			
Interest	330	734	
Passports	8,500	31,020	
Miscellaneous			
Other	4,200	7,336	
	\$ 693,510	\$ 726,836	
EXPENDITURES DISBURSED			
CURRENT			
General Government			
Salaries			
Administration	\$ 160,000	\$ 151,656	
Assessor	50,000	50,000	
Highway Commissioner	30,000	30,000	
Town Clerk	6,000	6,000	
Health and Dental Insurance			
Administration	12,000	9,711	
Payroll Taxes			
Administration	19,000	11,660	
Assessor	-	3,825	
Highway Commissioner	-	2,295	
Town Clerk	-	459	
IMRF Contributions	16,000	19,818	
Unemployment Compensation	900	848	
Worker's Compensation	9,000	8,198	
Maintenance - Building	4,800	3,181	
Maintenance - Landscape	825	812	
Maintenance - Traffic Signal	1,600	910	
Accounting Services	5,000	4,272	
Legal Services	6,000	2,581	
Postage	400	1,670	
Telephone	2,700	2,550	
Computer Software	1,000	289	
Website Management	2,100	2,295	
Publishing	500	389	
Printing	200	215	
Dues and Conferences	2,000	1,517	
Travel Expense	1,500	1,352	
Training	1,000	515	
Utilities	5,000	593	
Liability Insurance	6,200	6,112	
Office Rental	20,000	18,752	
Real Estate Taxes	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 - NOT INCLUDING GRANTS
 TOWN FUND
 FOR THE YEAR ENDED FEBRUARY 28, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Professional Services	\$ 1,500	\$ -
Computer Assistance	1,000	-
Bank Fees	300	244
Equipment Leasing	3,500	3,731
Office and Operating Supplies	1,500	1,476
Miscellaneous	4,000	3,754
	<u>\$ 377,525</u>	<u>\$ 351,680</u>
Community Assistance and Services		
Lake Forest Senior Care	\$ 10,000	\$ 10,000
E/A Partnership Fund	10,000	10,000
Sr. Citizen Taxi Program	5,000	6,471
Phoenix Rising Contribution	8,500	28,625
	<u>\$ 33,500</u>	<u>\$ 55,096</u>
Assessor		
Salaries	\$ 200,139	\$ 204,054
Health and Dental Insurance		
Assessor and Staff	7,820	7,073
Payroll Taxes	15,131	15,335
Unemployment Compensation	220	214
IMRF Contributions	25,258	25,425
Maintenance - Building	4,300	3,181
Maintenance - Landscape	804	812
Accounting Services	5,000	3,972
Legal Services	500	-
Postage	400	-
Telephone	2,750	2,408
Computer Software	1,600	300
Website Management	700	525
Printing	200	74
Dues and Conferences	200	114
Travel Expense	3,600	2,399
Training	2,400	2,040
Utilities	4,700	-
Open Tax File	7,200	7,200
Office Rental	19,200	18,753
Real Estate Taxes	2,000	-
Professional Services	5,000	-
Computer Assistance	4,000	5,800
Office and Operating Supplies	2,400	2,089
Equipment Leasing	1,500	1,329
Miscellaneous	1,200	163
	<u>\$ 318,222</u>	<u>\$ 303,260</u>
TOTAL EXPENDITURES DISBURSED	\$ 729,247	\$ 710,036

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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, 2017

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (35,737)	\$ 16,800
OTHER FINANCING SOURCES/(USES) Transfer to General Assistance Fund	-	(22,899)
NET CHANGE IN FUND BALANCE	\$ (35,737)	\$ (6,099)
FUND BALANCE - MARCH 1, 2016	<u>693,493</u>	<u>693,493</u>
FUND BALANCE - FEBRUARY 28, 2017	<u>\$ 657,756</u>	<u>\$ 687,394</u>

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