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**TOWN OF SHIELDS
LAKE COUNTY, ILLINOIS**

GENERAL PURPOSE FINANCIAL REPORT

FEBRUARY 28, 2013

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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, 2013, 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 financial position – modified cash basis of the governmental activities and each major fund of Town of Shields as of February 28, 2013, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Report on Supplementary and Other Information

The management's discussion and analysis and the budget and actual schedules by fund 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.

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.

As discussed in Note 15 to the financial statements, the Township implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
May 17, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- Net Position decreased \$62,282 compared to the prior year.
- Of the total capital assets of \$1,443,887, 61%, or \$877,583, are allocated to the Road and Bridge Fund. The remainder is allocated to the General Fund.
- At February 28, 2013, the General Fund and Road and Bridge Fund combine to report ending fund balances of \$1,372,298, a decrease of \$1,348 from the prior year. Of this total amount, \$304,764 is restricted, with the balance available to meet the obligations of the Township (unassigned fund balance).
- A note, originally for \$155,000, was due the General Fund from the Road and Bridge Fund. During the year, the General Fund forgave the balance of the loan, resulting in a transfer of \$105,000 from the General Fund to the Road and Bridge Fund.

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 23 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 29 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 \$2,769,265 at the close of the most recent fiscal year.

Town of Shields' Net Position

| | Governmental Activities | |
|-----------------------------------|-------------------------|---------------------|
| | 2/28/2013 | 2/29/2012 |
| Current and Other Assets | \$ 1,371,885 | \$ 1,375,658 |
| Capital Assets | 1,443,887 | 1,500,837 |
| Total Assets | <u>\$ 2,815,772</u> | <u>\$ 2,876,495</u> |
| Long-Term Liabilities Outstanding | \$ 23,518 | \$ 21,719 |
| Net Pension Obligation | 23,402 | 21,217 |
| Other Liabilities | (413) | 2,012 |
| Total Liabilities | <u>\$ 46,507</u> | <u>\$ 44,948</u> |
| Net Position | | |
| Net Investment in Capital Assets | \$ 1,443,887 | \$ 1,500,837 |
| Restricted | 300,996 | 316,450 |
| Unrestricted | 1,024,382 | 1,014,260 |
| Total Net Position | <u>\$ 2,769,265</u> | <u>\$ 2,831,547</u> |

The largest portion of the Township's net position (\$2,769,265) 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 (61%) are allocated to Road and Bridge.

An additional portion of the Township's net position (11%) 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 \$62,282 during the current fiscal year. The difference is primarily attributable to an increase in road and bridge expenses of \$127,508.

Governmental activities - Governmental activities decreased the Township's net position by \$62,282. Key elements of this decrease are as follows:

| | | Town of Shields' Change in Net Position | |
|-------------------------------------|----|---|----------------------------|
| | | Governmental Activities | |
| | | 2/28/2013 | 2/29/2012 |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ | 6,511 | \$ 9,323 |
| Operating Grants and Contributions | | 185,875 | 184,986 |
| General Revenues | | | |
| Property Taxes | | 1,083,730 | 1,049,765 |
| Motor Fuel Tax | | 3,809 | 1,768 |
| Personal Property Replacement Tax | | 41,343 | 42,787 |
| Unrestricted Investment Earnings | | 1,311 | 1,140 |
| Other | | 7,603 | 22,674 |
| Total Revenues | \$ | <u>1,330,182</u> | <u>\$ 1,312,443</u> |
| Expenses | | | |
| General Government | \$ | 521,370 | \$ 545,312 |
| Assessor | | 272,889 | 282,674 |
| Road and Bridge | | 331,936 | 204,428 |
| Community Assistance and Services | | 254,192 | 290,830 |
| Depreciation - Unallocated | | 12,077 | 12,077 |
| Total Expenses | \$ | <u>1,392,464</u> | <u>\$ 1,335,321</u> |
| Increase/(Decrease) in Net Position | \$ | (62,282) | \$ (22,878) |
| Net Position - Beginning of Year | | <u>2,831,547</u> | <u>2,854,425</u> |
| Net Position - End of Year | \$ | <u><u>2,769,265</u></u> | <u><u>\$ 2,831,547</u></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 \$64,605 and the Road and Bridge Fund increased by \$63,257 during the current fiscal year. The changes in fund balance are largely the result of a transfer of \$105,000 from the General Fund to the Road and Bridge Fund in order to forgive an interfund loan.

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 \$185,875. In total, actual revenues exceeded budgeted revenues by \$209,313.
- Actual expenditures exceeded budgeted expenditures by \$91,246. 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, 2013 amounts to \$1,443,887 (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 \$56,950 and was due to current year depreciation expense.

| | Governmental Activities | |
|-------------------------|-------------------------|---------------------|
| | 2/28/2013 | 2/29/2012 |
| Land | \$ 486,499 | \$ 486,499 |
| Buildings | 3,175 | 3,437 |
| Leasehold Improvements | 69,406 | 80,365 |
| Infrastructure | 829,638 | 862,333 |
| Furniture and Fixtures | 6,178 | 7,020 |
| Machinery and Equipment | 11,090 | 15,393 |
| Vehicles | 37,901 | 45,790 |
| Total | <u>\$ 1,443,887</u> | <u>\$ 1,500,837</u> |

Additional information on the Township's capital assets can be found in note 3 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 2014 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, 2013

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 993,416 |
| Investments | 372,892 |
| Due from Other Governments | 5,577 |
| Capital Assets | |
| Land | 486,499 |
| Other Capital Assets, Net of Depreciation | 957,388 |
| Total Assets | \$ 2,815,772 |
| LIABILITIES | |
| Unremitted Payroll Withholdings | \$ (413) |
| Net Pension Obligation | 23,402 |
| Non-Current Liabilities | |
| Due Within One Year | 23,518 |
| Total Liabilities | \$ 46,507 |
| NET POSITION | |
| Net Investment in Capital Assets | \$ 1,443,887 |
| Restricted for: | |
| Road and Bridge | 195,908 |
| Illinois Municipal Retirement | 62,382 |
| Housing and Urban Development | 42,706 |
| Unrestricted / (Deficit) | 1,024,382 |
| Total Net Position | \$ 2,769,265 |

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, 2013

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------------|--------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| General Government | \$ 521,370 | \$ 6,511 | \$ - | \$ (514,859) |
| Assessor | 272,889 | - | - | (272,889) |
| Road and Bridge | 331,936 | - | - | (331,936) |
| Community Assistance and Services | 254,192 | - | 185,875 | (68,317) |
| Depreciation - Unallocated | 12,077 | - | - | (12,077) |
| Total Governmental Activities | \$ 1,392,464 | \$ 6,511 | \$ 185,875 | \$ (1,200,078) |
| General Revenues | | | | |
| Taxes | | | | |
| Property Taxes | | | | \$ 1,083,730 |
| Motor Fuel Tax | | | | 3,809 |
| Personal Property Replacement Taxes | | | | 41,343 |
| Unrestricted Investment Earnings | | | | 1,311 |
| Other Income | | | | 7,603 |
| Total General Revenues | | | | \$ 1,137,796 |
| Change in Net Position | | | | \$ (62,282) |
| Net Position - Beginning of Year | | | | 2,831,547 |
| Net Position - End of Year | | | | \$ 2,769,265 |

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, 2013

| ASSETS | <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Total Governmental Funds</u> |
|---|----------------------------|-------------------------------------|---|
| Cash and Cash Equivalents | \$ 661,906 | \$ 331,510 | \$ 993,416 |
| Investments | 372,892 | - | 372,892 |
| Due from Other Governments | - | 5,577 | 5,577 |
| TOTAL ASSETS | <u>\$ 1,034,798</u> | <u>\$ 337,087</u> | <u>\$ 1,371,885</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Unremitted Payroll Withholdings | \$ (944) | \$ 531 | \$ (413) |
| Total Liabilities | <u>\$ (944)</u> | <u>\$ 531</u> | <u>\$ (413)</u> |
| FUND BALANCE | | | |
| Restricted | | | |
| Illinois Municipal Retirement | \$ 62,382 | \$ - | \$ 62,382 |
| Road and Bridge | - | 199,676 | 199,676 |
| Housing and Urban Development | 42,706 | - | 42,706 |
| Assigned | | | |
| Road and Bridge | - | 136,880 | 136,880 |
| Unassigned | 930,654 | - | 930,654 |
| Total Fund Balance | <u>\$ 1,035,742</u> | <u>\$ 336,556</u> | <u>\$ 1,372,298</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,034,798</u> | <u>\$ 337,087</u> | <u>\$ 1,371,885</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, 2013

| | |
|--|----------------------------|
| Total Fund Balances - Governmental Funds | \$ 1,372,298 |
| 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 | 1,443,887 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| Compensated Absences | (23,518) |
| The Net Pension Obligation is not included in the governmental funds. | <u>(23,402)</u> |
| Net Position of Governmental Activities | <u><u>\$ 2,769,265</u></u> |

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, 2013

| | <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|---|
| REVENUE RECEIVED | | | |
| Local Taxes | | | |
| Property Taxes | \$ 823,399 | \$ 260,331 | \$ 1,083,730 |
| Intergovernmental | | | |
| Motor Fuel Tax | - | 3,809 | 3,809 |
| Personal Property Replacement Taxes | 30,349 | 10,994 | 41,343 |
| U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant | 185,875 | - | 185,875 |
| Other Local Sources | | | |
| Interest | 934 | 377 | 1,311 |
| Passports | 6,511 | - | 6,511 |
| Miscellaneous | | | |
| Other | 5,445 | 2,158 | 7,603 |
| | <u>\$ 1,052,513</u> | <u>\$ 277,669</u> | <u>\$ 1,330,182</u> |
| EXPENDITURES DISBURSED | | | |
| CURRENT | | | |
| General Government | \$ 485,065 | \$ 33,047 | \$ 518,112 |
| Community Assistance and Services | 252,615 | - | 252,615 |
| Assessor | 269,874 | - | 269,874 |
| Road and Bridge | - | 108,876 | 108,876 |
| CAPITAL OUTLAY | 4,564 | 177,489 | 182,053 |
| | <u>\$ 1,012,118</u> | <u>\$ 319,412</u> | <u>\$ 1,331,530</u> |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ 40,395 | \$ (41,743) | \$ (1,348) |
| OTHER FINANCING SOURCES/(USES) | | | |
| Transfers | (105,000) | 105,000 | - |
| NET CHANGE IN FUND BALANCES | \$ (64,605) | \$ 63,257 | \$ (1,348) |
| FUND BALANCE - MARCH 1, 2012 | <u>1,100,347</u> | <u>273,299</u> | <u>1,373,646</u> |
| FUND BALANCE - FEBRUARY 28, 2013 | <u>\$ 1,035,742</u> | <u>\$ 336,556</u> | <u>\$ 1,372,298</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (1,348)

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 | \$ (58,568) | |
| Capital Outlays | <u>1,618</u> | |
| | | (56,950) |

Some expenses in the Statement of Activities - Modified Cash Basis do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|----------------------|--|---------|
| Compensated Absences | | (1,799) |
|----------------------|--|---------|

| | | |
|---|--|----------------|
| The change in the Net Pension Obligation is not included in the governmental funds. | | <u>(2,185)</u> |
|---|--|----------------|

| | | |
|---|--|---------------------------|
| Change in Net Position of Governmental Activities | | <u><u>\$ (62,282)</u></u> |
|---|--|---------------------------|

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

TOWN OF SHIELDS
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2013

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 Township follows all Governmental Accounting Standards Board (GASB) pronouncements and pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements, to the extent they are applicable to the modified cash basis of accounting. The more 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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2013.

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. *Compensated Absences*

The Township accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide Statement of Net Position – Modified Cash Basis and represents a reconciling item between the fund and government-wide presentations.

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Township. Vacation time does not carryover, however any accumulated time is paid upon termination.

J. *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, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *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.

L. *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)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Governmental Fund Balances* (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. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash.

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

M. *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 2011 tax levies were passed by the board on December 15, 2011. 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.

Investments

As of February 28, 2013, the Township had the following investments and maturities:

| Investment | Fair Value | Investment Maturities (in Years) | | | |
|-----------------------|------------|----------------------------------|------|------|--------------|
| | | Less than 1 | 1-5 | 5-10 | More than 10 |
| State Investment Pool | \$ 888,059 | \$ 888,059 | \$ - | \$ - | \$ - |

The fair value of investments in the State Investment Pool is the same as the value of pool shares. The State Investment Pool is not SEC-registered, but does have regulatory oversight through the State of Illinois.

Interest Rate Risk. The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments based on credit risk. The Township's investment policy further limits its investment choices to ensure that capital loss, whether from credit or market risk, is avoided. As of February 28, 2013, the Township's investments were rated as follows:

| Investment | Credit Rating | Rating Source |
|-----------------------|---------------|---------------------|
| State Investment Pool | AAAm | Standard and Poor's |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2013 was as follows:

| | Balance 3/1/2012 | Increases | Decreases | Balance 2/28/2013 |
|---|---------------------|--------------------|------------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets not being depreciated | | | | |
| Land | \$ 486,499 | \$ - | \$ - | \$ 486,499 |
| | <u>\$ 486,499</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 486,499</u> |
| 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 | 193,233 | 1,618 | 18,068 | 176,783 |
| Vehicles | 158,119 | - | - | 158,119 |
| | <u>\$ 1,603,843</u> | <u>\$ 1,618</u> | <u>\$ 18,068</u> | <u>\$ 1,587,393</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ 16,402 | \$ 262 | \$ - | \$ 16,664 |
| Leasehold Improvements | 138,813 | 10,959 | - | 149,772 |
| Infrastructure | 131,737 | 32,695 | - | 164,432 |
| Furniture and Fixtures | 12,384 | 842 | - | 13,226 |
| Machinery and Equipment | 177,840 | 5,921 | 18,068 | 165,693 |
| Vehicles | 112,329 | 7,889 | - | 120,218 |
| | <u>\$ 589,505</u> | <u>\$ 58,568</u> | <u>\$ 18,068</u> | <u>\$ 630,005</u> |
| Other Capital Assets, Net | <u>\$ 1,014,338</u> | <u>\$ (56,950)</u> | <u>\$ -</u> | <u>\$ 957,388</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 1,500,837</u> | <u>\$ (56,950)</u> | <u>\$ -</u> | <u>\$ 1,443,887</u> |

Depreciation expense was charged to functions as follows:

| | | |
|--|--|------------------|
| Governmental Activities | | |
| General Government | | \$ 493 |
| Assessor | | 27 |
| Road and Bridge | | 45,571 |
| Community Assistance and Services | | 400 |
| Unallocated | | 12,077 |
| Total Governmental Activities Depreciation Expense | | <u>\$ 58,568</u> |

NOTE 4 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

| | Balance 3/1/2012 | Additions | Retirements | Balance 2/28/2013 | Amounts Due Within One Year |
|--------------------------------|---------------------|-----------|-------------|----------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 21,720 | \$ 1,798 | \$ - | \$ 23,518 | \$ 23,518 |

NOTE 5 - INTERFUND LOANS

There were no interfund loans as of February 28, 2013.

NOTE 6 - DEFICIT FUND BALANCES

There were no funds with a deficit fund balance as of February 28, 2013.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2011 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2011, 2010, and 2009 follows:

| Tax Year | 2011 | | 2010 | | 2009 | |
|-------------------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|
| | Rates | Extensions | Rates | Extensions | Rates | Extensions |
| Assessed Valuation | \$1,926,914,557 | | \$2,062,796,448 | | \$2,223,203,731 | |
| Corporate | 0.0400 | \$ 770,766 | 0.0370 | \$ 763,235 | 0.0450 | \$ 1,000,442 |
| Illinois Municipal Retirement | 0.0030 | 57,807 | 0.0020 | 41,256 | 0.0030 | 66,696 |
| *Road and Bridge | 0.0260 | 258,612 | 0.0230 | 251,587 | 0.0200 | 235,510 |
| | <u>0.0690</u> | <u>\$ 1,087,185</u> | <u>0.0620</u> | <u>\$ 1,056,078</u> | <u>0.0680</u> | <u>\$ 1,302,648</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 Townships

NOTE 8 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended February 28, 2013 the General Fund had expenditures that exceeded the amount budgeted by \$91,246. The excess is primarily attributable 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, 2013 was \$35,882.

The Township has a copier lease for 48 months beginning June 28, 2010 and ending June 28, 2014 at an amount of \$272 per month. Total equipment leasing expense for the year ended February 28, 2013 was \$2,987.

Future minimum rental payments to cover outstanding lease agreements at February 28, 2013 are:

| Year Ending February 28 | Amount |
|-------------------------|-------------------|
| 2014 | \$ 39,342 |
| 2015 | 37,442 |
| 2016 | 36,084 |
| 2017 | 36,084 |
| 2018 | 36,084 |
| 2019-2023 | 180,420 |
| 2024-2028 | 180,420 |
| 2029 | 12,028 |
| | <u>\$ 557,904</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 affiliated with the

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

Plan Description (Continued)

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 2012 used by the Township was 10.48% of annual covered payroll. The Township's annual required contribution rate for calendar year 2012 was 10.81%. 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. For calendar year ending December 31, 2012, the Township's actual contributions for pension cost for the Regular plan were \$55,002. Its required contribution for calendar year 2012 was \$56,733. The following table shows the components of the annual pension cost for the current year:

| | |
|--|-------------------------|
| Annual required contribution | \$ 56,733 |
| Interest on net pension obligation | 1,591 |
| Adjustments to annual required contribution | <u>(1,137)</u> |
| Annual pension cost | \$ 57,187 |
| Contributions made | <u>(55,002)</u> |
| Increase/(decrease) in net pension obligation | \$ 2,185 |
| Net pension obligation - beginning of the year | <u>21,217</u> |
| Net pension obligation - end of the year | <u><u>\$ 23,402</u></u> |

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 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 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, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information for the Regular Plan

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 12/31/2012 | \$ 56,733 | 97% | \$ 23,402 |
| 12/31/2011 | 59,863 | 89% | 21,217 |
| 12/31/2010 | 63,629 | 78% | 14,121 |

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 84.40% funded. The actuarial accrued liability for benefits was \$1,739,495 and the actuarial value of assets was \$1,468,140, resulting in an underfunded actuarial accrued liability (UAAL) of \$271,355. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$524,824 and the ratio of the UAAL to the covered payroll was 52%.

This schedule of funding progress 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.

Schedule of Funding Progress

| 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) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 12/31/2012 | \$ 1,468,140 | \$ 1,739,495 | \$ 271,355 | 84.40% | \$ 524,824 | 51.70% |
| 12/31/2011 | 1,526,646 | 1,788,588 | 261,942 | 85.35% | 556,868 | 47.04% |
| 12/31/2010 | 1,406,826 | 1,651,165 | 244,339 | 85.20% | 571,685 | 42.74% |

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,516,093. On a market basis, the funded ratio would be 87.16%.

B. *Social Security*

All employees are covered under Social Security. The Township paid \$34,292 to social security in fiscal year 2013, the total contribution required.

NOTE 11 - INTERFUND TRANSFERS

The Township had the following interfund transfers during the year ended February 28, 2013:

| Transfer From | Transfer To | Amount |
|---------------|----------------------|------------|
| General Fund | Road and Bridge Fund | \$ 105,000 |

The interfund transfer occurred to forgive a loan that the General Fund made to the Road and Bridge Fund to assist with the payment of road projects that occurred during the fiscal year ended February 28, 2009.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

During the year ended February 28, 2013 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, 2013, 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 May 17, 2013, the date on which the financial statements were available to be issued.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

Effective beginning in fiscal year 2013, the Township has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

SUPPLEMENTAL INFORMATION

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, 2013

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS |
|---|-----------------------|----------------|---------------------|
| | ORIGINAL AND FINAL | | |
| REVENUE RECEIVED | | | |
| Local Taxes | | | |
| Property Taxes | \$ | 800,000 | \$ 823,399 |
| Intergovernmental | | | |
| Personal Property Replacement Taxes | | 30,000 | 30,349 |
| U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant | | - | 185,875 |
| Other Local Sources | | | |
| Interest | | 500 | 934 |
| Passports | | 5,500 | 6,511 |
| Miscellaneous | | | |
| Other | | 7,200 | 5,445 |
| | \$ | <u>843,200</u> | <u>\$ 1,052,513</u> |
| EXPENDITURES DISBURSED | | | |
| CURRENT | | | |
| General Government | | | |
| Salaries | | | |
| Administration | \$ | 179,627 | \$ 173,053 |
| Assessor | | 77,446 | 80,168 |
| Highway Commissioner | | 52,000 | 52,000 |
| Town Clerk | | 14,000 | 14,000 |
| Trustees | | 10,800 | 10,800 |
| Health and Dental Insurance | | | |
| Administration | | 23,000 | 19,089 |
| Payroll Taxes | | | |
| Administration | | 25,542 | 12,982 |
| Assessor | | - | 6,133 |
| Highway Commissioner | | - | 3,978 |
| Town Clerk | | - | 1,071 |
| Trustees | | - | 826 |
| IMRF Contributions | | 31,277 | 37,072 |
| Unemployment Compensation | | 900 | 848 |
| Worker's Compensation | | 9,000 | 7,400 |
| Maintenance - Building | | 4,500 | 3,450 |
| Maintenance - Landscape | | 750 | 523 |
| Maintenance - Equipment | | 500 | 33 |
| Accounting Services | | 9,000 | 9,632 |
| Legal Services | | 7,000 | 2,974 |
| Postage | | 1,700 | 982 |
| Telephone | | 3,500 | 3,004 |
| Website Management | | 3,000 | 2,570 |
| Publishing | | 1,000 | 709 |
| Printing | | 750 | 689 |
| Dues and Conferences | | 1,500 | 1,086 |
| Travel Expense | | 750 | 459 |
| Training | | 500 | - |
| Utilities | | 6,500 | 2,800 |
| Liability Insurance | | 11,500 | 8,718 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|------------------------------------|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| General Government (Continued) | | |
| Office Rental | \$ 21,000 | \$ 17,941 |
| Real Estate Taxes | - | 1,415 |
| Computer Assistance | 1,500 | 200 |
| Equipment Leasing | 2,000 | 1,725 |
| Office and Operating Supplies | 3,500 | 3,523 |
| Miscellaneous | 6,000 | 3,212 |
| | \$ 510,042 | \$ 485,065 |
| Community Assistance and Services | | |
| Administration - HUD | \$ - | \$ 1,160 |
| Rent - HUD | - | 145,741 |
| Food Pantry | 5,500 | 5,096 |
| Lake Forest Senior Care | 25,000 | 25,000 |
| E/A Partnership Fund | 10,000 | 10,000 |
| Sr. Citizen Taxi Program | 30,000 | 34,062 |
| Prescriptions | 650 | 460 |
| Utilities | 13,500 | 9,241 |
| Shelter | 16,000 | 13,031 |
| Transient/Auto Fuel | 500 | 1,304 |
| Transportation | 2,000 | 2,054 |
| Personal Incidentals | 2,100 | 1,930 |
| Miscellaneous | 2,250 | 3,536 |
| | \$ 107,500 | \$ 252,615 |
| Assessor | | |
| Salaries | \$ 175,000 | \$ 172,651 |
| Health and Dental Insurance | | |
| Assessor and Staff | 22,500 | 14,260 |
| Payroll Taxes | 13,400 | 13,055 |
| Unemployment Compensation | - | 256 |
| IMRF Contributions | 18,400 | 19,529 |
| Maintenance - Building | 4,500 | 3,450 |
| Maintenance - Landscape | 750 | 523 |
| Maintenance - Equipment | 500 | 160 |
| Accounting Services | 2,000 | 2,000 |
| Legal Services | 1,000 | 203 |
| Postage | 750 | 220 |
| Telephone | 1,500 | 1,303 |
| Computer Software | 330 | - |
| Website Management | 500 | - |
| Publishing | - | 52 |
| Printing | 500 | 186 |
| Dues and Conferences | 3,000 | 1,309 |
| Travel Expense | 2,500 | 1,113 |
| Training | 2,000 | 680 |
| Utilities | 6,500 | 2,800 |
| Open Tax File | 8,200 | 7,200 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|---|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| Assessor (Continued) | | |
| Office Rental | \$ 21,000 | \$ 17,941 |
| Real Estate Taxes | - | 1,415 |
| Professional Services | 3,500 | 2,625 |
| Computer Assistance | 1,000 | - |
| Office and Operating Supplies | 2,000 | 2,438 |
| Equipment Leasing | 2,000 | 1,725 |
| Miscellaneous | 7,000 | 2,780 |
| | \$ 300,330 | \$ 269,874 |
| CAPITAL OUTLAY | | |
| General Government | \$ 500 | \$ 330 |
| Assessor | 2,500 | 4,234 |
| | \$ 3,000 | \$ 4,564 |
| TOTAL EXPENDITURES DISBURSED | \$ 920,872 | \$ 1,012,118 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ (77,672) | \$ 40,395 |
| OTHER FINANCING SOURCES/(USES) | | |
| Transfer to Road and Bridge Fund | - | (105,000) |
| NET CHANGE IN FUND BALANCE | \$ (77,672) | \$ (64,605) |
| FUND BALANCE - MARCH 1, 2012 | 1,100,347 | 1,100,347 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 1,022,675 | \$ 1,035,742 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|-------------------------------------|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| REVENUE RECEIVED | | |
| Local Taxes | | |
| Property Taxes | \$ 242,588 | \$ 260,331 |
| Intergovernmental | | |
| Motor Fuel Tax | 3,000 | 3,809 |
| Personal Property Replacement Taxes | 6,000 | 10,994 |
| Community Development Block Grant | 4,000 | - |
| Other Local Sources | | |
| Interest | 200 | 377 |
| Miscellaneous | | |
| Other | 2,500 | 2,158 |
| | \$ 258,288 | \$ 277,669 |
| EXPENDITURES DISBURSED | | |
| CURRENT | | |
| General Government | | |
| Salaries | \$ 4,500 | \$ 4,500 |
| Health Insurance | 600 | 558 |
| Unemployment Insurance | 100 | 115 |
| Worker's Compensation | 4,600 | 4,163 |
| Payroll Taxes | 5,000 | 4,267 |
| Medical - Drug Testing | 85 | 85 |
| Accounting Services | 3,000 | 3,000 |
| Legal Services | 1,000 | 360 |
| Postage | 350 | 110 |
| Telephone | 1,000 | 959 |
| Publishing | 200 | 149 |
| Printing | 400 | 186 |
| Travel | 250 | - |
| Training | 200 | 120 |
| Liability Insurance | 9,000 | 8,726 |
| Dues and Conferences | 400 | 250 |
| Computer Assistance | 200 | - |
| Julie Fees | 200 | 243 |
| NPDES Fees | 1,000 | 1,000 |
| Office and Operating Supplies | 400 | 145 |
| Miscellaneous | 200 | 58 |
| Municipal Replacement Tax | 5,600 | 4,053 |
| | \$ 38,285 | \$ 33,047 |
| Road and Bridge | | |
| Salaries | \$ 55,000 | \$ 55,783 |
| Maintenance - Building | 2,000 | 1,096 |
| Maintenance - Equipment | 8,000 | 5,155 |
| Utilities | 2,500 | 2,156 |
| Rentals | 500 | - |
| Street Lighting | 20,000 | 10,811 |
| Scavenger | 800 | 672 |
| Maintenance - Traffic Signal | 7,000 | 2,537 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|---|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| Road and Bridge (Continued) | | |
| Truck Testing | \$ 300 | \$ 70 |
| Tree Planting | 1,000 | - |
| Land Fill | 500 | - |
| Maintenance Supplies - Building | 1,100 | 731 |
| Maintenance Supplies - Equipment | 3,000 | 2,961 |
| Maintenance Supplies - Road | 2,200 | 569 |
| Small Tools | 300 | 88 |
| Automotive - Fuel, Oil, Etc. | 8,000 | 5,596 |
| Tree Removal | 2,500 | 2,365 |
| Truck License | 100 | - |
| Uniforms | 200 | - |
| Road Salt | 38,000 | 17,375 |
| Road Signs | 1,500 | 747 |
| Miscellaneous | 500 | 164 |
| Contingency | 500 | - |
| | \$ 155,500 | \$ 108,876 |
| CAPITAL OUTLAY | | |
| Road and Bridge | \$ 155,000 | \$ 177,489 |
| | \$ 155,000 | \$ 177,489 |
| TOTAL EXPENDITURES DISBURSED | \$ 348,785 | \$ 319,412 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ (90,497) | \$ (41,743) |
| OTHER FINANCING SOURCES/(USES) | | |
| Transfer from General Fund | - | 105,000 |
| NET CHANGE IN FUND BALANCE | \$ (90,497) | \$ 63,257 |
| FUND BALANCE - MARCH 1, 2012 | 273,299 | 273,299 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 182,802 | \$ 336,556 |

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
NOTES TO SUPPLEMENTAL INFORMATION
FEBRUARY 28, 2013

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 23, 2012.

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, 2013 the General Fund had expenditures that exceeded the amount budgeted by \$91,246. The excess is primarily attributable to a U.S. Department of Housing and Urban Development Shelter Care Plus Grant received in the Town Fund.

TOWN OF SHIELDS
GENERAL FUND
COMBINING BALANCE SHEET - MODIFIED CASH BASIS - GENERAL FUND
YEAR ENDED FEBRUARY 28, 2013

| ASSETS | <u>Town Fund</u> | <u>General Assistance Fund</u> | <u>General Fund Total</u> |
|---|----------------------------|--|-----------------------------------|
| Cash and Cash Equivalents | \$ 649,687 | \$ 12,219 | \$ 661,906 |
| Investments | <u>372,892</u> | <u>-</u> | <u>372,892</u> |
| TOTAL ASSETS | <u>\$ 1,022,579</u> | <u>\$ 12,219</u> | <u>\$ 1,034,798</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Unremitted Payroll Withholdings | <u>\$ (944)</u> | <u>\$ -</u> | <u>\$ (944)</u> |
| Total Liabilities | <u>\$ (944)</u> | <u>\$ -</u> | <u>\$ (944)</u> |
| FUND BALANCE | | | |
| Restricted | | | |
| Illinois Municipal Retirement | \$ 62,382 | \$ - | \$ 62,382 |
| Housing and Urban Development | 42,706 | - | 42,706 |
| Unassigned | <u>918,435</u> | <u>12,219</u> | <u>930,654</u> |
| Total Fund Balance | <u>\$ 1,023,523</u> | <u>\$ 12,219</u> | <u>\$ 1,035,742</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 1,022,579</u> | <u>\$ 12,219</u> | <u>\$ 1,034,798</u> |

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
 FUND FINANCIAL STATEMENTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED FEBRUARY 28, 2013

| | Town Fund | General Assistance Fund | General Fund Total |
|---|--------------|-------------------------------|--------------------------|
| REVENUE RECEIVED | | | |
| Local Taxes | | | |
| Property Taxes | \$ 823,399 | \$ - | \$ 823,399 |
| Intergovernmental | | | |
| Personal Property Replacement Taxes | 30,349 | - | 30,349 |
| U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant | 185,875 | - | 185,875 |
| Other Local Sources | | | |
| Interest | 928 | 6 | 934 |
| Passports | 6,511 | - | 6,511 |
| Miscellaneous | | | |
| Other | 2,518 | 2,927 | 5,445 |
| | \$ 1,049,580 | \$ 2,933 | \$ 1,052,513 |
| EXPENDITURES DISBURSED | | | |
| CURRENT | | | |
| General Government | \$ 482,705 | \$ 2,360 | \$ 485,065 |
| Community Assistance and Services | 221,059 | 31,556 | 252,615 |
| Assessor | 269,874 | - | 269,874 |
| CAPITAL OUTLAY | 4,564 | - | 4,564 |
| | \$ 978,202 | \$ 33,916 | \$ 1,012,118 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ 71,378 | \$ (30,983) | \$ 40,395 |
| OTHER FINANCING SOURCES/(USES) | | | |
| Transfers | (142,000) | 37,000 | (105,000) |
| NET CHANGE IN FUND BALANCES | \$ (70,622) | \$ 6,017 | \$ (64,605) |
| FUND BALANCE - MARCH 1, 2012 | 1,094,145 | 6,202 | 1,100,347 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 1,023,523 | \$ 12,219 | \$ 1,035,742 |

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, 2013

| | BUDGETED AMOUNTS | |
|---|-----------------------|---------------------|
| | ORIGINAL AND FINAL | ACTUAL AMOUNTS |
| REVENUE RECEIVED | | |
| Local Taxes | | |
| Property Taxes | \$ 800,000 | \$ 823,399 |
| Intergovernmental | | |
| Personal Property Replacement Taxes | 30,000 | 30,349 |
| U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant | - | 185,875 |
| Other Local Sources | | |
| Interest | 500 | 928 |
| Passports | 5,500 | 6,511 |
| Miscellaneous | | |
| Other | 6,000 | 2,518 |
| | <u>\$ 842,000</u> | <u>\$ 1,049,580</u> |
| EXPENDITURES DISBURSED | | |
| CURRENT | | |
| General Government | | |
| Salaries | | |
| Administration | \$ 179,627 | \$ 173,053 |
| Assessor | 77,446 | 80,168 |
| Highway Commissioner | 52,000 | 52,000 |
| Town Clerk | 14,000 | 14,000 |
| Trustees | 10,800 | 10,800 |
| Health and Dental Insurance | | |
| Administration | 23,000 | 19,089 |
| Payroll Taxes | | |
| Administration | 25,542 | 12,982 |
| Assessor | - | 6,133 |
| Highway Commissioner | - | 3,978 |
| Town Clerk | - | 1,071 |
| Trustees | - | 826 |
| IMRF Contributions | 31,277 | 37,072 |
| Unemployment Compensation | 900 | 848 |
| Worker's Compensation | 9,000 | 7,400 |
| Maintenance - Building | 4,500 | 3,450 |
| Maintenance - Landscape | 750 | 523 |
| Maintenance - Equipment | 500 | 33 |
| Accounting Services | 9,000 | 9,632 |
| Legal Services | 7,000 | 2,974 |
| Postage | 1,700 | 982 |
| Telephone | 3,500 | 3,004 |
| Website Management | 3,000 | 2,570 |
| Publishing | 1,000 | 709 |
| Printing | 750 | 689 |
| Dues and Conferences | 1,500 | 1,086 |
| Travel Expense | 750 | 459 |
| Training | 500 | - |
| Utilities | 6,500 | 2,800 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|------------------------------------|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| General Government (Continued) | | |
| Liability Insurance | \$ 9,000 | \$ 6,358 |
| Office Rental | 21,000 | 17,941 |
| Real Estate Taxes | - | 1,415 |
| Computer Assistance | 1,500 | 200 |
| Equipment Leasing | 2,000 | 1,725 |
| Office and Operating Supplies | 3,500 | 3,523 |
| Miscellaneous | 6,000 | 3,212 |
| | \$ 507,542 | \$ 482,705 |
| Community Assistance and Services | | |
| Administration - HUD | \$ - | \$ 1,160 |
| Rent - HUD | - | 145,741 |
| Food Pantry | 5,500 | 5,096 |
| Lake Forest Senior Care | 25,000 | 25,000 |
| E/A Partnership Fund | 10,000 | 10,000 |
| Sr. Citizen Taxi Program | 30,000 | 34,062 |
| | \$ 70,500 | \$ 221,059 |
| Assessor | | |
| Salaries | \$ 175,000 | \$ 172,651 |
| Health and Dental Insurance | | |
| Assessor and Staff | 22,500 | 14,260 |
| Payroll Taxes | 13,400 | 13,055 |
| Unemployment Compensation | - | 256 |
| IMRF Contributions | 18,400 | 19,529 |
| Maintenance - Building | 4,500 | 3,450 |
| Maintenance - Landscape | 750 | 523 |
| Maintenance - Equipment | 500 | 160 |
| Accounting Services | 2,000 | 2,000 |
| Legal Services | 1,000 | 203 |
| Postage | 750 | 220 |
| Telephone | 1,500 | 1,303 |
| Computer Software | 330 | - |
| Website Management | 500 | - |
| Publishing | - | 52 |
| Printing | 500 | 186 |
| Dues and Conferences | 3,000 | 1,309 |
| Travel Expense | 2,500 | 1,113 |
| Training | 2,000 | 680 |
| Utilities | 6,500 | 2,800 |
| Open Tax File | 8,200 | 7,200 |
| Office Rental | 21,000 | 17,941 |
| Real Estate Taxes | - | 1,415 |
| Professional Services | 3,500 | 2,625 |
| Computer Assistance | 1,000 | - |
| Office and Operating Supplies | 2,000 | 2,438 |

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, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS |
|---|--|-------------------|
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| Assessor (Continued) | | |
| Equipment Leasing | \$ 2,000 | \$ 1,725 |
| Miscellaneous | 7,000 | 2,780 |
| | \$ 300,330 | \$ 269,874 |
| CAPITAL OUTLAY | | |
| General Government | \$ 500 | \$ 330 |
| Assessor | 2,500 | 4,234 |
| | \$ 3,000 | \$ 4,564 |
| TOTAL EXPENDITURES DISBURSED | \$ 881,372 | \$ 978,202 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ (39,372) | \$ 71,378 |
| OTHER FINANCING SOURCES/(USES) | | |
| Transfer to Road and Bridge Fund | \$ - | \$ (105,000) |
| Transfer to General Assistance Fund | (37,000) | (37,000) |
| | \$ (37,000) | \$ (142,000) |
| NET CHANGE IN FUND BALANCE | \$ (76,372) | \$ (70,622) |
| FUND BALANCE - MARCH 1, 2012 | 1,094,145 | 1,094,145 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 1,017,773 | \$ 1,023,523 |

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, 2013

| | BUDGETED AMOUNTS ORIGINAL AND FINAL | ACTUAL AMOUNTS |
|---|--|-------------------|
| REVENUE RECEIVED | | |
| Other Local Sources | | |
| Interest | \$ - | \$ 6 |
| Miscellaneous | | |
| Other | 1,200 | 2,927 |
| | \$ 1,200 | \$ 2,933 |
| EXPENDITURES DISBURSED | | |
| CURRENT | | |
| General Government | | |
| Liability Insurance | \$ 2,500 | \$ 2,360 |
| | \$ 2,500 | \$ 2,360 |
| Community Assistance and Services | | |
| Prescriptions | \$ 650 | \$ 460 |
| Utilities | 13,500 | 9,241 |
| Shelter | 16,000 | 13,031 |
| Transient/Auto Fuel | 500 | 1,304 |
| Transportation | 2,000 | 2,054 |
| Personal Incidentals | 2,100 | 1,930 |
| Miscellaneous | 2,250 | 3,536 |
| | \$ 37,000 | \$ 31,556 |
| TOTAL EXPENDITURES DISBURSED | \$ 39,500 | \$ 33,916 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ (38,300) | \$ (30,983) |
| OTHER FINANCING SOURCES/(USES) | | |
| Transfer from Town Fund | 37,000 | 37,000 |
| NET CHANGE IN FUND BALANCE | \$ (1,300) | \$ 6,017 |
| FUND BALANCE - MARCH 1, 2012 | 6,202 | 6,202 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 4,902 | \$ 12,219 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|-------------------------------------|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| REVENUE RECEIVED | | |
| Local Taxes | | |
| Property Taxes | \$ 800,000 | \$ 823,399 |
| Intergovernmental | | |
| Personal Property Replacement Taxes | 30,000 | 30,349 |
| Other Local Sources | | |
| Interest | 500 | 928 |
| Passports | 5,500 | 6,511 |
| Miscellaneous | | |
| Other | 6,000 | 2,518 |
| | \$ 842,000 | \$ 863,705 |
| EXPENDITURES DISBURSED | | |
| CURRENT | | |
| General Government | | |
| Salaries | | |
| Administration | \$ 179,627 | \$ 173,053 |
| Assessor | 77,446 | 80,168 |
| Highway Commissioner | 52,000 | 52,000 |
| Town Clerk | 14,000 | 14,000 |
| Trustees | 10,800 | 10,800 |
| Health and Dental Insurance | | |
| Administration | 23,000 | 19,089 |
| Payroll Taxes | | |
| Administration | 25,542 | 12,982 |
| Assessor | - | 6,133 |
| Highway Commissioner | - | 3,978 |
| Town Clerk | - | 1,071 |
| Trustees | - | 826 |
| IMRF Contributions | 31,277 | 37,072 |
| Unemployment Compensation | 900 | 848 |
| Worker's Compensation | 9,000 | 7,400 |
| Maintenance - Building | 4,500 | 3,450 |
| Maintenance - Landscape | 750 | 523 |
| Maintenance - Equipment | 500 | 33 |
| Accounting Services | 9,000 | 9,632 |
| Legal Services | 7,000 | 2,974 |
| Postage | 1,700 | 982 |
| Telephone | 3,500 | 3,004 |
| Website Management | 3,000 | 2,570 |
| Publishing | 1,000 | 709 |
| Printing | 750 | 689 |
| Dues and Conferences | 1,500 | 1,086 |
| Travel Expense | 750 | 459 |
| Training | 500 | - |
| Utilities | 6,500 | 2,800 |
| Liability Insurance | 9,000 | 6,358 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|------------------------------------|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CURRENT (Continued) | | |
| General Government (Continued) | | |
| Office Rental | \$ 21,000 | \$ 17,941 |
| Real Estate Taxes | - | 1,415 |
| Computer Assistance | 1,500 | 200 |
| Equipment Leasing | 2,000 | 1,725 |
| Office and Operating Supplies | 3,500 | 3,523 |
| Miscellaneous | 6,000 | 3,212 |
| | \$ 507,542 | \$ 482,705 |
| Community Assistance and Services | | |
| Food Pantry | \$ 5,500 | \$ 5,096 |
| Lake Forest Senior Care | 25,000 | 25,000 |
| E/A Partnership Fund | 10,000 | 10,000 |
| Sr. Citizen Taxi Program | 30,000 | 34,062 |
| | \$ 70,500 | \$ 74,158 |
| Assessor | | |
| Salaries | \$ 175,000 | \$ 172,651 |
| Health and Dental Insurance | | |
| Assessor and Staff | 22,500 | 14,260 |
| Payroll Taxes | 13,400 | 13,055 |
| Unemployment Compensation | - | 256 |
| IMRF Contributions | 18,400 | 19,529 |
| Maintenance - Building | 4,500 | 3,450 |
| Maintenance - Landscape | 750 | 523 |
| Maintenance - Equipment | 500 | 160 |
| Accounting Services | 2,000 | 2,000 |
| Legal Services | 1,000 | 203 |
| Postage | 750 | 220 |
| Telephone | 1,500 | 1,303 |
| Computer Software | 330 | - |
| Website Management | 500 | - |
| Publishing | - | 52 |
| Printing | 500 | 186 |
| Dues and Conferences | 3,000 | 1,309 |
| Travel Expense | 2,500 | 1,113 |
| Training | 2,000 | 680 |
| Utilities | 6,500 | 2,800 |
| Open Tax File | 8,200 | 7,200 |
| Office Rental | 21,000 | 17,941 |
| Real Estate Taxes | - | 1,415 |
| Professional Services | 3,500 | 2,625 |
| Computer Assistance | 1,000 | - |
| Office and Operating Supplies | 2,000 | 2,438 |
| Equipment Leasing | 2,000 | 1,725 |
| Miscellaneous | 7,000 | 2,780 |
| | \$ 300,330 | \$ 269,874 |

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, 2013

| | BUDGETED AMOUNTS | ACTUAL AMOUNTS |
|---|-----------------------|-------------------|
| | ORIGINAL AND FINAL | |
| EXPENDITURES DISBURSED (Continued) | | |
| CAPITAL OUTLAY | | |
| General Government | \$ 500 | \$ 330 |
| Assessor | 2,500 | 4,234 |
| | \$ 3,000 | \$ 4,564 |
| TOTAL EXPENDITURES DISBURSED | \$ 881,372 | \$ 831,301 |
| EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED | \$ (39,372) | \$ 32,404 |
| OTHER FINANCING SOURCES/(USES) | | |
| Transfer to Road and Bridge Fund | \$ - | \$ (105,000) |
| Transfer to General Assistance Fund | (37,000) | (37,000) |
| | \$ (37,000) | \$ (142,000) |
| NET CHANGE IN FUND BALANCE | \$ (76,372) | \$ (109,596) |
| FUND BALANCE - MARCH 1, 2012 | 1,045,965 | 1,045,965 |
| FUND BALANCE - FEBRUARY 28, 2013 | \$ 969,593 | \$ 936,369 |

See Accompanying Independent Auditor's Report