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**TOWN OF SHIELDS
LAKE COUNTY, ILLINOIS**

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2016

eder, casella & co.

TOWN OF SHIELDS
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FEBRUARY 29, 2016

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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 29, 2016, 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 29, 2016, 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.

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Change in Accounting Principle

As discussed in Note 14 to the financial statements, the Township implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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 6 and 26 through 40, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 16, 2016

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 29, 2016.

FINANCIAL HIGHLIGHTS

- Net position decreased \$393,603 compared to the prior year.
- Of the total capital assets of \$1,312,800, 58%, or \$756,122, are allocated to the Road and Bridge Fund. The remainder is allocated to the General Fund.
- At February 29, 2016, the General Fund and Road and Bridge Fund combine to report ending fund balances of \$924,906, a decrease of \$370,411 from the prior year. Of this total amount, \$54,640 is restricted, \$131,164 is assigned in the Road and Bridge Fund, and the balance (\$739,102) is available to meet the obligations of the Township (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position – Modified Cash Basis presents information on all of the Township's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, assessor, road and bridge, and community assistance and services. The Township does not have any business-type activities.

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

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund Balance Sheet – Modified Cash Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 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 \$2,237,706 at the close of the most recent fiscal year.

	Governmental Activities	
	2/29/2016	2/28/2015
Current and Other Assets	\$ 940,772	\$ 1,301,691
Capital Assets	1,312,800	1,335,992
Total Assets	\$ 2,253,572	\$ 2,637,683
Other Liabilities	\$ 15,866	\$ 6,374
Total Liabilities	\$ 15,866	\$ 6,374
Net Position		
Net Investment in Capital Assets	\$ 1,312,800	\$ 1,335,992
Restricted	54,640	347,334
Unrestricted	870,266	947,983
Total Net Position	\$ 2,237,706	\$ 2,631,309

The largest portion of the Township's net position (\$1,312,800) 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 (58%) are allocated to Road and Bridge.

An additional portion of the Township’s net position (2%) 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 \$393,603 during the current fiscal year. The difference is primarily attributable to an increase in Road and Bridge Fund expenditures of \$415,385 for road resurfacing.

Governmental activities - Governmental activities decreased the Township’s net position by \$393,603. Key elements of this decrease are as follows:

Town of Shields' Change in Net Position		
	Governmental Activities	
	2/29/2016	2/28/2015
Revenues		
Program Revenues		
Charges for Services	\$ 27,572	\$ 16,802
Operating Grants and Contributions	177,548	162,994
General Revenues		
Property Taxes	944,343	908,814
Motor Fuel Tax	3,910	4,806
Personal Property Replacement Tax	49,748	45,954
Unrestricted Investment Earnings	866	480
Other	6,726	8,872
Total Revenues	<u>\$ 1,210,713</u>	<u>\$ 1,148,722</u>
Expenses		
General Government	\$ 389,313	\$ 393,482
Assessor	312,874	322,976
Road and Bridge	643,854	228,469
Community Assistance and Services	246,198	305,261
Depreciation - Unallocated	12,077	12,077
Total Expenses	<u>\$ 1,604,316</u>	<u>\$ 1,262,265</u>
Increase/(Decrease) in Net Position	\$ (393,603)	\$ (113,543)
Net Position - Beginning of Year	2,631,309	2,719,804
Net Position Adjustment	-	25,048
Net Position - End of Year	<u>\$ 2,237,706</u>	<u>\$ 2,631,309</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 \$38,235 and the Road and Bridge Fund decreased by \$332,176 during the current fiscal year. The decrease in the General Fund balance is primarily due to expenditures being greater than revenue. The decrease in the Road and Bridge Fund balance is primarily due to an increase in capital outlay expenditures of \$415,385 for road resurfacing 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 \$169,998. In total, actual revenues exceeded budgeted revenues by \$201,025.
- Actual expenditures exceeded budgeted expenditures by \$147,739. 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 29, 2016 amounts to \$1,312,800 (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 \$23,192 and was primarily due to current year depreciation expense offset by the donation of land.

Town of Shields' Capital Assets (net of depreciation)		
	Governmental Activities	
	2/29/2016	2/28/2015
Land	\$ 515,588	\$ 486,499
Buildings	2,381	2,646
Leasehold Improvements	36,529	47,488
Infrastructure	731,550	764,246
Furniture and Fixtures	3,651	4,493
Machinery and Equipment	3,875	5,901
Vehicles	19,226	24,719
Total	<u>\$ 1,312,800</u>	<u>\$ 1,335,992</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Trustees of the Township considered various factors in preparing the appropriations ordinance for the Township which was adopted for the 2017 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 29, 2016

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 921,992
Due from Other Governments	18,780
Capital Assets	
Land	515,588
Other Capital Assets, Net of Depreciation	797,212
Total Assets	\$ 2,253,572
 LIABILITIES	
Unremitted Payroll Withholdings	\$ 12,866
Deposits	3,000
Total Liabilities	\$ 15,866
 NET POSITION	
Net Investment in Capital Assets	\$ 1,312,800
Restricted for:	
Illinois Municipal Retirement	47,748
Housing and Urban Development	6,892
Unrestricted / (Deficit)	870,266
Total Net Position	\$ 2,237,706

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 29, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 389,313	\$ 27,572	\$ -	\$ (361,741)
Assessor	312,874	-	-	(312,874)
Road and Bridge	643,854	-	-	(643,854)
Community Assistance and Services	246,198	-	177,548	(68,650)
Depreciation - Unallocated	12,077	-	-	(12,077)
Total Governmental Activities	<u>\$ 1,604,316</u>	<u>\$ 27,572</u>	<u>\$ 177,548</u>	<u>\$ (1,399,196)</u>
General Revenues				
Taxes				
Property Taxes				\$ 944,343
Motor Fuel Tax				3,910
Personal Property Replacement Taxes				49,748
Unrestricted Investment Earnings				866
Other Income				6,726
Total General Revenues				<u>\$ 1,005,593</u>
Change in Net Position				\$ (393,603)
Net Position - Beginning of Year				<u>2,631,309</u>
Net Position - End of Year				<u><u>\$ 2,237,706</u></u>

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

TOWN OF SHIELDS
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 AS OF FEBRUARY 29, 2016

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 804,162	\$ 117,830	\$ 921,992
Due from Other Governments	-	18,780	18,780
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 804,162</u>	<u>\$ 136,610</u>	<u>\$ 940,772</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 10,420	\$ 2,446	\$ 12,866
Deposits	-	3,000	3,000
Total Liabilities	<u>\$ 10,420</u>	<u>\$ 5,446</u>	<u>\$ 15,866</u>
Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 47,748	-	\$ 47,748
Housing and Urban Development	6,892	-	6,892
Assigned			
Road and Bridge	-	131,164	131,164
Unassigned	739,102	-	739,102
Total Fund Balance	<u>\$ 793,742</u>	<u>\$ 131,164</u>	<u>\$ 924,906</u>
Total Liabilities and Fund Balance	<u>\$ 804,162</u>	<u>\$ 136,610</u>	<u>\$ 940,772</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 29, 2016

Total Fund Balances - Governmental Funds \$ 924,906

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 1,312,800

Net Position of Governmental Activities \$ 2,237,706

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 29, 2016

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Total Governmental Funds</u>
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 653,515	\$ 290,828	\$ 944,343
Intergovernmental			
Motor Fuel Tax	-	3,910	3,910
Personal Property Replacement Taxes	36,519	13,229	49,748
U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant	177,548	-	177,548
Other Local Sources			
Interest	699	167	866
Passports	27,572	-	27,572
Miscellaneous			
Other	6,232	494	6,726
	<u>\$ 902,085</u>	<u>\$ 308,628</u>	<u>\$ 1,210,713</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 381,572	\$ 36,525	\$ 418,097
Community Assistance and Services	246,198	-	246,198
Assessor	312,550	-	312,550
Road and Bridge	-	139,690	139,690
CAPITAL OUTLAY	-	464,589	464,589
	<u>\$ 940,320</u>	<u>\$ 640,804</u>	<u>\$ 1,581,124</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (38,235)	\$ (332,176)	\$ (370,411)
OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (38,235)	\$ (332,176)	\$ (370,411)
FUND BALANCE - MARCH 1, 2015	<u>831,977</u>	<u>463,340</u>	<u>1,295,317</u>
FUND BALANCE - FEBRUARY 29, 2016	<u><u>\$ 793,742</u></u>	<u><u>\$ 131,164</u></u>	<u><u>\$ 924,906</u></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 29, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (370,411)

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	\$ (52,281)	
Capital Outlays	29,089	
	(23,192)	(23,192)

Change in Net Position of Governmental Activities \$ (393,603)

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

TOWN OF SHIELDS
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2016

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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 29, 2016.

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

The Township does not allocate indirect costs.

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

C. *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

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

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Township reports these major governmental funds and fund types:

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Basis of Accounting*

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

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

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

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

E. *Cash and Cash Equivalents and Investments*

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

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

F. *Inventories*

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

G. *Interfund Activities*

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line half-year basis over the following estimated useful lives:

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

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

I. *Long-Term Obligations*

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

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

J. *Government-Wide Net Position*

Net position is divided into three components:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Governmental Fund Balances*

Governmental fund balances are divided between nonspendable and spendable.

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

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

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

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

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

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

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 2014 tax levies were passed by the board on December 12, 2013. Property taxes attach as an

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Property Tax Calendar and Revenues* (Continued)

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 29, 2016 was as follows:

	Balance 3/1/2015	Increases	Decreases	Balance 2/29/2016
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 486,499	\$ 29,089	\$ -	\$ 515,588
	<u>\$ 486,499</u>	<u>\$ 29,089</u>	<u>\$ -</u>	<u>\$ 515,588</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	178,483	-	-	178,483
Vehicles	158,119	-	-	158,119
	<u>\$ 1,589,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,093</u>
Less Accumulated Depreciation for:				
Buildings	\$ 17,193	\$ 265	\$ -	\$ 17,458
Leasehold Improvements	171,690	10,959	-	182,649
Infrastructure	229,824	32,696	-	262,520
Furniture and Fixtures	14,911	842	-	15,753
Machinery and Equipment	172,582	2,026	-	174,608
Vehicles	133,400	5,493	-	138,893
	<u>\$ 739,600</u>	<u>\$ 52,281</u>	<u>\$ -</u>	<u>\$ 791,881</u>
Other Capital Assets, Net	<u>\$ 849,493</u>	<u>\$ (52,281)</u>	<u>\$ -</u>	<u>\$ 797,212</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 1,335,992</u></u>	<u><u>\$ (23,192)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,312,800</u></u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 305
Assessor	324
Road and Bridge	39,575
Unallocated	12,077
Total Governmental Activities Depreciation Expense	<u><u>\$ 52,281</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - INTERFUND LOANS

There were no interfund loans as of February 29, 2016.

NOTE 5 - DEFICIT FUND BALANCES

There were no funds with a deficit fund balance as of February 29, 2016.

NOTE 6 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2014 tax levies. A summary of the assessed valuation, rates, and extensions for the years 2014, 2013, and 2012 follows:

Tax Year	2014		2013		2012	
	Assessed Valuation		Assessed Valuation		Assessed Valuation	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
Corporate	0.0370	\$ 616,004	0.0350	\$ 591,509	0.0340	\$ 605,574
Illinois Municipal Retirement	0.0024	40,006	0.0020	33,801	0.0020	35,622
*Road and Bridge	0.0331	291,772	0.0320	287,368	0.0290	274,133
	<u>0.0725</u>	<u>\$ 947,782</u>	<u>0.0690</u>	<u>\$ 912,678</u>	<u>0.0650</u>	<u>\$ 915,329</u>

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

NOTE 7 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended February 29, 2016 the expenditures of the following funds exceeded the budget:

FUND	BUDGET	ACTUAL	EXCESS OF ACTUAL OVER BUDGET
General Fund	\$ 792,581	\$ 940,320	\$ 147,739
Road and Bridge Fund	534,700	640,804	106,104

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. The Road and Bridge Fund is primarily attributable to expenses related to a road resurfacing project.

NOTE 8 - OPERATING LEASES

The Township had a rental agreement with the Board of Education of School District No. 65 for the second floor of the West Elementary School Building. The agreement is for 30 years beginning July 1, 1999 and ending June 30, 2029. The building has since been sold and payments are now being made to the Korogluyan Family Trust. The annual rent during the first year of the lease was \$26,116 and each year thereafter rent shall increase at the lesser of the Consumer Price Index – Urban rate for each July 1 to June 30 period or five percent. Total rent expense for the year ended February 29, 2016 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 29, 2016 was \$4,539.

Future minimum rental payments to cover outstanding lease agreements at February 29, 2016 are:

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - OPERATING LEASES (Continued)

<u>Year Ending February 28</u>	<u>Amount</u>
2017	\$ 42,007
2018	42,007
2019	41,632
2020	37,505
2021	37,505
2022-2026	187,525
2027-2030	87,511
	<u>\$ 475,692</u>

NOTE 9 - RETIREMENT FUND COMMITMENTS

A. *Illinois Municipal Retirement Fund*

➤ **Plan Description**

The Township's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Township's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. 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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

➤ **Benefits Provided** (Continued)

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, 2014, the measurement date, the Township's membership consisted of:

Retirees and Beneficiaries	10
Inactive, Non-Retired Members	6
Active Members	6
Total	22

➤ **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 2014 was 10.88%. For the fiscal year ended February 29, 2016, the Township contributed \$43,650 to the Plan. 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 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, 2014, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability	\$ 2,928,747
IMRF Fiduciary Net Position	2,804,551
Township's Net Pension Liability	124,196
 IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	95.76%

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

➤ **Actuarial Assumptions**

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2014 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	7.49%
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
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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:

Asset Class	Target Allocation	Projected Return
Equities	63.20%	7.60%
International Equities	2.60%	7.80%
Fixed Income	23.50%	3.00%
Real Estate	4.30%	6.15%
Alternatives	4.50%	
Private Equity		8.50%
Hedge Funds		5.25%
Commodities		2.75%
Cash	1.90%	2.25%
	<u>100.00%</u>	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

➤ **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 3.56%; and resulting single discount rate is 7.49%.

➤ **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 7.49% 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 (6.49%) or 1-percentage-point higher (8.49%) than the current rate:

	1% Decrease 6.49%	Current Discount Rate 7.49%	1% Increase 8.49%
Net Pension Liability/(Asset)	\$ 507,538	\$ 124,196	\$ (193,677)

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

For the year ended February 29, 2016, the Township's pension expense is \$112,358. At February 29, 2016, the Township's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were as follows:

Expense in Future Periods	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 86,825	\$ -	\$ 86,825
Assumption changes	72,619	-	72,619
Net difference between projected and actual earnings on pension investments	30,560	-	30,560
Total deferred amounts to be recognized in pension expense in future periods	\$ 190,004	\$ -	\$ 190,004
Pension contributions made subsequent to the measurement date	43,650	-	43,650
Total deferred amounts related to pensions	<u>\$ 233,654</u>	<u>\$ -</u>	<u>\$ 233,654</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RETIREMENT FUND COMMITMENTS (Continued)

A. *Illinois Municipal Retirement Fund* (Continued)

➤ **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

Year Ending December 31	Net Deferred Outflows Resources
2015	\$ 112,098
2016	62,627
2017	7,640
2018	7,639
2019	-
Thereafter	-
	\$ 190,004

B. *Social Security*

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

NOTE 10 - INTERFUND TRANSFERS

There were no interfund transfers for the year ended February 29, 2016.

NOTE 11 - RISK MANAGEMENT

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

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

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

NOTE 11 - RISK MANAGEMENT (Continued)

During the year ended February 29, 2016 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 29, 2016, there were no significant adjustments in premiums based on actual experience.

NOTE 12 - CONTINGENCIES

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

NOTE 13 - SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 16, 2016, the date on which the financial statements were available to be issued.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective in the year ended February 29, 2016, the Township has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

SUPPLEMENTAL INFORMATION

TOWN OF SHIELDS
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
FEBRUARY 29, 2016

	2/29/16 *
TOTAL PENSION LIABILITY	
Service Cost	\$ 52,297
Interest	189,211
Differences Between Expected and Actual Experience	143,707
Changes in Assumptions	120,195
Benefit Payments, Including Refunds of Member Contributions	(146,649)
Net Change in Total Pension Liability	\$ 358,761
Total Pension Liability - Beginning	2,569,986
Total Pension Liability - Ending	\$ 2,928,747
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 39,221
Contributions - Member	16,221
Net Investment Income	162,463
Benefit Payments, Including Refunds of Member Contributions	(146,649)
Other	24,364
Net Change in Plan Fiduciary Net Position	\$ 95,620
Plan Net Position - Beginning	2,708,931
Plan Net Position - Ending	\$ 2,804,551
Township's Net Pension Liability	\$ 124,196
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	95.76%
Covered-Employee Payroll	\$ 360,478
Employer's Net Pension Liability as a percentage of Covered-Employee Payroll	34.45%

* This information presented is based on the actuarial valuation performed as of the December 31, 2014 year end.

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 29, 2016

	2/29/16 *
Actuarial Determined Contribution	\$ 39,220
Contributions in relation to Actuarially Determined Contribution	39,221
Contribution deficiency/(excess)	\$ (1)
Covered-Employee Payroll	\$ 360,478
Contributions as a percentage of Covered-Employee Payroll	10.88%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2014 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: 29-year closed 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 2011 valuation pursuant to an experience study of the period 2008 to 2010.

Mortality: RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward ten years.

*Based on Valuation Assumptions used in the December 31, 2012 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 29, 2016

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
REVENUE RECEIVED		
Local Taxes		
Property Taxes	\$ 656,000	\$ 653,515
Intergovernmental		
Personal Property Replacement Taxes	24,480	36,519
U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant	7,550	177,548
Other Local Sources		
Interest	330	699
Passports	8,500	27,572
Miscellaneous		
Other	4,200	6,232
	<u>\$ 701,060</u>	<u>\$ 902,085</u>
EXPENDITURES DISBURSED		
CURRENT		
General Government		
Salaries		
Administration	\$ 175,612	\$ 144,833
Assessor	50,000	50,000
Highway Commissioner	30,000	30,000
Town Clerk	6,000	6,000
Health and Dental Insurance		
Administration	13,945	10,118
Payroll Taxes		
Administration	18,256	11,161
Assessor	-	3,825
Highway Commissioner	-	2,295
Town Clerk	-	459
IMRF Contributions	13,766	12,221
Unemployment Compensation	918	1,093
Worker's Compensation	11,220	8,149
Maintenance - Building	4,850	4,432
Maintenance - Landscape	825	700
Accounting Services	5,600	4,026
Legal Services	5,000	5,070
Contract Services	-	22,657
Postage	2,300	3,235
Telephone	2,640	2,382
Computer Software	2,500	2,824
Website Management	2,100	4,005
Publishing	500	409
Printing	300	194
Dues and Conferences	1,500	2,573
Travel Expense	1,500	1,110
Training	900	-
Utilities	5,150	5,224
Liability Insurance	7,230	8,507
Office Rental	19,200	18,752
Real Estate Taxes	2,200	2,181

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 29, 2016

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Computer Assistance	\$ 2,100	\$ 780
Equipment Leasing	3,375	3,898
Office and Operating Supplies	1,500	1,948
Miscellaneous	2,500	6,511
	<u>\$ 393,487</u>	<u>\$ 381,572</u>
Community Assistance and Services		
Administration - HUD	\$ -	\$ 865
Rent - HUD	-	173,341
Food Pantry	2,400	2,155
Lake Forest Senior Care	10,000	10,000
E/A Partnership Fund	10,000	10,000
Sr. Citizen Taxi Program	15,000	2,188
Phoenix Rising Contribution	8,500	27,672
Prescriptions	200	-
Utilities	6,500	5,446
Shelter	18,000	7,532
Transient/Auto Fuel	700	1,304
Transportation	4,000	-
Food	-	300
Personal Incidentals	3,300	2,665
Miscellaneous	2,300	2,730
	<u>\$ 80,900</u>	<u>\$ 246,198</u>
Assessor		
Salaries	\$ 198,500	\$ 202,755
Health and Dental Insurance		
Assessor and Staff	12,750	7,371
Payroll Taxes	14,984	15,235
Unemployment Compensation	200	187
IMRF Contributions	25,609	23,767
Maintenance - Building	2,160	4,432
Maintenance - Landscape	600	700
Maintenance - Equipment	336	336
Accounting Services	6,320	4,026
Legal Services	500	761
Postage	600	588
Telephone	2,100	2,569
Computer Software	3,115	-
Website Management	600	525
Printing	500	33
Dues and Conferences	600	151
Travel Expense	3,600	2,252
Training	2,400	2,540
Utilities	5,040	4,762
Open Tax File	7,200	7,200
Office Rental	19,200	18,753
Real Estate Taxes	1,620	2,181

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 29, 2016

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
Assessor (Continued)		
Professional Services	\$ 3,000	\$ 3,334
Computer Assistance	1,260	4,245
Office and Operating Supplies	2,400	2,347
Equipment Leasing	1,800	1,299
Miscellaneous	1,200	201
	\$ 318,194	\$ 312,550
 TOTAL EXPENDITURES DISBURSED	 \$ 792,581	 \$ 940,320
 EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	 \$ (91,521)	 \$ (38,235)
 OTHER FINANCING SOURCES/(USES)	 -	 -
 NET CHANGE IN FUND BALANCE	 \$ (91,521)	 \$ (38,235)
 FUND BALANCE - MARCH 1, 2015	 831,977	 831,977
 FUND BALANCE - FEBRUARY 29, 2016	 \$ 740,456	 \$ 793,742

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 29, 2016

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
REVENUE RECEIVED		
Local Taxes		
Property Taxes	\$ 291,772	\$ 290,828
Intergovernmental		
Motor Fuel Tax	3,000	3,910
Personal Property Replacement Taxes	12,000	13,229
Other Local Sources		
Interest	50	167
Miscellaneous		
Other	1,500	494
	\$ 308,322	\$ 308,628
EXPENDITURES DISBURSED		
CURRENT		
General Government		
Salaries	\$ 5,500	\$ 5,500
Health Insurance	550	498
Unemployment Insurance	400	239
Worker's Compensation	5,800	4,362
Payroll Taxes	7,200	7,310
Medical - Drug Testing	400	180
Accounting Services	7,000	3,807
Legal Services	3,000	1,568
Postage	400	98
Telephone	2,000	2,218
Publishing	400	353
Printing	150	132
Travel	800	19
Training	250	-
Liability Insurance	7,500	8,560
Dues and Conferences	350	285
Julie Fees	450	-
NPDES Fees	1,000	1,000
Office and Operating Supplies	200	396
Municipal Replacement Tax	5,000	-
	\$ 48,350	\$ 36,525
Road and Bridge		
Salaries	\$ 100,000	\$ 95,709
Maintenance - Building	4,000	540
Maintenance - Equipment	10,000	8,002
Utilities	3,000	2,068
Rentals	2,000	-
Street Lighting	8,000	12,554
Scavenger	1,200	1,128
Maintenance - Traffic Signal	-	407
Truck Testing	150	140
Land Fill	1,000	-

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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 29, 2016

	BUDGETED AMOUNTS		ACTUAL AMOUNTS
	ORIGINAL AND FINAL		
EXPENDITURES DISBURSED (Continued)			
CURRENT (Continued)			
Road and Bridge (Continued)			
Maintenance Supplies - Building	\$ 3,000		\$ 1,799
Maintenance Supplies - Equipment	4,500		2,631
Maintenance Supplies - Road	-		128
Small Tools	1,000		293
Automotive - Fuel, Oil, Etc.	7,000		3,887
Tree Removal	8,000		-
Uniforms	1,000		53
Road Salt	12,000		8,808
Road Signs	1,500		1,119
Miscellaneous	2,500		424
	\$ 169,850		\$ 139,690
CAPITAL OUTLAY			
General Government	\$ 500		\$ -
Road and Bridge	316,000		464,589
	\$ 316,500		\$ 464,589
 TOTAL EXPENDITURES DISBURSED	 \$ 534,700		 \$ 640,804
 EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	 \$ (226,378)		 \$ (332,176)
 OTHER FINANCING SOURCES/(USES)	 -		 -
 NET CHANGE IN FUND BALANCE	 \$ (226,378)		 \$ (332,176)
 FUND BALANCE - MARCH 1, 2015	 463,340		 463,340
 FUND BALANCE - FEBRUARY 29, 2016	 \$ 236,962		 \$ 131,164

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS - GENERAL FUND
 YEAR ENDED FEBRUARY 29, 2016

	Town Fund	General Assistance Fund	General Fund Total
ASSETS			
Cash and Cash Equivalents	\$ 802,495	\$ 1,667	\$ 804,162
Total Assets	\$ 802,495	\$ 1,667	\$ 804,162
LIABILITIES AND FUND BALANCE			
Liabilities			
Unremitted Payroll Withholdings	\$ 10,420	\$ -	\$ 10,420
Total Liabilities	\$ 10,420	\$ -	\$ 10,420
Fund Balance			
Restricted			
Illinois Municipal Retirement	\$ 47,748	\$ -	\$ 47,748
Housing and Urban Development	6,892	-	6,892
Unassigned	737,435	1,667	739,102
Total Fund Balance	\$ 792,075	\$ 1,667	\$ 793,742
Total Liabilities and Fund Balance	\$ 802,495	\$ 1,667	\$ 804,162

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 29, 2016

	<u>Town Fund</u>	<u>General Assistance Fund</u>	<u>General Fund Total</u>
REVENUE RECEIVED			
Local Taxes			
Property Taxes	\$ 653,515	\$ -	\$ 653,515
Intergovernmental			
Personal Property Replacement Taxes	36,519	-	36,519
U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant	177,548	-	177,548
Other Local Sources			
Interest	699	-	699
Passports	27,572	-	27,572
Miscellaneous			
Other	6,032	200	6,232
	<u>\$ 901,885</u>	<u>\$ 200</u>	<u>\$ 902,085</u>
EXPENDITURES DISBURSED			
CURRENT			
General Government	\$ 379,212	\$ 2,360	\$ 381,572
Community Assistance and Services	226,221	19,977	246,198
Assessor	312,550	-	312,550
	<u>\$ 917,983</u>	<u>\$ 22,337</u>	<u>\$ 940,320</u>
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (16,098)	\$ (22,137)	\$ (38,235)
OTHER FINANCING SOURCES/(USES)			
Transfers	<u>(13,000)</u>	<u>13,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	\$ (29,098)	\$ (9,137)	\$ (38,235)
FUND BALANCE - MARCH 1, 2015	<u>821,173</u>	<u>10,804</u>	<u>831,977</u>
FUND BALANCE - FEBRUARY 29, 2016	<u>\$ 792,075</u>	<u>\$ 1,667</u>	<u>\$ 793,742</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 29, 2016

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL AMOUNTS
REVENUE RECEIVED		
Local Taxes		
Property Taxes	\$ 656,000	\$ 653,515
Intergovernmental		
Personal Property Replacement Taxes	24,480	36,519
U.S. Department of Housing and Urban Development Shelter Care Plus (HUD) Grant	7,550	177,548
Other Local Sources		
Interest	330	699
Passports	8,500	27,572
Miscellaneous		
Other	4,200	6,032
	<u>\$ 701,060</u>	<u>\$ 901,885</u>
EXPENDITURES DISBURSED		
CURRENT		
General Government		
Salaries		
Administration	\$ 175,612	\$ 144,833
Assessor	50,000	50,000
Highway Commissioner	30,000	30,000
Town Clerk	6,000	6,000
Health and Dental Insurance		
Administration	13,945	10,118
Payroll Taxes		
Administration	18,256	11,161
Assessor	-	3,825
Highway Commissioner	-	2,295
Town Clerk	-	459
IMRF Contributions	13,766	12,221
Unemployment Compensation	918	1,093
Worker's Compensation	11,220	8,149
Maintenance - Building	4,850	4,432
Maintenance - Landscape	825	700
Accounting Services	5,600	4,026
Legal Services	5,000	5,070
Contract Services	-	22,657
Postage	2,300	3,235
Telephone	2,640	2,382
Computer Software	2,500	2,824
Website Management	2,100	4,005
Publishing	500	409
Printing	300	194
Dues and Conferences	1,500	2,573
Travel Expense	1,500	1,110
Training	900	-
Utilities	5,150	5,224
Liability Insurance	7,230	6,147
Office Rental	19,200	18,752
Real Estate Taxes	2,200	2,181

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 29, 2016

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Computer Assistance	\$ 2,100	\$ 780
Equipment Leasing	3,375	3,898
Office and Operating Supplies	1,500	1,948
Miscellaneous	2,500	6,511
	<u>\$ 393,487</u>	<u>\$ 379,212</u>
Community Assistance and Services		
Administration - HUD	\$ -	\$ 865
Rent - HUD	-	173,341
Food Pantry	2,400	2,155
Lake Forest Senior Care	10,000	10,000
E/A Partnership Fund	10,000	10,000
Sr. Citizen Taxi Program	15,000	2,188
Phoenix Rising Contribution	8,500	27,672
	<u>\$ 45,900</u>	<u>\$ 226,221</u>
Assessor		
Salaries	\$ 198,500	\$ 202,755
Health and Dental Insurance		
Assessor and Staff	12,750	7,371
Payroll Taxes	14,984	15,235
Unemployment Compensation	200	187
IMRF Contributions	25,609	23,767
Maintenance - Building	2,160	4,432
Maintenance - Landscape	600	700
Maintenance - Equipment	336	336
Accounting Services	6,320	4,026
Legal Services	500	761
Postage	600	588
Telephone	2,100	2,569
Computer Software	3,115	-
Website Management	600	525
Printing	500	33
Dues and Conferences	600	151
Travel Expense	3,600	2,252
Training	2,400	2,540
Utilities	5,040	4,762
Open Tax File	7,200	7,200
Office Rental	19,200	18,753
Real Estate Taxes	1,620	2,181
Professional Services	3,000	3,334
Computer Assistance	1,260	4,245
Office and Operating Supplies	2,400	2,347
Equipment Leasing	1,800	1,299
Miscellaneous	1,200	201
	<u>\$ 318,194</u>	<u>\$ 312,550</u>
TOTAL EXPENDITURES DISBURSED	<u>\$ 757,581</u>	<u>\$ 917,983</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 29, 2016

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
Assessor (Continued)		
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (56,521)	\$ (16,098)
OTHER FINANCING SOURCES/(USES)		
Transfer to General Assistance Fund	-	(13,000)
NET CHANGE IN FUND BALANCE	\$ (56,521)	\$ (29,098)
FUND BALANCE - MARCH 1, 2015	821,173	821,173
FUND BALANCE - FEBRUARY 29, 2016	\$ 764,652	\$ 792,075

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 29, 2016

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL AMOUNTS
REVENUE RECEIVED		
Other Local Sources		
Miscellaneous		
Other	\$ -	\$ 200
	\$ -	\$ 200
EXPENDITURES DISBURSED		
CURRENT		
General Government		
Liability Insurance	\$ -	\$ 2,360
	\$ -	\$ 2,360
Community Assistance and Services		
Prescriptions	\$ 200	\$ -
Utilities	6,500	5,446
Shelter	18,000	7,532
Transient/Auto Fuel	700	1,304
Transportation	4,000	-
Food	-	300
Personal Incidentals	3,300	2,665
Miscellaneous	2,300	2,730
	\$ 35,000	\$ 19,977
TOTAL EXPENDITURES DISBURSED	\$ 35,000	\$ 22,337
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (35,000)	\$ (22,137)
OTHER FINANCING SOURCES/(USES)		
Transfer from Town Fund	-	13,000
NET CHANGE IN FUND BALANCE	\$ (35,000)	\$ (9,137)
FUND BALANCE - MARCH 1, 2015	10,804	10,804
FUND BALANCE - FEBRUARY 29, 2016	\$ (24,196)	\$ 1,667

See Accompanying Independent Auditor's Report

TOWN OF SHIELDS
 NOTES TO SUPPLEMENTAL INFORMATION
 FEBRUARY 29, 2016

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 23, 2015.

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 29, 2016 the expenditures of the following funds exceeded the budget:

FUND	BUDGET	ACTUAL	EXCESS OF ACTUAL OVER BUDGET
General Fund	\$ 792,581	\$ 940,320	\$ 147,739
Road and Bridge Fund	534,700	640,804	106,104

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. The Road and Bridge Fund is primarily attributable to expenses related to road resurfacing project.

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 29, 2016

	<u>BUDGETED AMOUNTS</u>	<u>ACTUAL AMOUNTS</u>
	<u>ORIGINAL AND FINAL</u>	
REVENUE RECEIVED		
Local Taxes		
Property Taxes	\$ 656,000	\$ 653,515
Intergovernmental		
Personal Property Replacement Taxes	24,480	36,519
Other Local Sources		
Interest	330	699
Passports	8,500	27,572
Miscellaneous		
Other	4,200	6,032
	<u>\$ 693,510</u>	<u>\$ 724,337</u>
EXPENDITURES DISBURSED		
CURRENT		
General Government		
Salaries		
Administration	\$ 175,612	\$ 144,833
Assessor	50,000	50,000
Highway Commissioner	30,000	30,000
Town Clerk	6,000	6,000
Health and Dental Insurance		
Administration	13,945	10,118
Payroll Taxes		
Administration	18,256	11,161
Assessor	-	3,825
Highway Commissioner	-	2,295
Town Clerk	-	459
IMRF Contributions	13,766	12,221
Unemployment Compensation	918	1,093
Worker's Compensation	11,220	8,149
Maintenance - Building	4,850	4,432
Maintenance - Landscape	825	700
Accounting Services	5,600	4,026
Legal Services	5,000	5,070
Contract Services	-	22,657
Postage	2,300	3,235
Telephone	2,640	2,382
Computer Software	2,500	2,824
Website Management	2,100	4,005
Publishing	500	409
Printing	300	194
Dues and Conferences	1,500	2,573
Travel Expense	1,500	1,110
Training	900	-
Utilities	5,150	5,224
Liability Insurance	7,230	6,147
Office Rental	19,200	18,752
Real Estate Taxes	2,200	2,181

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 29, 2016

	BUDGETED AMOUNTS	ACTUAL AMOUNTS
	ORIGINAL AND FINAL	
EXPENDITURES DISBURSED (Continued)		
CURRENT (Continued)		
General Government (Continued)		
Computer Assistance	\$ 2,100	\$ 780
Equipment Leasing	3,375	3,898
Office and Operating Supplies	1,500	1,948
Miscellaneous	2,500	6,511
	\$ 393,487	\$ 379,212
Community Assistance and Services		
Food Pantry	\$ 2,400	\$ 2,155
Lake Forest Senior Care	10,000	10,000
E/A Partnership Fund	10,000	10,000
Sr. Citizen Taxi Program	15,000	2,188
Phoenix Rising Contribution	8,500	27,672
	\$ 45,900	\$ 52,015
Assessor		
Salaries	\$ 198,500	\$ 202,755
Health and Dental Insurance		
Assessor and Staff	12,750	7,371
Payroll Taxes	14,984	15,235
Unemployment Compensation	200	187
IMRF Contributions	25,609	23,767
Maintenance - Building	2,160	4,432
Maintenance - Landscape	600	700
Maintenance - Equipment	336	336
Accounting Services	6,320	4,026
Legal Services	500	761
Postage	600	588
Telephone	2,100	2,569
Computer Software	3,115	-
Website Management	600	525
Printing	500	33
Dues and Conferences	600	151
Travel Expense	3,600	2,252
Training	2,400	2,540
Utilities	5,040	4,762
Open Tax File	7,200	7,200
Office Rental	19,200	18,753
Real Estate Taxes	1,620	2,181
Professional Services	3,000	3,334
Computer Assistance	1,260	4,245
Office and Operating Supplies	2,400	2,347
Equipment Leasing	1,800	1,299
Miscellaneous	1,200	201
	\$ 318,194	\$ 312,550
TOTAL EXPENDITURES DISBURSED	\$ 757,581	\$ 743,777

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 29, 2016

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL AMOUNTS
EXCESS OR (DEFICIENCY) OF REVENUE RECEIVED OVER EXPENDITURES DISBURSED	\$ (64,071)	\$ (19,440)
OTHER FINANCING SOURCES/(USES) Transfer to General Assistance Fund	-	(13,000)
NET CHANGE IN FUND BALANCE	\$ (64,071)	\$ (32,440)
FUND BALANCE - MARCH 1, 2015	725,933	725,933
FUND BALANCE - FEBRUARY 29, 2016	\$ 661,862	\$ 693,493

See Accompanying Independent Auditor's Report