

**PALOS TOWNSHIP, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
MARCH 31, 2011**

Prepared By:

**HEARNE & ASSOCIATES, P.C.**  
Certified Public Accountants &  
Business Consultants

# PALOS TOWNSHIP, ILLINOIS

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HEARNE & ASSOCIATES, P.C.

Certified Public Accountants & Business Consultants

David J. Hearne, Jr., CPA (Ret'd)  
Phillip M. Hearne, CPA  
Rebecca L. Heintz, CPA

Anthony M. Scott, CPA  
John C. Williams, CPA, MST  
Matthew R. Truschka

**Independent Auditors' Report**

To the Honorable Supervisor  
and Members of the Board of Trustees  
Palos Township, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of Palos Township, Illinois ("Township"), as of and for the year ended March 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 3 to the financial statements, management has not recorded certain land (right-of-way) in governmental activities. Accounting principles generally accepted in the United States of America require that land (right-of-way) be capitalized, which would increase the assets, and net assets of governmental activities. The amount by which this departure would affect the assets and net assets of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Township as of March 31, 2011, and the changes in financial position thereof for the year ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Township as of March 31, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (cont'd)

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but, are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying supplementary information listed as individual fund financial schedules and statistical information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

August 12, 2011  
Mokena, IL

*Hearne & Associates, P.C.*  
Hearne & Associates, P.C.  
Certified Public Accountants

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

As management of Palos Township, we offer the readers of the Township's statements, this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic financial statements and notes to the financial statements to enhance their understanding of the Township's financial performance.

**FINANCIAL HIGHLIGHTS**

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$ 1,106,700. This is an increase of \$ 62,956 or 6.03.% compared to the prior year. Of this amount, \$ 868,148 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

During the year, the Township had government-wide expenses of \$ 1,320,143 and \$ 1,383,099 of revenues generated from tax and other Township programs. This is a decrease of \$ 26,143 (1.9%) and an increase of \$ 42,616 (3.2%), respectively compared to the prior year. This is the result of reduced expenditures for the Road and Bridge Funds for the repair and maintenance of roads located in the Township during fiscal year 2011 and increase in property tax revenue in 2010.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 555,191 or 74.9% of the total general fund expenditures.

**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.

**USING THE FINANCIAL SECTION  
OF THIS ANNUAL REPORT**

The financial statement's focus is on the Township as a whole and on the major individual funds. Both perspectives allow the readers to address relevant questions, broaden the basis for comparison and enhance the reader's understanding of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in similar manner to a private sector business. The Township's annual report includes two government-wide financial statements. The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds, current financial resources with capital assets and long-term obligations. It uses the accrual basis of accounting and economic resources measurement focus. The Statement of Net Assets can be found on page 10 of this report.

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

The Statement of Activities is focused on both the growth and net costs of various activities. These activities are supported by the Township's general taxes and other resources. This is intended to summarize and simplify the users' analysis of the costs of various governmental services. The Statement of Activities can be found on page 11 of this report.

The governmental activities reflect the Township's basic services, which are general assistance, street and road, senior assistance and administration. Property taxes finance the majority of these services.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be combined into one category: governmental funds.

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is on major funds rather than fund types.

The governmental fund presentation is presented on a sources and uses of liquid resources (cash & cash equivalents) basis. This is the manner in which the financial plan is usually developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of the Township. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith.

The governmental funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond or loan proceeds and interfund transfers as other sources and uses as well as capital expenditures and bond or loan principal payments as expenditures. The reconciliations eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in government-wide statements. The fund financial statements can be found on pages 12-15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 16.

Other Information

In addition to the basic financial statements, this report also includes certain required supplementary information related to budgetary information and the Township's progress in funding its obligation to provide pension benefits to its employees.

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

**GOVERNMENT-WIDE STATEMENTS & ANALYSIS**

Statement of Net Assets

The following chart reflects the condensed Statement of Net assets:

	<u>2011</u>	<u>2010</u>
Assets:		
Current Assets	\$ 1,583,039	\$ 1,490,080
Capital Assets	<u>238,552</u>	<u>250,251</u>
Total Assets	<u>\$ 1,821,591</u>	<u>\$ 1,740,331</u>
Liabilities:		
Current Liabilities	\$ 703,543	\$ 687,605
Long-term Liabilities	<u>11,348</u>	<u>8,982</u>
Total Liabilities	<u>\$ 714,891</u>	<u>\$ 696,587</u>
Net Assets:		
Invested in Capital Assets, net of related debt	\$ 238,552	\$ 250,251
Unrestricted	<u>868,148</u>	<u>793,493</u>
Total Net Assets	<u><u>\$ 1,106,700</u></u>	<u><u>\$ 1,043,744</u></u>

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

The Township's net assets of \$ 238,552 or 22%, reflect its investment in capital assets net of related debt. The Township uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of unrestricted net assets, \$ 868,148, may be used to meet the Township's ongoing obligations to citizens and creditors. The overall incremental increase in net assets of \$ 62,956, is due to the Township balancing on an overall basis, its revenue and expenditures.

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

Statement of Activities

The following chart reflects the condensed Statement of Activities:

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 37,720	\$ 50,367
Operating Grants and Contributions	-	245
General Revenues:		
Property Taxes	\$ 1,327,084	\$ 1,267,261
Interest Income	2,619	9,138
Other General Revenue	15,676	13,472
Total Revenues	<u>\$ 1,383,099</u>	<u>\$ 1,340,483</u>
Expenses:		
General Government	\$ 417,080	\$ 401,200
Culture and Recreation	336,814	329,202
Road and Bridge	480,690	518,886
General Assistance	85,559	96,998
Total Expenses	<u>\$ 1,320,143</u>	<u>\$ 1,346,286</u>
Changes in Net Assets	\$ 62,956	\$ (5,803)
Net Assets Beginning of Year	1,043,744	1,049,547
Net Assets End of Year	<u>\$ 1,106,700</u>	<u>\$ 1,043,744</u>

Fiscal year 2011 showed general revenues of \$ 1,383,099. Governmental activities are broken out by functional area for program revenues and expenses: General Government, Culture and Recreation, Road and Bridge, General Assistance and Interest on long-term Debt. General revenues are separated by taxes and investment earnings. The taxes consist of property and replacement taxes. The overall increase in revenues is due to additional collections of property taxes and reimbursements received from various outside parties. The overall decrease in expenditures is due to additional cost incurred in the prior year for various road and bridge construction projects.

There are seven basic impacts on revenues and expenses as reflected below:

Normal Impacts

Revenues

Economic Condition - which can reflect a declining, stable or growing economic environment and have a substantial impact on tax revenues.

Increases/Decreases in Township approved rates - while certain tax rates are set by statute, the Township Board has the significant authority to impose and periodically increase/decrease service fees.



**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
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Changing Patterns in Intergovernmental and Grant revenue - certain recurring service fees may experience significant changes periodically, while non-recurring (or one time) grants are less predictable and often distorting in their impact on a year-to-year comparison.

Expenses

Introduction of New Programs - within the functional expense categories (General Government, Culture and Recreation, Road and Bridge, General Assistance, etc.) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel - changes in service demand may cause the Township Board to increase/decrease authorized staffing.

Salary Increases (annual adjustments and merit) - the ability to attract and retain human and intellectual resources requires the Township to strive to approach a competitive salary range position in the marketplace.

Inflation - while overall inflation appears to be reasonably modest, the Township is a major consumer of certain commodities such as supplies, fuels and parts. Some fluctuations may experience unusual commodity specific increases.

**FINANCIAL ANALYSIS OF TOWNSHIP'S FUNDS**

Governmental Funds

The Township's major funds are the General Fund, Road and Bridge Fund, and General Assistance Fund. Generally speaking, a major fund meets the following criteria:

- Total assets, liabilities, revenues or expenditures of that individual government fund are at least 10% of the corresponding total (assets, liabilities and so forth) for all government funds.

and

- Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Budgetary Highlights

The Township operates under the Budget Ordinance process and is cash basis. The budget is adopted by the Township Board and filed at the Cook County Courthouse preceding April 1st of the budgeted fiscal year. No major amendments or addendums were necessary during fiscal year 2011.

Historically, the Township has taken a very conservative approach in developing their budgets. During fiscal year 2011, revenues and expenses versus budgeted amounts for the major funds showed the following variances:

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

Governmental Funds

<u>Fund</u>	<u>Budgeted Revenues</u>	<u>Actual Revenues</u>	<u>Variance</u>	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Variance</u>
General	\$ 798,500	\$ 596,368	\$(202,132)	\$ 1,078,800	\$ 743,084	\$(335,716)
Road and Bridge	614,341	352,130	(262,211)	1,123,194	481,279	(641,915)
General Assistance	73,700	51,978	(21,722)	161,200	86,653	(74,547)

The General Fund revenues were under budget by \$ 225,519 in property taxes, because of the timing of property tax receipts; over budget by \$ 14,657 in replacement taxes; over budget in Health Service Fees by \$ 2,720, because of reimbursements from medicare; under budget by \$ 2,207 in investment income, and over budget by \$ 8,217 in miscellaneous revenues. Expenses in the General Fund were under budget by \$ 50,501 in compensation of elected officials, \$ 45,367 in town hall expenses, \$ 89,279 in services, \$ 40,603 in administration, \$ 23,501 in senior services, \$ 83,804 in health service expenses, and \$ 2,661 in services. The items below budget were due to lower than expected services performed, as well as cost saving measures implemented by the Township.

In the Road and Bridge Fund, revenues were under budget by \$ 33,222 in property taxes, by \$ 233,466 in road tax, because of the timing of property tax receipts by \$ 1,519 in replacement taxes, and over budget by \$ 537 in investment income, and \$ 5,459 in miscellaneous income. Expenses were under budget by \$ 641,915 due to paving and other repair projects not occurring as expected.

Finally, in the General Assistance Fund, revenues were under budget by \$ 21,722 mainly due to an decrease in property tax revenue. Expenses were \$ 74,547 under budget because of a decrease in assistance needed.

**CAPITAL ASSETS**

At the end of fiscal year 2011, the Township had a combined total capital assets of \$ 238,552 invested in land and buildings. As allowed by Governmental Accounting Standards Board Statement 34, the Township, as a phase three government, has elected to only report infrastructure assets prospectively. The Township has not capitalized right-of-way (land) associated with the streets the Township owns which is required by accounting principles generally accepted in the United States of America. The amount by which this unrecorded land understates assets and net assets of governmental activities is not reasonably determinable. (For more information, see note 3 to the financial statements)

Governmental Activities Change in Capital Assets

	<u>Balance 3/31/10</u>	Net <u>Additions/ Deletions</u>	<u>Balance 3/31/11</u>
Non-depreciable Capital Assets			
Land	\$ 78,772	\$ -	\$ 78,772
Depreciable Capital Assets			
Building and Improvements	343,919	-	343,919
Infrastructure	18,788	-	18,788
Accumulated Depreciation	<u>(191,228)</u>	<u>(11,699)</u>	<u>(202,927)</u>
Total Capital Assets, Net	<u>\$ 250,251</u>	<u>\$ (11,699)</u>	<u>\$ 238,552</u>

**Palos Township, Illinois**  
Management's Discussion & Analysis (Unaudited)  
March 31, 2011

**DEBT ADMINISTRATION**

There was no new debt that was issued during the fiscal year.

Future Events

Management is not aware of any currently known facts, decisions, or conditions that would have a significant impact on the Township's financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets) in the next fiscal year.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general knowledge of the Township's finances and to demonstrate the Township's accountability for the money it receives. Questions concerning this report or request for additional financial information should be directed to the Township Office, 10802 S. Roberts Road, Palos Hills, Illinois 60465.

Palos Township, Illinois

Statement of Net Assets

March 31, 2011

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	\$ 537,278
Certificates of Deposit	207,429
Property Taxes Receivable	798,925
Replacement Taxes Receivable	9,089
Prepaid Expenses	30,318
Capital Assets, Not Being Depreciated	78,772
Capital Assets, Net of Accumulated Depreciation	159,780
Total Assets	<u>\$ 1,821,591</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	\$ 11,960
Accrued Payroll	36,673
Accrued Payroll Taxes	1,731
Accrued IMRF	144
Deferred Revenue	653,035
Long-term obligations, due within one year	
Compensated Absences	5,674
Long-term obligations, due in more than one year	
Compensated Absences	5,674
Total Liabilities	<u>\$ 714,891</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	\$ 238,552
Unrestricted Net Assets	868,148
Total Net Assets	<u><u>\$ 1,106,700</u></u>

See the accompanying notes to the financial statements.

Palos Township, Illinois

Statement of Activities  
Year Ended March 31, 2011

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General Government	\$ 417,080	\$ -	\$ -	\$ (417,080)
Culture and Recreation	336,814	37,720	-	(299,094)
Road and Bridge	480,690	-	-	(480,690)
General Assistance	<u>85,559</u>	<u>-</u>	<u>-</u>	<u>(85,559)</u>
Total Government Activities	<u>\$ 1,320,143</u>	<u>\$ 37,720</u>	<u>\$ -</u>	<u>\$ (1,282,423)</u>
General Revenues:				
Taxes:				
Property Taxes				\$ 1,157,333
Hard Road Tax				129,960
Personal Property Replacement Tax				39,791
Investment Earnings				2,619
Other General Revenues				<u>15,676</u>
Total General Revenues				<u>\$ 1,345,379</u>
Change in Net Assets				\$ 62,956
Net Assets - Beginning				<u>1,043,744</u>
Net Assets - Ending				<u>\$ 1,106,700</u>

See accompanying notes to financial statements.

Palos Township, Illinois

Governmental Funds

Balance Sheet

March 31, 2011

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>General Assistance</u>	
<u>Assets</u>				
Cash	\$ 332,038	\$ 155,767	\$ 49,473	\$ 537,278
Certificates of Deposit	82,370	-	125,056	207,426
Property Taxes Receivable	555,659	217,912	25,354	798,925
Replacement Taxes Receivable	5,175	3,914	-	9,089
Due From Other Funds	-	-	4,121	4,121
Prepaid Expenditures	23,307	4,403	2,608	30,318
Total Assets	<u>\$ 998,549</u>	<u>\$ 381,996</u>	<u>\$ 206,612</u>	<u>\$ 1,587,157</u>
 <u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,600	\$ 10,360	\$ -	\$ 11,960
Accrued Payroll	32,619	2,322	1,732	36,673
Accrued Payroll Taxes	16	784	931	1,731
Accrued IMRF	-	144	-	144
Due to Other Funds	4,121	-	-	4,121
Deferred Revenues	381,695	233,025	38,315	653,035
Total Liabilities	<u>\$ 420,051</u>	<u>\$ 246,635</u>	<u>\$ 40,978</u>	<u>\$ 707,664</u>
 <u>Fund Balance</u>				
Reserved for Prepaid Expenditures	\$ 23,307	\$ 4,403	\$ 2,608	\$ 30,318
Unreserved, reported in:				
General Fund	\$ 555,191	\$ -	\$ -	\$ 555,191
Special Revenue Funds	-	130,958	163,026	293,984
Total Fund Balance	<u>\$ 578,498</u>	<u>\$ 135,361</u>	<u>\$ 165,634</u>	<u>\$ 879,493</u>
Total Liabilities and Fund Balance	<u>\$ 998,549</u>	<u>\$ 381,996</u>	<u>\$ 206,612</u>	<u>\$ 1,587,157</u>

See accompanying notes to the financial statements.

Palos Township, Illinois  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Assets  
March 31, 2011

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Total Fund Balances - Governmental Funds \$ 879,493

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and are not reported in the funds:

Capital Assets	\$ 441,482	
Accumulated Depreciation	<u>(202,927)</u>	
Net Capital Assets		238,555

Some liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:

Compensated Absences	<u>\$ (11,348)</u>	
Total Long-term Liabilities		<u>(11,348)</u>

Net Assets of governmental activities \$ 1,106,700

See accompanying notes to the financial statements.

Palos Township, Illinois

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2011

	Major Funds			Total
	General Fund	Road and Bridge Fund	General Assistance Fund	
Revenues				
Property Taxes	\$ 755,133	\$ 326,055	\$ 76,145	\$ 1,157,333
Hard Road Tax	-	129,960	-	129,960
Replacement Taxes	22,657	17,134	-	39,791
Health Services - Chol. Test Fees	37,720	-	-	37,720
Donations	-	-	-	-
Investment Income	1,293	537	789	2,619
Miscellaneous Revenue	10,217	5,459	-	15,676
Total Revenues	<u>\$ 827,020</u>	<u>\$ 479,145</u>	<u>\$ 76,934</u>	<u>\$ 1,383,099</u>
Expenditures				
Current:				
Compensation of Elected Officials	\$ 104,657	\$ -	\$ -	\$ 104,657
Townhall Expenses	37,633	-	-	37,633
Services	200,324	-	40,250	240,574
Road Expenses	-	384,560	-	384,560
Administration	59,248	89,031	41,195	189,474
Senior Services	38,899	-	-	38,899
Health Service Expenses	297,915	-	-	297,915
Contingencies	2,339	5,917	4,114	12,370
Total Expenditures	<u>\$ 741,015</u>	<u>\$ 479,508</u>	<u>\$ 85,559</u>	<u>\$ 1,306,082</u>
Net Change in Fund Balances	\$ 86,005	\$ (363)	\$ (8,625)	\$ 77,017
Fund Balances at Beg. of Year	<u>492,493</u>	<u>135,724</u>	<u>174,259</u>	<u>802,476</u>
Fund Balances at End of Year	<u>\$ 578,498</u>	<u>\$ 135,361</u>	<u>\$ 165,634</u>	<u>\$ 879,493</u>

See accompanying notes to the financial statements.



Palos Township, Illinois  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended March 31, 2011

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Net Change in Fund Balances - Total Government Funds	\$ 77,017
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds allocate the cost of capital assets over their estimated useful lives as depreciation	(11,699)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds. Change in Compensated Absences	<u>(2,362)</u>
Net Change in Net Assets of Governmental Activities	<u>\$ 62,956</u>

See accompanying notes to the financial statements.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Palos Township, Illinois ("Township"), as reflected in the accompanying financial statements for the year ended March 31, 2011, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity: The Township's reporting entity includes the Township's governing board and any related organizations for which the Township exercises oversight responsibility as defined by the Governmental Accounting Standards Board No. 14.

The basic, but not the only, criteria for including a separately administered organization within the reporting entity, is the Township's ability to exercise oversight responsibility. Oversight responsibility is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, the Township does not exercise oversight responsibility over any other entity and thus does not include other entities in the Township's financial statements.

The Township operates under the Township form of government, with a Supervisor, Clerk, Assessor, Highway Commissioner, and four Trustees elected by the people. The Board of Trustees in the Township's legislative body, enacting the laws and establishing the policies which govern them in activities of the Township.

The Township's budgetary operations are governed by the appropriation law and administered by the Township Supervisor.

Basis of Presentation: The Township's basic financial statements consist of Township-wide statements, including a statement of net assets, statement of activities and fund financial statements, which provide a more detailed level of financial information. The Township-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

*Township-wide Financial Statements* - The statement of net assets and the statement of activities display information about the township as a whole. In the township-wide statement of net assets, the governmental activities are presented on a consolidated basis. These statements include the financial activities of the primary government. The effect of interfund activity has been removed from these statements. The Township-wide statement of activities reflects both the direct expenses and net cost of each function of the Township's governmental activities.

Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Township.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

*Fund Financial Statements* - The financial transactions of the Township are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and presented as nonmajor funds.

Measurement Focus and Basis of Accounting

*Township-wide Financial Statements* - The Township-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

The Township has reported two categories of program revenues in the statement of activities: (1) charges for services, and (2) program-specific operating grants and contributions. Program revenues are derived directly from the program itself or from external sources; they reduce the net cost of each function to be financed from the Township's general revenues. For identifying the function to which program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net assets to remove the "grossing-up" effect on assets and liabilities within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables and advances. Similarly, operating transfers between funds have been eliminated in the statement of activities.

*Fund Financial Statements* - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues from property taxes are recognized in the year that it becomes available. For the current fiscal year ending March 31, 2011, one-half of the 2010 tax levy is available and recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Differences occur from the manner in which the governmental activities and the Township-wide financial statements are prepared due to the inclusion of capital assets and long-term debt activity. Governmental Fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the Township-wide statements and the statements for governmental funds.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Township reports the following major governmental funds:

General Fund - The General Fund (also known as the Town Fund) is used to account for all revenues and expenditures applicable to the general operations of the Township government which are not properly accounted for in another fund.

Road and Bridge Fund - The Road and Bridge Fund is used to account for all revenues and expenditures applicable to the upkeep, repair and administration of the Township's roads.

General Assistance Fund - The General Assistance Fund is used to account for all revenues and expenditures applicable to the services provided to the residents of the township.

Cash and Cash Equivalents and Investments: The Township considers cash and investments with an original maturity of less than 90 days to be cash equivalents. Cash and equivalents consisted of checking and money market accounts at financial institutions. Investments are stated at fair value in accordance with GASB 31.

Short-term Interfund Receivable/Payables: During the course of operation, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Interfund Receivable" or "Interfund Payable" on the balance sheet.

Capital Assets: Capital Assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental columns in the township-wide financial statements. Capital Assets are defined by the Township as assets with a useful life of more than one year and an initial individual cost of more than \$ 5,000. As allowed by Governmental Accounting Standards Board Statement 34, the Township, as a phase three government, has elected to only report infrastructure assets prospectively.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	N/A
Building	40 Years
Equipment	8-20 Years
Infrastructure	20-50 Years

Property Taxes: The Township's policy is to record property taxes receivable when they have been levied and extended and are both measurable and available. Taxes levied and not yet available to pay current year operating expenditures are shown as deferred revenue. Property taxes are levied pursuant to law in September and an enforceable legal claim attaches to the properties. The taxes are payable in two installments in the following year. The first installment is an estimate based on prior year's tax and is due in March. The second installment, adjusted to reflect any increase or decrease from the previous year, is due approximately in August. Cook County bills and collects all property taxes and remits them to the Township.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Deferred Revenue: Deferred revenue is recorded where asset recognition criteria have been met, but where revenue recognition criteria have not. Such amounts have been deemed to be measurable but not available.

Compensated Absences: The liability for compensated absences, (unused vacation time of the Township at March 31, 2011, of \$ 11,348) is recorded in the Township-wide financial statements.

For governmental fund financial statements, the portion of the liability which is currently due and payable is recorded as a liability in the appropriate fund. The Township-wide financial statements record unused vacation and sick leave as expenses and liabilities when earned by employees. The long-term portion of compensated absences will be paid from the fund from which the employee is paid.

Fund Equity/Net Assets: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvements of those assets. Net Assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

*Cash*

The carrying amount of cash was \$ 537,278 at March 31, 2011, while the bank balances were \$ 521,566. Petty cash in the amount of \$ 700 is not included in the above carrying amount. As of March 31, 2011, total balances at banks were either insured by the Federal Deposit Insurance Corporation (FDIC) for \$ 250,000, or collateralized with securities of the U.S. Government or Local Governments.

*Certificates of Deposit*

Certificates of Deposit amounted to \$ 207,429 at March 31, 2011. In accordance with Township policy, certificates of deposit were collateralized with securities of the U.S. Government in an amount equal to 100% of the funds deposit. All investment collateral is held in safekeeping in the Township's name by financial institutions acting as the Township's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (Cont.)**

***Investments***

The investments which the Township may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds and (8) money market mutual funds and certain other instruments.

The Township has no investments as of March 31, 2011.

*Interest Rate Risk.* The Township does not have 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.* The Township's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Township's investment policy limits investments in short-term obligations of corporations organized in the United States with assets exceeding \$ 500,000,000 if: (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature no later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and; (iii) no more than one-third of the public agency's funds may be invested in short-term obligations of corporations.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Township investment or any other high-quality, interest bearing security rated at least AA/Aa by one or more standard rating service to include Standard & Poor's, Moody's, or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization.

*Concentration of Credit Risk.* The Township places no limit on the amount the Township may invest in any one issuer.

Reconciliation of Note 2 to Financial Statements:

Per Financial Statements:

Cash and Cash Equivalents  
Statement of Net Assets

\$ 537,278

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 2 - DEPOSITS AND INVESTMENTS (Cont.)**

Per Note 2:

Cash	\$ 536,578
Petty Cash	<u>700</u>
Total per Note 2	<u><u>\$ 537,278</u></u>

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in the Township's capital assets for the period March 31, 2010 through March 31, 2011 follows:

	<u>Balance at</u> <u>3/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>3/31/11</u>
Governmental Activities:				
Capital Assets not Being Dep.:				
Land	\$ 78,772	\$ -	\$ -	\$ 78,772
Total Cap. Assets not Being Dep., Net	<u>\$ 78,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,772</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 343,919	\$ -	\$ -	\$ 343,919
Infrastructure	18,788	-	-	18,788
Less: Accumulated Depreciation	<u>(191,228)</u>	<u>(11,699)</u>	<u>-</u>	<u>(202,927)</u>
Total Cap. Assets Being Dep., Net	<u>\$ 171,479</u>	<u>\$ (11,699)</u>	<u>\$ -</u>	<u>\$ 159,780</u>
Gov. Activities Capital Assets, Net	<u><u>\$ 250,251</u></u>	<u><u>\$ (11,699)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 238,552</u></u>

Depreciation expense of \$ 11,699 was charged to the governmental activities functional expense categories as follows:

<u>Governmental Activities:</u>	<u>Depreciation</u>
General Government	\$ 11,699

The Township has not capitalized right-of-way (land) associated with the streets the Township owns which is required by accounting principles generally accepted in the United States of America. The amount by which this unrecorded land understates assets and net assets of governmental activities is not reasonably determinable.

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables recorded in the combined balance sheet at March 31, 2011, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Assistance Fund	\$ 4,121	\$ -
General Fund	<u>-</u>	<u>4,121</u>
Total Interfunds	<u><u>\$ 4,121</u></u>	<u><u>\$ 4,121</u></u>

The General Fund borrowed from the General Assistance Fund to cover expenditures. This interfund balance is expected to be repaid in the next fiscal year.

Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 5 - LONG-TERM LIABILITIES**

The following is a summary of changes to the Township's long-term liabilities for the fiscal year.

	Balance at <u>3/31/10</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>3/31/11</u>	Due Within <u>One year</u>
Compensated Absences	\$ 8,982	\$ 2,366	\$ -	\$ 11,348	\$ 5,674
Total	<u>\$ 8,982</u>	<u>\$ 2,366</u>	<u>\$ -</u>	<u>\$ 11,348</u>	<u>\$ 5,674</u>

Compensated absences are paid out of the fund the employee's salary is paid from. Currently, this is the General Fund and Road and Bridge Fund.

**NOTE 6 - DEFINED BENEFIT PENSION PLAN - ILLINOIS MUNICIPAL RETIREMENT FUND**

Illinois Municipal Retirement Fund

**Plan Description.** The employer'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 employer plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

**Funding Policy.** As set by statute, the employer 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 employer contribution rate for calendar year 2010 was 18.15 % of annual covered payroll. The employer annual required contribution rate for calendar year 2010 was 18.28 %. The employer 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 fiscal year ending December 31, 2010, the employer's actual contributions for pension cost for the Regular plan members were \$ 56,598. Its required contribution for the calendar year 2010 was \$ 57,004.

Three - Year Trend Information for the Regular Plan

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12/31/10	\$ 57,004	99%	\$ -
12/31/09	50,789	100%	-
12/31/08	53,582	100%	-

The required contribution for 2010 was determined as part of the December 31, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2008, included: (a) 7.5% investment rate of return (net of administrative and direct expenses), (b) projected salary increases



Palos Township, Illinois  
Notes to the Financial Statements  
March 31, 2011

**NOTE 6 - DEFINED BENEFIT PENSION PLAN - IMRF (Cont.)**

of 4.0% 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 employer 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 employer Regular plan's unfunded actuarial accrued liability at December 31, 2008, is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2010, the most recent valuation date, the Regular plan was 36.28% funded. The actuarial accrued liability for benefits was \$ 678,521 and the actuarial value of assets was \$ 246,193, resulting in an underfunded actuarial accrued liability (UAAL) of \$ 432,328. The covered payroll for calendar year 2010 (annual payroll of active employees covered by the plan) was \$ 311,837 and the ratio of UAAL to the covered payroll was 139%.

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

**NOTE 7 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The township also purchased its employee health and accident insurance from commercial carriers. The Township did not have any significant reduction in insurance coverage from coverage in the prior year nor did settlements exceed insurance coverage during the past three fiscal years.

## Required Supplementary Information

Palos Township, Illinois  
Required Supplementary Information  
Budgetary Comparison Schedule  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget (Cash Basis) and Actual  
General Fund and Major Special Revenue Funds  
Year Ended March 31, 2011

	General Fund		
	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 750,000	\$ 524,481	\$ (225,519)
Replacement Tax	8,000	22,657	14,657
Health Service - Cholesterol Test Fees	35,000	37,720	2,720
Investment Income	3,500	1,293	(2,207)
Miscellaneous Revenue	2,000	10,217	8,217
Total Revenues	\$ 798,500	\$ 596,368	\$ (202,132)
<u>Expenditures</u>			
Current:			
Total Compensation of Elected Officials	\$ 155,000	\$ 104,499	\$ (50,501)
Total Town Hall Expenses	83,000	37,633	(45,367)
Services	294,900	205,621	(89,279)
Road Services	-	-	-
Administration	100,000	59,397	(40,603)
Senior Services	62,400	38,899	(23,501)
Health Services	378,500	294,696	(83,804)
Contingencies	5,000	2,339	(2,661)
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	\$ 1,078,800	\$ 743,084	\$ (335,716)
<u>Other Financing Sources (Uses)</u>			
Excess (Deficiency) of Revenues over (Under) Expenditures	\$ (280,300)	\$ (146,716)	\$ 133,584
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		230,652	
Adjustments for Expenditure Accruals and Prepaids		2,069	
Net Change in Fund Balances		\$ 86,005	
Fund Balances at Beginning of Year		492,493	
Fund Balances at End of Year		\$ 578,498	

Palos Township, Illinois  
Required Supplementary Information  
Budgetary Comparison Schedule  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget (Cash Basis) and Actual  
General Fund and Major Special Revenue Funds  
Year Ended March 31, 2011

	<u>Road and Bridge Fund</u>		
	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Property Tax	\$ 232,262	\$ 199,040	\$ (33,222)
Hard Road Tax	363,426	129,960	(233,466)
Replacement Tax	18,653	17,134	(1,519)
Investment Income	-	537	537
Miscellaneous Revenue	-	5,459	5,459
	<u>\$ 614,341</u>	<u>\$ 352,130</u>	<u>\$ (262,211)</u>
<u>Expenditures</u>			
Current:			
Road Services	\$ 973,464	\$ 386,952	\$ (586,512)
Administration	123,600	88,410	(35,190)
Contingencies	<u>26,130</u>	<u>5,917</u>	<u>(20,213)</u>
Total Expenditures	<u>\$ 1,123,194</u>	<u>\$ 481,279</u>	<u>\$ (641,915)</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>\$ (508,853)</u>	\$ (129,149)	<u>\$ 379,704</u>
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		127,015	
Adjustments for Expenditure Accruals and Prepaids		<u>1,771</u>	
Net Change in Fund Balances		\$ (363)	
Fund Balances at Beginning of Year		<u>135,724</u>	
Fund Balances at End of Year		<u>\$ 135,361</u>	

Palos Township, Illinois  
Required Supplementary Information  
Budgetary Comparison Schedule  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget (Cash Basis) and Actual  
General Fund and Major Special Revenue Funds  
Year Ended March 31, 2011

	General Assistance Fund		
	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 70,000	\$ 51,189	\$ (18,811)
Donations	200	-	(200)
Investment Income	3,400	789	(2,611)
Miscellaneous Revenue	100	-	(100)
	\$ 73,700	\$ 51,978	\$ (21,722)
<u>Expenditures</u>			
Current:			
Services	\$ 100,500	\$ 40,250	\$ (60,250)
Administration	58,700	42,289	(16,411)
Contingencies	2,000	4,114	2,114
	\$ 161,200	\$ 86,653	\$ (74,547)
<u>Other Financing Sources (Uses)</u>			
Fund Transfers	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues over (Under) Expenditures	\$ (87,500)	\$ (34,675)	\$ 52,825
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		24,956	
Adjustments for Expenditure Accruals and Prepaid		1,094	
Net Change in Fund Balances		\$ (8,625)	
Fund Balances at Beginning of Year		174,259	
Fund Balances at End of Year		\$ 165,634	

Palos Township, IL  
Required Supplementary Information  
Illinois Municipal Retirement Fund  
Schedule of Funding Progress  
March 31, 2011

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)
12/31/10	\$ 246,193	\$ 678,521	\$ 432,328	36.28	\$ 311,837	138.64%
12/31/09	168,628	603,231	434,603	27.95	307,815	141.19%
12/31/08	157,501	705,728	548,227	22.32	289,318	189.49%

On a market value basis, the actuarial value of assets as of December 31, 2010, is \$ 275,918. On a market basis, the funded ratio would be 40.66%

Palos Township, Illinois  
Notes to the Required Supplementary Information  
March 31, 2011

**I. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

The procedures used in establishing the budgetary data reflected in the financial statements are as follows:

1. The Township Supervisor submits to the Town Board, a proposed operating budget for the fiscal year commencing on April 1st. The operating budget (cash basis) includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through Board action.
4. Transfers of up to 10% of the total budget may be made between the various items within any fund. The budget may be amended by Board action by the same procedure provided for in the original adoption of the budget.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds. The Township budgets and records activity on the cash basis of accounting. The original budget was not modified during the fiscal year.

The legal level of budgetary control has been established at the fund level. During the current year, budgets were adopted for the General, General Assistance, and Road and Bridge Funds. No encumbrances are used.

The Township prepares its annual budget on a cash basis of accounting, which is an acceptable method under the Illinois Revised Statutes. Schedules in the supplemental information section present comparisons of the legally adopted budget with actual data on a budgetary basis.

**B. Excess of Expenditures over Budget**

Actual expenditures were less than budgeted amounts for all of the funds for the year ended March 31, 2011.

## Individual Fund Financial Schedules



Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Property Tax	\$ 750,000	\$ 524,481	\$ (225,519)
Replacement Tax	8,000	22,657	14,657
Health Service - Cholesterol Test Fees	35,000	37,720	2,720
Investment Income	3,500	1,293	(2,207)
Miscellaneous Revenue	2,000	10,217	8,217
Total Revenues Received	<u>\$ 798,500</u>	<u>\$ 596,368</u>	<u>\$ (202,132)</u>
<u>Expenditures</u>			
Compensation of Elected Officials			
Town Supervisor	\$ 31,000	\$ 27,160	\$ (3,840)
Town Clerk	31,000	14,820	(16,180)
Town Assessor	31,000	14,820	(16,180)
Highway Commissioner	31,000	26,055	(4,945)
Board of Trustees	31,000	21,569	(9,431)
Treasurer of Road & Bridge	-	75	75
Total Compensation of Elected Officials	<u>\$ 155,000</u>	<u>\$ 104,499</u>	<u>\$ (50,501)</u>
Town Hall Expenses			
Repairs & Maintenance	\$ 65,000	\$ 14,849	\$ (50,151)
Utilities	8,500	7,095	(1,405)
Janitor Services	2,000	6,605	4,605
Telephone	4,800	6,868	2,068
Telephone - Assessor	2,700	2,216	(484)
Total Town Hall Expenses	<u>\$ 83,000</u>	<u>\$ 37,633</u>	<u>\$ (45,367)</u>
Services			
Legal	\$ 21,000	\$ 20,406	\$ (594)
Labor	65,000	54,523	(10,477)
Collector's Bond	2,400	-	(2,400)
Employee and Other Bonds	-	13	13
Illinois Municipal Retirement Fund	44,000	39,923	(4,077)
FICA	16,000	15,829	(171)
Insurance - Liability, Property Damage, and Worker's Compensation	23,000	16,935	(6,065)
Insurance - Employees	47,000	34,114	(12,886)
Insurance - Elected Officials Errors and Omissions	20,000	-	(20,000)
Independent Audit	10,000	9,440	(560)
Bookkeeping Service	10,000	9,220	(780)
Unemployment Compensation - State	8,500	5,218	(3,282)
Youth Service Salaries	17,200	-	(17,200)
Youth Programs	10,800	-	(10,800)
Total Services	<u>\$ 294,900</u>	<u>\$ 205,621</u>	<u>\$ (89,279)</u>

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
Administration			
General			
Office Supplies	\$ 11,300	\$ 6,828	\$ (4,472)
Dues	6,200	-	(6,200)
Operating Supplies	1,600	495	(1,105)
Printing	17,000	1,070	(15,930)
Building	6,000	-	(6,000)
Conferences and Dues	-	5,186	5,186
Training	3,000	953	(2,047)
Transportation	1,500	1,557	57
Postage	5,300	2,638	(2,662)
Miscellaneous	-	984	984
Assessor			
Office Supplies	1,600	1,068	(532)
Dues	750	-	(750)
Publishing	5,000	-	(5,000)
Printing	350	-	(350)
Training	100	160	60
Miscellaneous	300	356	56
Conferences and Dues	-	562	562
Office Help			
Assessor's Deputy	<u>40,000</u>	<u>37,540</u>	<u>(2,460)</u>
Total Administration	\$ 100,000	\$ 59,397	\$ (40,603)
Senior Services			
Salary - Senior Citizens Coordinator	\$ 9,400	\$ -	\$ (9,400)
Grants to Senior Citizens and Community Service Organizations	-	1,485	1,485
Senior Transportation	15,000	12,000	(3,000)
Senior Transportation with Palos Hills	22,000	-	(22,000)
Social Programs and Events	<u>16,000</u>	<u>25,414</u>	<u>9,414</u>
Total Senior Services	\$ 62,400	\$ 38,899	\$ (23,501)
Health Service Expenses			
Compensation			
Medical Doctors	\$ 105,000	\$ 62,168	\$ (42,832)
Nurses	180,000	179,424	(576)
Podiatrist	<u>24,500</u>	<u>25,793</u>	<u>1,293</u>
Total Compensation	\$ 309,500	\$ 267,385	\$ (42,115)
FICA - Health Service	18,000	12,275	(5,725)
Office Supplies	5,000	1,837	(3,163)
Medical Supplies and Equipment	26,000	11,923	(14,077)
Medicine	<u>20,000</u>	<u>1,276</u>	<u>(18,724)</u>
Total Health Services	\$ 378,500	\$ 294,696	\$ (83,804)

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
Contingencies	\$ 5,000	\$ 2,339	\$ (2,661)
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total Debt Services	\$ -	\$ -	\$ -
Total Expenditures	<u>1,078,800</u>	<u>743,084</u>	<u>(335,716)</u>
<u>Other Financing Sources (Uses)</u>			
Fund Transfers	\$ -	\$ -	\$ -
Net Change in Fund Balance	<u>\$ (280,300)</u>	<u>\$ (146,716)</u>	<u>\$ 133,584</u>

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
Road and Bridge Fund  
Year Ended March 31, 2011

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Property Tax	\$ 232,262	\$ 199,040	\$ (33,222)
Hard Road Tax	363,426	129,960	(233,466)
Replacement Tax	18,653	17,134	(1,519)
Investment Income	-	537	537
Miscellaneous Revenue	-	5,459	5,459
Total Revenues Received	<u>\$ 614,341</u>	<u>\$ 352,130</u>	<u>\$ (262,211)</u>
<u>Expenditures</u>			
Road Expenses			
Installation of Street Lighting	\$ 5,500	\$ 4,080	\$ (1,420)
Construction of Roads	85,000	-	(85,000)
Compliance with ADA	10,000	-	(10,000)
Maintenance of Roads			
Labor	25,000	27,661	2,661
Materials and Supplies	139,004	57,124	(81,880)
Hire of Machinery	148,740	186,815	38,075
Rental Lights - Road Lighting	14,900	8,736	(6,164)
Construction of Drainage Facilities	32,260	15,478	(16,782)
Purchase of Equipment	11,500	1,287	(10,213)
Paving	435,560	29,955	(405,605)
Total Maintenance of Roads	<u>\$ 907,464</u>	<u>\$ 331,136</u>	<u>\$ (576,328)</u>
Weed Control			
Equipment Rental	\$ 37,000	\$ 29,758	\$ (7,242)
Labor	29,000	26,058	(2,942)
Total Weed Control	<u>\$ 66,000</u>	<u>\$ 55,816</u>	<u>\$ (10,184)</u>
Total Road Expenses	\$ 973,464	\$ 386,952	\$ (586,512)
Administrative			
Travel	\$ 4,000	\$ 2,685	\$ (1,315)
Office Help	43,700	41,472	(2,228)
Legal Services	20,000	11,859	(8,141)
Insurance	26,000	7,580	(18,420)
Bonds	50	-	(50)
Publication	1,700	588	(1,112)
FICA	4,100	3,173	(927)
Illinois Municipal Retirement Fund	7,500	7,628	128
Office Medical Insurance	14,000	12,057	(1,943)
Telephone	2,550	1,368	(1,182)
Total Administration	<u>\$ 123,600</u>	<u>\$ 88,410</u>	<u>\$ (35,190)</u>
Contingencies	26,130	5,917	(20,213)
Total Expenditures	<u>\$ 1,123,194</u>	<u>\$ 481,279</u>	<u>\$ (641,915)</u>
Net Change in Fund Balance	<u>\$ (508,853)</u>	<u>\$ (129,149)</u>	<u>\$ 379,704</u>

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Assistance Fund  
Year Ended March 31, 2011

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Revenues</u>			
Property Tax	\$ 70,000	\$ 51,189	\$ (18,811)
Donations	200	-	(200)
Investment Income	3,400	789	(2,611)
Miscellaneous Income	100	-	(100)
Total Revenues Received	<u>\$ 73,700</u>	<u>\$ 51,978</u>	<u>\$ (21,722)</u>
<u>Expenditures</u>			
Services			
Home Relief			
Food	\$ 11,000	\$ 6,440	\$ (4,560)
Rent	42,000	28,819	(13,181)
Repairs	1,000	-	(1,000)
Fuel	5,000	1,610	(3,390)
Light	5,000	1,610	(3,390)
Clothing	2,400	1,771	(629)
Total Home Relief	<u>\$ 66,400</u>	<u>\$ 40,250</u>	<u>\$ (26,150)</u>
Hospitalization			
Physician Services	\$ 30,500	\$ -	\$ (30,500)
Ambulance Services	600	-	(600)
Total Hospitalization	<u>\$ 31,100</u>	<u>\$ -</u>	<u>\$ (31,100)</u>
Dental Services	\$ 2,000	\$ -	\$ (2,000)
Transportation	500	-	(500)
Burial	500	-	(500)
Total Services	<u>\$ 100,500</u>	<u>\$ 40,250</u>	<u>\$ (60,250)</u>
Administrative			
Salaries - Office Assistant	\$ 36,000	\$ 32,419	\$ (3,581)
Office Supplies	1,500	-	(1,500)
Telephone	7,000	1,505	(5,495)
FICA	3,000	2,480	(520)
Illinois Municipal Retirement Fund	8,000	5,760	(2,240)
Operating Supplies	500	-	(500)
Professional Services	1,000	-	(1,000)
Conferences, Dues, and Miscellaneous	700	125	(575)
Repairs and Maintenance	1,000	-	(1,000)
Total Administration	<u>\$ 58,700</u>	<u>\$ 42,289</u>	<u>\$ (16,411)</u>
Contingencies	2,000	4,114	2,114
Total Expenditures	<u>\$ 161,200</u>	<u>\$ 86,653</u>	<u>\$ (74,547)</u>
<u>Other Financing Sources (Uses)</u>			
Fund Transfers	\$ -	\$ -	\$ -
Net Change in Fund Balance	<u>\$ (87,500)</u>	<u>\$ (34,675)</u>	<u>\$ 52,825</u>

## Statistical Information

Palos Township, Illinois

Statistical Comparison of Property Taxes Levied and Collected  
for the Last Five Years Available  
(Unaudited)

	<u>2009</u>	<u>2008</u>	Levy Year: <u>2007</u>	<u>2006</u>	<u>2005</u>
Assessed Valuations - Cook County	<u>\$ 1,923,888,235</u>	<u>\$ 1,880,788,121</u>	<u>\$ 1,671,260,863</u>	<u>\$ 1,584,367,300</u>	<u>\$ 1,343,414,154</u>
Tax Rates					
Town Fund	0.0385	0.0390	0.0409	0.0409	0.0383
General Assistance Fund	0.0039	0.0040	0.0040	0.0031	0.0027
Road and Bridge Fund (1)	<u>0.0320</u>	<u>0.0320</u>	<u>0.0340</u>	<u>0.0338</u>	<u>0.0325</u>
	<u>0.0744</u>	<u>0.0750</u>	<u>0.0789</u>	<u>0.0778</u>	<u>0.0735</u>
Tax Extensions					
Town Fund	\$ 750,316	\$ 733,507	\$ 685,217	\$ 646,276	\$ 609,676
General Assistance Fund	76,956	75,232	66,850	63,051	46,898
Road and Bridge Fund (1)	<u>615,644</u>	<u>433,333</u>	<u>409,125</u>	<u>393,342</u>	<u>374,611</u>
	<u>\$ 1,442,916</u>	<u>\$ 1,242,072</u>	<u>\$ 1,161,192</u>	<u>\$ 1,102,669</u>	<u>\$ 1,031,185</u>
Collections	<u>\$ 904,686</u>	<u>\$ 1,339,268</u>	<u>\$ 1,262,554</u>	<u>\$ 1,123,328</u>	<u>\$ 1,051,477</u>
Percentage of Extensions Collected	<u>62.70%</u>	<u>107.83%</u>	<u>108.73%</u>	<u>101.87%</u>	<u>101.96%</u>

(1) Palos Township's portion of shared funds - full tax rates and extensions were as follows:

<u>Tax Year</u>	<u>Rate</u>	<u>Extension</u>
2009	0.0390	\$750,316
2008	0.0320	601,852
2007	0.0340	568,229
2006	0.0338	535,936
2005	0.0325	515,880
2004	0.0380	489,774
2003	0.0400	471,277
2002	0.0370	462,014
2001	0.0440	446,342
2000	0.0450	436,597