

**PALOS TOWNSHIP, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
MARCH 31, 2015**

Prepared By:

**HEARNE & ASSOCIATES, P.C.**

Certified Public Accountants &  
Business Consultants

# PALOS TOWNSHIP, ILLINOIS

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**HEARNE & ASSOCIATES, P.C.**

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

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palos Township as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprises 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 from 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 auditors' 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 opinion.

#### **Basis for Qualified Opinion of Governmental Activities**

As more fully described in Note 3 to the financial statements, the Township has not recorded certain land (right-of-way) in governmental activities. In our opinion, 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 position of governmental activities. The amount by which this departure would affect the assets and net position of the governmental activities is not reasonably determinable.



### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion of Governmental Activities" paragraph, the township-wide financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Palos Township as of March 31, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Township as of March 31, 2015 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

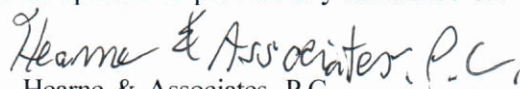
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The individual fund financial statements and other supplemental schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary schedule 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 them.

June 9, 2015  
Mokena, Illinois

  
Hearne & Associates, P.C.  
Certified Public Accountants

Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

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, 2015. 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 and deferred outflows of resources of the Township exceeded its deferred inflows of resources and liabilities at the close of the most recent fiscal year by \$1,403,383. This is an increase of \$106,780 or 8.2% compared to the prior year. Of this amount, \$703,468 (unrestricted) may be used to meet the Township's ongoing obligations to citizens and creditors.

During the year, the Township had government-wide expenses of \$1,512,608 and \$1,619,388 of revenues generated from tax and other Township programs. This is a decrease of \$238,515 (13.6%) and a decrease of \$189,182 (10.4%), respectively compared to the prior year. This is the result of decreased expenditures for the Road and Bridge during fiscal year 2015 and a decrease in the amount of property taxes remitted and available for use for fiscal year 2015.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$710,538 or 79.7% 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 Position and the Statement of Activities.

The Statement of Net Position 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 Position can be found on page 9 of this report.

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 10 of this report.

Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

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 11-14 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 15.

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.

**GOVERNMENT -WIDE STATEMENTS & ANALYSIS**

Statement of Net Position

The following chart reflects the condensed Statement of Net Position:

	2015	2014
Assets:		
Current Assets	\$ 1,928,267	\$ 1,714,898
Capital Assets	294,704	300,284
Total Assets	<u>2,222,971</u>	<u>2,015,182</u>

Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

	<u>2015</u>	<u>2014</u>
Liabilities:		
Current Liabilities	<u>\$ 77,797</u>	<u>\$ 37,013</u>
Deferred Inflows of Resources		
Unavailable Property Taxes	<u>741,791</u>	<u>681,566</u>
Net Position:		
Net Investment in Capital Assets	294,704	300,284
Restricted	405,211	307,138
Unrestricted	<u>703,468</u>	<u>689,181</u>
Total Net Position	<u>\$ 1,403,383</u>	<u>\$ 1,296,603</u>

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

The Township's net position of \$294,704 or 20.9%, reflect its investment in net capital assets. The Township uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Restricted net position is divided between the General Assistance Fund (\$154,973) and the Road and Bridge Fund (\$250,238). The remaining balance of unrestricted net position, \$703,468, may be used to meet the Township's ongoing obligations to citizens and creditors. The overall incremental increase in net position of \$106,780 is due to the Township balancing on an overall basis, its revenue and expenditures.

Statement of Activities

The following chart reflects the condensed Statement of Activities:

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Charges for Service	\$ 32,661	\$ 34,457
Operating Grants and Contributions	53,574	13,368
General Revenues		
Taxes	1,528,804	1,756,069
Interest Income	570	409
Other General Revenues	<u>3,779</u>	<u>4,267</u>
Total Revenues	<u>1,619,388</u>	<u>1,808,570</u>

Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

	<u>2015</u>	<u>2014</u>
Expenses:		
General Government	\$ 498,911	\$ 499,561
Culture and Recreation	394,635	369,107
Road and Bridge	502,006	772,896
General Assistance	98,379	92,523
Unallocated Depreciation	<u>18,677</u>	<u>17,036</u>
Total Expenses	<u>1,512,608</u>	<u>1,751,123</u>
Changes in Net Position	106,780	57,447
Net Position, Beginning of Year	<u>1,296,603</u>	<u>1,239,156</u>
Net Position, End of Year	<u>\$ 1,403,383</u>	<u>\$ 1,296,603</u>

Fiscal year 2015 showed general revenues of \$1,553,153. Governmental activities are broken out by functional area for program revenues and expenses: General Government, Culture and Recreation, Road and Bridge and General Assistance. General revenues are separated by taxes and investment earnings. The taxes consist of property taxes, replacement taxes and the motor fuel tax. The overall decrease in revenues is due to a six percent drop in the Township's assessed valuation, which affects the property taxes. Expenditures have decreased in Road and Bridge due to no large projects in the current year. The Township experienced increases in Culture and Recreation and General Assistance due to more people utilizing the health services and qualifying for General Assistance. General Government remained consistent.

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.

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.



Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

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 2015.

Historically, the Township has taken a very conservative approach in developing their budgets. During fiscal year 2015, revenues and expenses versus budgeted amounts for the major funds showed the following variances:

	Budgeted	Actual		Budgeted	Actual	
<u>Fund</u>	<u>Revenues</u>	<u>Revenues</u>	<u>Variance</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Variance</u>
General	\$899,500	\$903,632	\$ 4,132	\$1,119,400	\$898,744	\$(220,656)
Road and Bridge	618,450	573,268	(45,182)	1,146,802	508,107	(638,695)
General Assistance	60,150	82,570	22,420	140,950	98,319	(42,631)

The General Fund revenues were over budget by \$4,132 due primarily to receipt of grants pertaining to Health Services. Expenses in the General Fund were under budget by \$220,656 due to a concerted effort by the Township to save money in all functions.

In the Road and Bridge Fund, revenues were under budget by \$45,182 due primarily to property taxes and replacement taxes. These under budget categories were offset by Motor Fuel Tax payments received from Cook County. Expenses were under budget by \$638,695 due to paving and other repair projects not occurring as expected.

Finally, in the General Assistance Fund, revenues were over budget by \$22,420 mainly due to a higher levy for General Assistance. Expenses were \$42,631 under budget due to the Township keeping a conservative budget.

Palos Township, Illinois

Management's Discussion and Analysis  
March 31, 2015

**CAPITAL ASSETS**

At the end of fiscal year 2015, the Township had a combined total capital assets of \$294,704 invested in land and buildings. As allowed by Governmental Accounting Standards Board Statement No. 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 position of governmental activities is not reasonably determinable. (For more information, see note 3 to the financial statements)

Governmental Activities Change in Capital Assets

	Balance 3/31/14	Net Additions/ Deletions	Balance 3/31/15
Non-depreciable Capital Assets			
Land	\$ 78,772	\$ -	\$ 78,772
Depreciable Capital Assets			
Buildings and Improvements	374,166	-	374,166
Infrastructure	91,266	-	91,266
Equipment	-	13,097	13,097
Accumulated Depreciation	(243,920)	(18,677)	(262,597)
Total Capital Assets, Net	<u>\$ 300,284</u>	<u>\$ (5,580)</u>	<u>\$ 294,704</u>

**DEBT ADMINISTRATION**

There was no debt outstanding 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 position) or results of operations (revenues, expenses, and other changes in net position) 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 Position  
March 31, 2015

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	\$ 853,154
Certificates of Deposit	258,607
Property Taxes Receivable	768,443
Replacement Taxes Receivable	10,372
Motor Fuel Tax Receivable	13,681
Grants Receivable	1,454
Prepaid Expenses	22,556
Capital Assets, Not Being Depreciated	78,772
Capital Assets, Net of Accumulated Depreciation	215,932
Total Assets	<u>2,222,971</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accounts Payable	10,555
Accrued Payroll	6,568
Accrued Expenditures	887
Accrued IMRF	146
Cash Bonds	37,500
Long-term obligations, due within one year:	
Compensated Absences	22,141
Total Liabilities	<u>77,797</u>
<u>Deferred Inflows of Resources:</u>	
Deferred Property Taxes	<u>741,791</u>
Total Liabilities & Deferred Inflows of Resources	<u>819,588</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	294,704
Restricted for:	
General Assistance	154,973
Road and Bridge	250,238
Unrestricted	<u>703,468</u>
Total Net Position	<u>\$ 1,403,383</u>

See the accompanying notes to the financial statements.

Palos Township, Illinois

Statement of Activities  
Year Ended March 31, 2015

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 498,911	\$ -	\$ 16,913	\$ (481,998)
Culture and Recreation	394,635	32,661	-	(361,974)
Road and Bridge	502,006	-	36,661	(465,345)
General Assistance	98,379	-	-	(98,379)
Unallocated Depreciation	18,677	-	-	(18,677)
Total Government Activities	<u>\$ 1,512,608</u>	<u>\$ 32,661</u>	<u>\$ 53,574</u>	<u>(1,426,373)</u>
General Revenues:				
Taxes:				
Property Taxes				1,131,156
Hard Road Tax				331,638
Personal Property Replacement Tax				34,256
Motor Fuel Tax				31,754
Investment Earnings				570
Other General Revenues				3,779
Total General Revenues				<u>1,533,153</u>
Change in Net Position				106,780
Net Position - Beginning				<u>1,296,603</u>
Net Position - Ending				<u>\$ 1,403,383</u>

See accompanying notes to financial statements.



Palos Township, Illinois

Governmental Funds

Balance Sheet

March 31, 2015

	Major Funds			
	General Fund	Road and Bridge Fund	General Assistance	Total
<u>Assets</u>				
Cash	\$ 516,898	\$ 274,462	\$ 61,794	\$ 853,154
Certificates of Deposit	82,519	74,454	101,634	258,607
Property Taxes Receivable	443,191	279,231	46,021	768,443
Replacement Taxes Receivable	5,906	4,466	-	10,372
Motor Fuel Tax Receivable	-	13,681	-	13,681
Grants Receivable	1,454	-	-	1,454
Due From Other Funds	95,879	-	-	95,879
Prepaid Expenditures	15,071	5,222	2,263	22,556
Total Assets	<u>\$ 1,160,918</u>	<u>\$ 651,516</u>	<u>\$ 211,712</u>	<u>\$ 2,024,146</u>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 4,099	\$ 6,456	\$ -	\$ 10,555
Accrued Payroll	-	3,795	2,773	6,568
Accrued Expenditures	98	789	-	887
Accrued IMRF	-	20	126	146
Cash Bonds	-	37,500	-	37,500
Due to Other Funds	-	85,000	10,879	95,879
Total Liabilities	<u>4,197</u>	<u>133,560</u>	<u>13,778</u>	<u>151,535</u>
<u>Deferred Inflows of Resources</u>				
Deferred Revenues	<u>431,112</u>	<u>267,718</u>	<u>42,961</u>	<u>741,791</u>
Total Liabilities and Deferred Inflows of Resources	<u>435,309</u>	<u>401,278</u>	<u>56,739</u>	<u>893,326</u>
<u>Fund Balance</u>				
Non-spendable: Prepaid Expenses	15,071	5,222	2,263	22,556
Restricted for:				
General Assistance	-	-	152,710	152,710
Road and Bridge	-	245,016	-	245,016
Unassigned	710,538	-	-	710,538
Total Fund Balance	<u>725,609</u>	<u>250,238</u>	<u>154,973</u>	<u>1,130,820</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,160,918</u>	<u>\$ 651,516</u>	<u>\$ 211,712</u>	<u>\$ 2,024,146</u>

See accompanying notes to the financial statements.

Palos Township, Illinois  
Reconciliation of Governmental Funds Balance Sheet  
to Statement of Net Position  
March 31, 2015

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Total Fund Balances - Governmental Funds	\$ 1,130,820
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital Assets	\$ 557,301	
Accumulated Depreciation	<u>(262,597)</u>	
Net Capital Assets		294,704

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>\$ (22,141)</u>	
Total Long-term Liabilities		<u>(22,141)</u>

Net Position of governmental activities	<u>\$ 1,403,383</u>
-----------------------------------------	---------------------

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, 2015

	Major Funds			
	General Fund	Road and Bridge Fund	General Assistance	Total
Revenues				
Property Taxes	\$ 850,906	\$ 194,799	\$ 85,451	\$ 1,131,156
Hard Road Tax	-	331,638	-	331,638
Replacement Taxes	19,335	14,921	-	34,256
Motor Fuel Tax	-	31,754	-	31,754
Grant Income	5,029	36,661	-	41,690
Health Services - Chol. Test Fees	32,661	-	-	32,661
Donations	11,884	-	-	11,884
Investment Income	98	246	226	570
Miscellaneous Revenue	200	3,579	-	3,779
Total Revenues	920,113	613,598	85,677	1,619,388
Expenditures				
Current:				
Compensation of Elected Officials	104,649	-	-	104,649
Townhall Expenses	55,696	-	-	55,696
Services	238,374	-	51,750	290,124
Road Expenses	-	360,210	-	360,210
Administration	68,919	99,578	43,139	211,636
Senior Services	29,550	-	-	29,550
Health Service Expenses	364,085	-	-	364,085
Contingencies	12,148	43,036	3,490	58,674
Debt Service:				
Capital Outlay	17,947	-	-	17,947
Total Expenditures	891,368	502,824	98,379	1,492,571
Net Change in Fund Balances	28,745	110,774	(12,702)	126,817
Fund Balances at Beg. of Year	696,864	139,464	167,675	1,004,003
Fund Balances at End of Year	\$ 725,609	\$ 250,238	\$ 154,973	\$ 1,130,820

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, 2015

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Net Change in Fund Balances - Total Government Funds	\$ 126,817
Amounts reported for governmental activities in the Statement of Activities are different because:	
these costs are recorded as capital assets.	13,097
Governmental Funds allocate the cost of capital assets over their estimated useful lives as depreciation	(18,677)
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>(14,457)</u>
Net Change in Net Position of Governmental Activities	<u>\$ 106,780</u>

See accompanying notes to the financial statements.



Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**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, 2015, 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 elected officials of the Township are financially accountable.

Financial accountability is defined as: (1) appointment of the voting majority of the component unit's board, and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government or (2) fiscal dependency on the primary government.

Based on the foregoing criteria, the Township does have any component units included in the Township's reporting entity. Also, the Township is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

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 position, 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 position and the statement of activities display information about the township as a whole. In the Township-wide statement of net position, 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.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

*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, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in total net position. 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 position to remove the "grossing-up" effect on assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015, one-half of the 2014 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.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

The Township reports the following major governmental funds:

General Fund - The General Fund (also known as the Town Fund) is used to account for and report all financial resources not for and reported in another fund.

Road and Bridge Fund - The Road and Bridge Fund is used to account for and report 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 and report 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 cash equivalents consisted of checking and money market accounts at financial institutions. Investments are stated at fair value.

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.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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:

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.

Deferred Revenue

Deferred revenue is recorded where asset recognition criteria has been met, but where revenue recognition criteria has 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, 2015, of \$22,141) 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: The Township's fund balances are required to be reported using five separate classifications as listed below. The Township may not necessarily utilize each classification in a given fiscal year.

Non-Spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or laws or regulations or other governments.



Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners of the Township (the highest level of decision making authority for the Township). Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Commissioners.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the Township's adopted policy, only the District may assign amounts for specific purposes.

Unassigned - all other spendable amounts; positive amounts that are reported only in the general fund.

When an expenditure is incurred for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Net Position: Net Position represents the difference between the sum of assets and deferred outflows of resources and the sum of deferred inflows of resources and liabilities. Net Position 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 Positions 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 \$852,454 at March 31, 2015, while the bank balances were \$856,111. Petty cash in the amount of \$700 is not included in the above carrying amount. As of March 31, 2015, 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.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

*Certificates of Deposit*

Certificates of Deposit amounted to \$258,607 at March 31, 2015. 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.

*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.

*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.

*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:

<u>Per Statement of Net Position:</u>		<u>Per Note 2:</u>	
Cash	\$ 853,154	Cash	\$ 852,454
Investments	<u>258,607</u>	Petty Cash	700
Total per Statement		Certificates of Deposit	<u>258,607</u>
of Net Position	<u>\$ 1,111,761</u>	Total per Note 2	<u>\$ 1,111,761</u>

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**NOTE 3 - CAPITAL ASSETS**

A summary of changes in the Township's capital assets for the period ending March 31, 2015 follows:

	Balance March 31, 2014	Additions	Disposals	Balance March 31, 2015
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 78,772	\$ -	\$ -	\$ 78,772
Capital Assets Being Depreciated				
Buildings and Improvements	374,166	-	-	374,166
Infrastructure	91,266	-	-	91,266
Equipment	-	13,097	-	13,097
Total Capital Assets Being Depreciated, Gross	465,432	13,097	-	478,529
Accumulated Depreciation				
Buildings and Improvements	(236,912)	(13,787)	-	(250,699)
Infrastructure	(7,008)	(4,563)	-	(11,571)
Equipment	-	(327)	-	(327)
Total Accumulated Depreciation	(243,920)	(18,677)	-	(262,597)
Capital Assets Being Depreciated, Net of Depreciation	221,512	(5,580)	-	215,932
Total Governmental Activities, Capital Assets, Net of Depreciation	\$ 300,284	\$ (5,580)	\$ -	\$ 294,704

Depreciation expense of \$18,677 was unallocated in the Governmental Activities.

The Township has not capitalized infrastructure assets and 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 these unrecorded capital assets understate assets and net position of governmental activities is not reasonably determinable.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables recorded in the combined balance sheet at March 31, 2015, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
General Assistance Fund	\$ -	\$ 10,879
General Fund	95,879	-
Road and Bridge Fund	-	85,000
Total Interfund Balance	<u>\$ 95,879</u>	<u>\$ 95,879</u>

The General Assistance Fund borrowed from the General Fund to cover expenditures. The Road and Bridge Fund borrowed from the General Fund to cover expenditures related to road repairs. This interfund balance is expected to be repaid in the next fiscal year.

**NOTE 5 - LONG-TERM LIABILITIES**

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

	<u>Balance</u> <u>March 31,</u> <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31,</u> <u>2015</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated Absences	\$ 7,684	\$ 14,457	\$ -	\$ 22,141	\$ 22,141

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

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 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).

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**NOTE 6 - DEFINED BENEFIT PENSION PLAN (continued)**

Funding Policy. As set by statute, the Township's Regular plan members are required to contribute 4.5 percent 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 2014 was 20.28 percent. 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, 2014, the employer's actual contributions for pension cost for the Regular plan members was \$60,619.

**Three Year Trend Information for the Regular Plan**

Actuarial	Annual Pension	Percentage	Net Pension
Valuation Date	Cost (APC)	of APC Contributed	Obligation
12/31/14	\$ 60,619	100%	\$ -
12/31/13	55,216	100%	-
12/31/12	50,784	100%	-

The required contribution for 2014 was determined as part of the December 31, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012, included: (a) 7.5 percent investment rate of return (net of administrative and direct expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3 percent annually. The actuarial value of the Township's Regular plan assets was determined using techniques that spread the effects of short term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The Township's Regular plan's unfunded actuarial accrued liability at December 31, 2012, is being amortized as a level percentage of projected payroll on an open 29 year basis.

Funded Status and Funding Progress. As of December 31, 2014, the most recent valuation date, the Regular plan was 41.14 percent funded. The actuarial accrued liability for benefits was \$860,626 and the actuarial value of assets was \$354,068, resulting in an underfunded actuarial accrued liability (UAAL) of \$506,558. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$298,908 and the ratio of UAAL to the covered payroll was 169%.

The schedule of funding progress, presented as required supplementary information (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.

Palos Township, Illinois

Notes to the Financial Statements  
March 31, 2015

**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, 2015

	General Fund		
	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 833,000	\$ 832,797	\$ (203)
Replacement Tax	20,000	22,417	2,417
Grant Income	-	3,575	3,575
Health Service - Cholesterol Test Fees	33,000	32,661	(339)
Investment Income	200	98	(102)
Miscellaneous Revenue	13,300	12,084	(1,216)
Total Revenues	<u>899,500</u>	<u>903,632</u>	<u>4,132</u>
<u>Expenditures</u>			
Current:			
Total Compensation of Elected Officials	145,000	104,649	(40,351)
Total Town Hall Expenses	96,400	60,546	(35,854)
Services	294,300	240,831	(53,469)
Administration	94,600	68,629	(25,971)
Senior Services	50,900	29,550	(21,350)
Health Services	403,200	364,444	(38,756)
Contingencies	15,000	12,148	(2,852)
Capital Outlay	20,000	17,947	(2,053)
Total Expenditures	<u>1,119,400</u>	<u>898,744</u>	<u>(220,656)</u>
Net Change in Fund Balance	<u>\$ (219,900)</u>	4,888	<u>\$ 224,788</u>
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		16,481	
Adjustments for Expenditure Accruals and Prepaids		<u>7,376</u>	
Net Change in Fund Balances		28,745	
Fund Balance at Beginning of Year		<u>696,864</u>	
Fund Balance at End of Year		<u>\$ 725,609</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, 2015

	<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	\$ 184,568	\$ 165,819	\$ (18,749)
Hard Road Tax	386,645	331,638	(55,007)
Replacement Tax	19,212	17,252	(1,960)
Motor Fuel Tax	-	18,073	18,073
Grant Income	-	36,661	36,661
Investment Income	4,808	246	(4,562)
Miscellaneous Revenue	4,005	3,579	(426)
Total Revenues	<u>599,238</u>	<u>573,268</u>	<u>(25,970)</u>
<u>Expenditures</u>			
Current:			
Road Services	996,502	365,675	(630,827)
Administration	124,300	99,396	(24,904)
Contingencies	26,000	43,036	17,036
Total Expenditures	<u>1,146,802</u>	<u>508,107</u>	<u>(638,695)</u>
Net Change in Fund Balance	<u>\$ (547,564)</u>	65,161	<u>\$ 612,725</u>
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		40,330	
Adjustments for Expenditure Accruals and Prepaids		<u>5,283</u>	
Net Change in Fund Balances		105,491	
Fund Balance at Beginning of Year		<u>139,464</u>	
Fund Balance at End of Year		<u>\$ 250,238</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, 2015

	<u>General Assistance Fund</u>		
	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Over (Under)</u>
<u>Revenues</u>			
Property Tax	\$ 60,000	\$ 82,344	\$ 22,344
Investment Income	50	226	176
Miscellaneous Revenue	100	-	(100)
Total Revenues	<u>60,150</u>	<u>82,570</u>	<u>22,420</u>
<u>Expenditures</u>			
Current:			
Services	85,000	51,750	(33,250)
Administration	51,950	43,079	(8,871)
Contingencies	6,000	3,490	(2,510)
Total Expenditures	<u>142,950</u>	<u>98,319</u>	<u>(44,631)</u>
Net Change in Fund Balance	<u><u>\$ (82,800)</u></u>	(15,749)	<u><u>\$ 67,051</u></u>
Net Changes in Budgetary Basis to GAAP			
Adjustments for Revenue Accruals and Deferrals		3,107	
Adjustments for Expenditure Accruals and Prepaid		<u>(60)</u>	
Net Change in Fund Balances		(12,702)	
Fund Balance at Beginning of Year		<u>167,675</u>	
Fund Balance at End of Year		<u><u>\$ 154,973</u></u>	

Palos Township, IL  
Required Supplementary Information  
Illinois Municipal Retirement Fund  
Schedule of Funding Progress  
March 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/14	\$ 354,068	\$ 860,626	\$ 506,558	41.14%	\$ 298,908	169.47%
12/31/13	297,211	846,220	549,009	35.12%	297,180	184.74%
12/31/12	174,287	842,736	668,449	20.68%	321,824	207.71%

On a market value basis, the actuarial value of assets as of December 31, 2014, is \$474,035. On a market basis, the funded ratio would be 55.08%

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

Palos Township, Illinois  
Notes to the Required Supplementary Information  
March 31, 2015

**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, 2015.

## Individual Fund Financial Schedules

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 833,000	\$ 832,797	\$ (203)
Replacement Tax	20,000	22,417	2,417
Health Service - Cholesterol Test Fees	33,000	32,661	(339)
Grant Income	-	3,575	3,575
Investment Income	200	98	(102)
Miscellaneous Revenue	13,300	12,084	(1,216)
Total Revenues Received	899,500	903,632	4,132
<u>Expenditures</u>			
Compensation of Elected Officials			
Town Supervisor	29,000	27,160	(1,840)
Town Clerk	29,000	14,820	(14,180)
Town Assessor	29,000	14,820	(14,180)
Highway Commissioner	29,000	26,055	(2,945)
Board of Trustees	29,000	21,794	(7,206)
Treasurer of Road & Bridge	-	-	-
Total Compensation of Elected Officials	145,000	104,649	(40,351)
Town Hall Expenses			
Repairs & Maintenance	55,000	27,517	(27,483)
Utilities	11,000	9,617	(1,383)
Janitor Services	12,500	11,201	(1,299)
Telephone	16,000	11,477	(4,523)
Telephone - Assessor	1,900	734	(1,166)
Total Town Hall Expenses	96,400	60,546	(35,854)
Services			
Legal	21,000	19,200	(1,800)
Labor	65,000	64,750	(250)
Collector's Bond	500	-	(500)
Illinois Municipal Retirement Fund	44,000	44,051	51
FICA	20,000	19,938	(62)
Insurance - Liability, Property Damage, and Worker's Compensation	22,000	20,029	(1,971)
Insurance - Employees	65,000	50,821	(14,179)
Insurance - Elected Officials Errors and Omissions	5,000	-	(5,000)
Independent Audit	11,000	9,695	(1,305)
Bookkeeping Service	11,000	11,885	885
Unemployment Compensation - State	2,000	462	(1,538)
Youth Service Salaries	17,000	-	(17,000)
Youth Programs	10,800	-	(10,800)
Total Services	294,300	240,831	(53,469)

(Continued)



Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
Administration			
General			
Office Supplies	\$ 14,000	\$ 12,043	\$ (1,957)
Dues	7,500	-	(7,500)
Operating Supplies	1,000	149	(851)
Printing	3,000	3,190	190
Building	5,000	-	(5,000)
Conferences and Dues	-	4,974	4,974
Training	3,000	680	(2,320)
Transportation	3,500	1,239	(2,261)
Postage	3,000	1,516	(1,484)
Assessor			
Office Supplies	1,500	633	(867)
Dues	1,200	-	(1,200)
Publishing	4,000	-	(4,000)
Printing	200	-	(200)
Training	200	200	-
Miscellaneous	4,500	847	(3,653)
Conferences and Dues	-	788	788
Office Help			
Assessor's Deputy	43,000	42,370	(630)
Total Administration	94,600	68,629	(25,971)
Senior Services			
Salary - Senior Citizens Coordinator	9,400	-	(9,400)
Grants to Senior Citizens and Community Service Organizations	-	-	-
Senior Transportation	5,000	12,000	7,000
Senior Transportation with Palos Hills	13,500	-	(13,500)
Social Programs and Events	23,000	17,550	(5,450)
Total Senior Services	50,900	29,550	(21,350)
Health Service Expenses			
Compensation			
Medical Doctors	148,000	135,982	(12,018)
Nurses	176,000	169,602	(6,398)
Podiatrist	28,000	25,791	(2,209)
Total Compensation	352,000	331,375	(20,625)
FICA - Health Service	17,000	12,539	(4,461)
Office Supplies	5,700	3,524	(2,176)
Medical Supplies and Equipment	22,500	17,006	(5,494)
Medicine	6,000	-	(6,000)
Total Health Services	403,200	364,444	(38,756)

(Continued)

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Fund  
Year Ended March 31, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
Contingencies	\$ 15,000	\$ 12,148	\$ (2,852)
Capital Outlay	20,000	17,947	(2,053)
Total Expenditures	1,119,400	898,744	(220,656)
Net Change in Fund Balance	\$ (219,900)	\$ 4,888	\$ 224,788

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
Road and Bridge Fund  
Year Ended March 31, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 184,568	\$ 165,819	\$ (18,749)
Hard Road Tax	386,645	331,638	(55,007)
Replacement Tax	19,212	17,252	(1,960)
Motor Fuel Tax	-	18,073	18,073
Grant Revenue	-	36,661	36,661
Investment Income	4,808	246	(4,562)
Miscellaneous Revenue	4,005	3,579	(426)
Total Revenues Received	<u>599,238</u>	<u>573,268</u>	<u>(25,970)</u>
<u>Expenditures</u>			
Road Expenses			
Installation of Street Lighting	5,500	-	(5,500)
Construction of Roads	85,000	16,846	(68,154)
Compliance with ADA	10,000	-	(10,000)
Maintenance of Roads			
Labor	28,000	34,929	6,929
Materials and Supplies	138,003	52,416	(85,587)
Hire of Machinery	148,740	157,980	9,240
Construction of Drainage Facilities	53,299	57,376	4,077
Purchase of Equipment	26,400	6,808	(19,592)
Paving	435,560	-	(435,560)
Total Maintenance of Roads	<u>930,502</u>	<u>326,355</u>	<u>(604,147)</u>
Weed Control			
Equipment Rental	37,000	22,683	(14,317)
Labor	29,000	16,637	(12,363)
Total Weed Control	<u>66,000</u>	<u>39,320</u>	<u>(26,680)</u>
Total Road Expenses	<u>996,502</u>	<u>365,675</u>	<u>(630,827)</u>
Administrative			
Travel	4,000	2,773	(1,227)
Office Help	43,700	45,757	2,057
Legal Services	20,000	20,504	504
Insurance	26,000	7,833	(18,167)
Bonds	50	-	(50)
Publication	1,700	784	(916)
FICA	4,100	3,500	(600)
Illinois Municipal Retirement Fund	8,200	9,133	933
Office Medical Insurance	14,000	7,757	(6,243)
Telephone	2,550	1,355	(1,195)
Total Administration	<u>124,300</u>	<u>99,396</u>	<u>(24,904)</u>
Contingencies	<u>26,000</u>	<u>43,036</u>	<u>17,036</u>
Total Expenditures	<u>1,146,802</u>	<u>508,107</u>	<u>(638,695)</u>
Net Change in Fund Balance	<u>\$ (547,564)</u>	<u>\$ 65,161</u>	<u>\$ 612,725</u>

Palos Township, Illinois

Schedule of Revenues and Expenditures  
Budget (Cash Basis) and Actual  
General Assistance Fund  
Year Ended March 31, 2015

	Original & Final Budget	Actual	Variance From Final Budget Over (Under)
<u>Revenues</u>			
Property Tax	\$ 60,000	\$ 82,344	\$ 22,344
Investment Income	50	226	176
Miscellaneous Income	100	-	(100)
Total Revenues Received	<u>60,150</u>	<u>82,570</u>	<u>22,420</u>
<u>Expenditures</u>			
Services			
Home Relief			
Food	10,000	8,280	(1,720)
Rent	42,000	37,053	(4,947)
Repairs	1,000	-	(1,000)
Fuel	4,000	2,070	(1,930)
Light	3,000	2,070	(930)
Clothing	2,500	2,277	(223)
Total Home Relief	<u>62,500</u>	<u>51,750</u>	<u>(10,750)</u>
Hospitalization			
Physician Services	19,500	-	(19,500)
Ambulance Services	500	-	(500)
Total Hospitalization	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Dental Services	2,000	-	(2,000)
Transportation	500	-	(500)
Total Services	<u>85,000</u>	<u>51,750</u>	<u>(33,250)</u>
Administrative			
Salaries - Office Assistant	38,000	33,607	(4,393)
Office Supplies	1,000	167	(833)
FICA	3,200	2,571	(629)
Illinois Municipal Retirement Fund	7,500	6,704	(796)
Operating Supplies	500	-	(500)
Professional Services	500	-	(500)
Conferences, Dues, and Miscellaneous	750	30	(720)
Repairs and Maintenance	500	-	(500)
Total Administration	<u>51,950</u>	<u>43,079</u>	<u>(8,871)</u>
Contingencies	<u>6,000</u>	<u>3,490</u>	<u>(2,510)</u>
Total Expenditures	<u>142,950</u>	<u>98,319</u>	<u>(44,631)</u>
Net Change in Fund Balance	<u>\$ (82,800)</u>	<u>\$ (15,749)</u>	<u>\$ 67,051</u>

## Other Supplementary Information

Palos Township, Illinois

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

	<u>2013</u>	<u>2012</u>	<u>Levy Year 2011</u>	<u>2010</u>	<u>2009</u>
Assessed Valuations - Cook County	<u>\$ 1,368,683,615</u>	<u>\$ 1,459,271,280</u>	<u>\$ 1,583,301,551</u>	<u>\$ 1,943,895,550</u>	<u>\$ 1,923,888,235</u>
Tax Rates					
Town Fund	0.0626	0.0570	0.0500	0.0399	0.0385
General Assistance Fund	0.0053	0.0050	0.0050	0.0040	0.0039
Road and Bridge Fund (1)	<u>0.0379</u>	<u>0.0350</u>	<u>0.0322</u>	<u>0.0164</u>	<u>0.0246</u>
	<u>0.1058</u>	<u>0.0970</u>	<u>0.0872</u>	<u>0.0603</u>	<u>0.0670</u>
Tax Extensions					
Town Fund	\$ 856,960	\$ 831,784	\$ 791,650	\$ 777,558	\$ 750,316
General Assistance Fund	72,100	72,963	79,165	77,756	76,956
Road and Bridge Fund (1)	<u>518,389</u>	<u>509,724</u>	<u>509,724</u>	<u>494,877</u>	<u>473,566</u>
	<u>\$ 1,447,449</u>	<u>\$ 1,414,471</u>	<u>\$ 1,380,539</u>	<u>\$ 1,350,191</u>	<u>\$ 1,300,838</u>
Collections	<u>\$ 1,419,039</u>	<u>\$ 1,315,475</u>	<u>\$ 1,418,302</u>	<u>\$ 1,395,325</u>	<u>\$ 1,266,051</u>
Percentage of Extensions Collected	<u>98.04%</u>	<u>93.00%</u>	<u>102.74%</u>	<u>103.34%</u>	<u>97.33%</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>
2013	0.0489	\$668,475
2012	0.0460	671,265
2011	0.0420	664,987
2010	0.0400	641,485
2009	0.0390	615,644