

**Sugar Grove Township
Sugar Grove, Illinois
Annual Financial Report
For the Year Ended March 31, 2014**

Sugar Grove Township
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For the Year Ended March 31, 2014

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KNUTTE & ASSOCIATES, P.C.

Certified Public Accountants
7900 S. Cass Avenue
Darien, Illinois 60561
(630) 960-3317
FAX (630) 960-9960
www.knutte.com

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Sugar Grove Township
Sugar Grove, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sugar Grove Township as of and for the year ended March 31, 2014 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. Management has chosen to present the financial statements on the modified cash basis of accounting.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Sugar Grove Township, as of March 31, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 21, be presented to supplement the basic financial statements. Such information, although not 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 other 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.

The management's discussion and analysis (MD&A) is not a required part of the financial statements but is other information required by the Governmental Accounting Standards Board. The management of the Sugar Grove Township has not prepared the MD&A for the year ending March 31, 2014, but will be prepared to include the document at a future date.

The major fund budgetary comparison schedules listed on the table of contents are not a required part of the basic financial statements but are other information required by the Governmental Accounting Standards Board. The other information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ending March 31, 2014 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kuntze & Associates, P.C.

Sugar Grove Township
Statement of Net Position - Modified Cash Basis
March 31, 2014

	Governmental Activities
ASSETS	
Cash	\$ 3,264,590
Cash - Restricted	160,551
Capital Assets	
Capital Assets Not Subject to Depreciation	349,000
Other Capital Assets, Net of Depreciation	1,980,692
Total Capital Assets	<u>2,329,692</u>
TOTAL ASSETS	<u><u>5,754,833</u></u>
 TOTAL DEFERRED OUTFLOWS	 <u>0</u>
 TOTAL LIABILITIES	 <u>0</u>
 TOTAL DEFERRED INFLOWS	 <u>0</u>
 NET POSITION	
Investment in Capital Assets	2,329,692
Restricted Amounts	2,806,020
Unrestricted Amounts	619,121
TOTAL NET POSITION	<u><u>\$ 5,754,833</u></u>

See Accompanying Notes to the Financial Statements

Sugar Grove Township
Statement of Activities - Modified Cash Basis
For the Year Ended March 31, 2014

		Program Revenues		Net (Expenses)
		Fees and Charges for Services	Operating Grants and Capital Contributions	Revenues and Change in Net Position
	Expenses			Governmental Activities
FUNCTIONS/PROGRAMS				
Governmental Activities				
General Government	\$ 407,763	\$ 0	\$ 0	\$ (407,763)
Road and Bridge	841,825	0	0	(841,825)
Community Building	119,027	0	0	(119,027)
General Assistance	2,865	0	0	(2,865)
Mental Health	101,308	0	0	(101,308)
Total Governmental Activities	\$ 1,472,788	\$ 0	\$ 0	(1,472,788)
GENERAL REVENUES				
Taxes				
Property Taxes				1,574,900
Replacement Taxes				32,397
Motor Fuel Tax				44,396
Interest Income				7,796
Rental Income				41,915
Miscellaneous				3,682
TOTAL GENERAL REVENUES				1,705,086
CHANGE IN NET POSITION				232,298
NET POSITION,				
BEGINNING OF YEAR				5,522,535
END OF YEAR				\$ 5,754,833

See Accompanying Notes to the Financial Statements

Sugar Grove Township

Governmental Funds

Statement of Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances - Modified Cash

Basis - Governmental Funds

March 31, 2014

	<u>Town</u>	<u>Road and Bridge</u>	<u>Community Building</u>	<u>General Assistance</u>	<u>Total</u>
ASSETS					
Cash	\$ 619,121	\$ 2,196,313	\$ 324,333	\$ 124,823	\$ 3,264,590
Cash - Restricted	0	160,551	0	0	160,551
TOTAL ASSETS	<u>619,121</u>	<u>2,356,864</u>	<u>324,333</u>	<u>124,823</u>	<u>3,425,141</u>
TOTAL DEFERRED OUTFLOWS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>619,121</u>	<u>2,356,864</u>	<u>324,333</u>	<u>124,823</u>	<u>3,425,141</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL DEFERRED INFLOWS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES					
Restricted	0	2,356,864	324,333	124,823	2,806,020
Unassigned	619,121	0	0	0	619,121
TOTAL FUND BALANCES	<u>619,121</u>	<u>2,356,864</u>	<u>324,333</u>	<u>124,823</u>	<u>3,425,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 619,121</u>	<u>\$ 2,356,864</u>	<u>\$ 324,333</u>	<u>\$ 124,823</u>	

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

Capital assets used in governmental funds are not financial resources and
therefore are not reported in the fund financial statements.

2,329,692

NET POSITION OF GOVERNMENTAL FUNDS

\$ 5,754,833

See Accompanying Notes to the Financial Statements

Sugar Grove Township**Governmental Funds****Statement of Revenues Received, Expenditures Disbursed and Changes in****Fund Balances - Governmental Funds****For the Year Ended March 31, 2014**

	Town	Road and Bridge	Community Building	General Assistance	Total
RECEIPTS					
Property Taxes	\$ 585,635	\$ 816,754	\$ 160,418	\$ 12,093	\$ 1,574,900
Replacement Taxes	12,438	19,959	0	0	32,397
Motor Fuel Tax	0	44,396	0	0	44,396
Interest	1,077	6,628	16	75	7,796
Rental	29,760	0	12,155	0	41,915
Miscellaneous	3,148	83	451	0	3,682
TOTAL RECEIPTS	632,058	887,820	173,040	12,168	1,705,086
EXPENDITURES					
Administrative	207,833	71,609	119,027	2,865	401,334
Assessor	199,930	0	0	0	199,930
Mental Health Services	101,308	0	0	0	101,308
Maintenance	0	823,179	0	0	823,179
TOTAL EXPENDITURES	509,071	894,788	119,027	2,865	1,525,751
NET CHANGE IN FUND BALANCES	122,987	(6,968)	54,013	9,303	179,335
FUND BALANCES, BEGINNING OF YEAR	496,134	2,363,832	270,320	115,520	3,245,806
END OF YEAR	\$ 619,121	\$ 2,356,864	\$ 324,333	\$ 124,823	\$ 3,425,141

See Accompanying Notes to the Financial Statements

Sugar Grove Township

**Reconciliation of the Statement of Revenues Received, Expenditures Disbursed
and Changes in Fund Balances - Governmental Funds to the Statement of
Activities - Modified Cash Basis
For the Year Ended March 31, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 179,335
(Combined Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances - Governmental Funds)	

Amounts reported for governmental activities in the Statement of Activities - Modified Cash Basis
are different because:

Depreciation of capital assets is not considered an expenditure in the fund financial statements	(219,123)
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Purchases of capital assets are treated as an expenditure in the fund financial statements	<u>272,086</u>
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Change in Net Position of Governmental Activities	
(Statement of Activities - Modified Cash Basis)	<u><u>\$ 232,298</u></u>

See Accompanying Notes to the Financial Statements

Sugar Grove Township
Notes To The Financial Statements
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sugar Grove Township (the "Township") was incorporated under the laws of the State of Illinois and is located in Sugar Grove, Illinois. The Township operates under a Board-Manager form of government, providing general governmental services as well as emergency assistance to individuals and maintenance of roads and bridges within the Township's jurisdictions.

A. Reporting Entity

The Township follows the provisions of Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement 14". As defined by generally accepted accounting principles established by GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate, tax-exempt entities and meet all of the following criteria:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The Township has concluded that no entities meet the criteria of Statement 39 for inclusion as a component unit. Likewise, the Township is not required to be included as a component unit of any other entity.

Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity", is an amendment of GASB Statements No. 14 and No. 39, which does not have impact on the current year financial statements.

B. New Accounting Standards Implemented

As of April 1, 2012, the Township has implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position.

As of April 1, 2012, the Township has implemented GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". The objective of this statement is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also recognizes as outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

GOVERNMENT -WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The Township does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges to residents who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational and capital requirements of a particular function. Taxes and other income items that are not specifically related to a function are reported as general revenues.

Interfund receivables and payables are eliminated in the Statement of Net Position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into individual funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities and deferred inflows, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Funds are organized as major funds or non-major funds within the governmental, proprietary, and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

As of March 31, 2014, the Community Building Fund and General Assistance Fund do not meet the criteria of a major fund, but have been classified as major funds on the financial statements as these funds may be major funds in future years.

Governmental Funds (Governmental Activities)

Governmental fund types are those through which most governmental functions of the Township are financed. The Township's expendable financial resources (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position rather than upon net income determination. A brief explanation of the Township's governmental funds follows:

Town Fund

The Town Fund is the general operating fund of the Township. It is used to account for all financial resources except those required, legally or by sound financial management, to be accounted for in another fund. The Town Fund revenues include special revenues for mental health levies. The expenditures for these special purposes are included as Town Fund expenditures.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Governmental Activities) (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Funds included in this fund category are:

Road and Bridge
Community Building
General Assistance

MAJOR FUNDS

The Township reports the following major governmental funds:

- The Town Fund, which accounts for the township's primary operating activities.
- The Road and Bridge Fund, which accounts for road and bridge maintenance operations.
- The Community Building Fund, which accounts for operations from the Community Building. The Community Building is a recreational building which is rented out for use by residents of the Township. The Community Building has a gym, stage, kitchen, and meeting rooms available to the public. The major expenditures of the Community Building Fund include repairs and maintenance expenditures.
- The General Assistance Fund, which is used to account for assistance provided to low income residents within the Township's jurisdiction.

The Township does not report any non-major funds as of March 31, 2014.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures (or expenses) and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting also refers to the timing of the measurements made, regardless of the measurement focus applied. The government-wide Statement of Net Position and Statement of Activities were both prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The fund financial statements were prepared on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when collected and expenditures are recognized when paid. Furthermore, only assets, liabilities, and fund balances arising from cash transactions are recognized.

Accordingly, recognition of receivables, payables, and other accrued or deferred items is not applicable. The difference between the modified cash basis of accounting and the cash basis of accounting is that the former includes capital assets and long-term debt, which the latter does not.

Standards established by the Generally Accepted Auditing Standards (GAAS) require GAAP for governmental units. Conformance with GAAP would require the financial statements to be prepared on the accrual or modified accrual basis of accounting. Accordingly, these financial statements are not intended to present the financial position and results of operations in conformity with GAAP.

E. Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the flow of economic resources measurement focus, which means all assets, deferred outflows, liabilities (whether current or non-current), and deferred inflows are included on the Statement of Net Position and the operating statements present increases and decreases in net position.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus (Continued)

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Budgetary Data

The Board of Commissioners followed these procedures in establishing the budgetary data reflected in the financial statements. Prior to March 31 the Director submits to the Board of Commissioners a proposed operating budget for the upcoming fiscal year commencing April 1. The operating budget includes proposed expenditures and the means for financing. The budgetary operations of the Township are governed by appropriation laws detailed in the Illinois Township Code. Notice is given, and public meetings are conducted to obtain taxpayer comments. The Board may add to, subtract from, or change appropriations, but may not change the form of the budget. Prior to the end of the first quarter of each fiscal year, the budget is legally enacted through the passage of an annual combined budget and appropriation ordinance.

Budgets for the Governmental Funds of the Township are legally adopted on a basis consistent with the modified cash basis of accounting. Expenditures may not legally exceed appropriations at the fund level. Any expenditures in excess of the legally adopted appropriation must be approved by the Township Board through a supplemental appropriation. No supplemental appropriations were required during fiscal year 2014.

After the first six months of any fiscal year, the Township Board may, by a two-thirds vote, amend the initially approved appropriation ordinance. Unused appropriations lapse at the end of the fiscal year. Expenditures legally may not exceed the total of appropriations and beginning fund balance at the fund level. Management can make transfers between individual expenditure categories of a fund (i.e., services, utilities, etc.) for up to 10% of the budgeted amount. However, Board of Commissioners approval is required in order for management to make transfers between different funds.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budget Basis of Accounting

Budgetary information for individual funds is prepared on the same basis as the general purpose financial statements. The budget is prepared in accordance with the Illinois Township Code and is derived from the combined annual budget and appropriation ordinance of the Township.

I. Cash and Cash Equivalents

The Township considers all highly liquid investments with an initial maturity date within three months of the date acquired by the Township and investment pools to be cash equivalents.

J. Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements. The Township has adopted a capitalization threshold of \$2,500 for individual equipment, \$10,000 for building and improvements, and \$50,000 for infrastructure (e.g. roads, bridges, culverts, curbs, sidewalks, lighting systems, gutters and drainage systems).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual cost is unavailable. Donated capital assets are stated at their fair market value as of the date donated.

Prior to January 1, 2003, capital assets of governmental funds were accounted for in the general fixed assets account group and were not recorded directly as a part of any individual fund's financial statements. Infrastructure of governmental funds was not previously capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide financial statements prospectively from the date of implementation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 - 50 Years
Improvements	10 - 25 Years
Machinery, Furniture and Equipment	3 - 20 Years

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

FUND FINANCIAL STATEMENTS

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlays in the fund from which the expenditure was made. Public domain (infrastructure) capital assets consisting of roads, bridges, culverts, curbs, sidewalks, lighting systems, gutters and drainage systems are not capitalized in the fund financial statements.

K. Long-Term Liabilities

In the government-wide financial statements, debt principal payments of governmental activities are reported as decreases in the balance of the liability on the Statement of Net Position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

L. Property Taxes

Property taxes attach as an enforceable lien on January 1. They are levied in December (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and issued on or about February 1 and August 1 of the following year, with installments due on or about March 1 and September 1 of the following year. The County collects such taxes and remits them periodically. Property tax revenues are recognized when they are received.

M. Equity Classifications

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Equity is classified as net position and displayed in three components:

- Investment in Capital Assets – consists of capital assets, net of accumulated depreciation.
- Restricted Amounts – consists of amounts with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted Amounts – consists of all other amounts that do not meet the definition of restricted or invested in capital assets.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Equity Classifications (Continued)

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. The components of fund balance are:

- Non-spendable – consists of resources that cannot be spent because they are either: a) not in a spendable form; or b) legally or contractually required to be maintained intact.
- Restricted – consists of resources that are restricted to specific purposes, that is, when constraints placed on the use of resources are either; a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed – consists of resources constrained (issuance of an ordinance) to specific purposes by a government itself, using its highest level of decision-making authority, the Board of Trustees; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned – amounts that are constrained by the Board of Trustees' intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) the Board of Trustees itself or (b) a body or official to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes. The District's highest level of decision-making authority is the Board of Trustees, who is authorized to assign amounts to a specific purpose.
- Unassigned – consists of the residual net resources of a fund that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

The Township's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. If different levels of unrestricted funds are available for spending, the Township considers committed funds to be expended first followed by assigned and, lastly, unassigned funds.

Fund	Town	Road and Bridge	Community Building	General Assistance	Total
Non-Spendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted					
Road and Bridge	0	2,356,864	0	0	2,356,864
Community Building	0	0	324,333	0	324,333
General Assistance	0	0	0	124,823	124,823
Motor Fuel Tax - Qualified Expenses	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	619,121	0	0	0	619,121
	<u>\$ 619,121</u>	<u>\$ 2,356,864</u>	<u>\$ 324,333</u>	<u>\$ 124,823</u>	<u>\$ 3,425,141</u>

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 2 - DEPOSITS

Bank Deposits and Investments

At March 31, 2014, the carrying amount of the Township's deposits and investments was \$3,264,590, and the bank balance was \$3,187,422. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

The following table categorizes the Township's cash and cash equivalents according to levels of custodial credit risk.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category #1	\$ 3,209,296	\$ 3,132,128
Category #2	0	0
Category #3	55,294	55,294
	<u>\$ 3,264,590</u>	<u>\$ 3,187,422</u>

Category 1 includes deposits covered by depository insurance or collateralized, with securities held by the Township or by its agent in the Township's name.

Category 2 includes deposits which are collateralized, with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 includes deposits which are uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.

Restricted Cash

As of March 31, 2014, the Township has \$160,551 of Restricted Cash which relates to an allotment of Motor Fuel Tax Funds received from the State of Illinois. The allotment is paid directly to the Kane County Treasurer. The Treasurer holds the funds and makes payments on approved road projects. The following is a summary of the activity of the Township's motor fuel tax allotment for the year ended March 31, 2014:

Balance as of March 31, 2013	\$ 190,290
Plus: Allotments and Interest Received	45,141
Less: Disbursements	<u>(74,880)</u>
Balance as of March 31, 2014	<u>\$ 160,551</u>

Policies for Investments

It is the policy of the Township to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Township and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield. Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Township's deposits may not be returned to it. The Township's investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with the collateral held by a third party in the Township's name.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 2 – DEPOSITS (CONTINUED)

Policies for Investments (Continued)

The Township limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the United States Government or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government.

The Township is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Sections 235/2 and 235/6 and Chapter 105 Section 5/8-7. The Township has no investments as of March 31, 2014.

NOTE 3 - CAPITAL ASSETS

A summary of the changes in capital assets for the year follows for the governmental activities. Total depreciation expense for the year charged for governmental activities was \$219,123.

	Balance March 31, 2013	Additions	Dispositions	Balance March 31, 2014
Governmental Activities				
Capital Assets, Not Subject to Depreciation				
Land	\$ 349,000	\$ 0	\$ 0	\$ 349,000
Capital Assets Subject to Depreciation				
Buildings and Improvements	1,290,040	0	0	1,290,040
Road Improvements	1,027,286	262,121	0	1,289,407
Vehicles and Equipment	1,752,530	9,965	0	1,762,495
Total Assets Subject to Depreciation	4,069,856	272,086	0	4,341,942
Less Accumulated Depreciation for:				
Buildings and Improvements	388,120	28,820	0	416,940
Road Improvements	475,766	95,395	0	571,161
Vehicles and Equipment	1,278,241	94,908	0	1,373,149
Total Accumulated Depreciation	2,142,127	219,123	0	2,361,250
Net Capital Assets Subject to Depreciation	1,927,729	52,963	0	1,980,692
Net Capital Assets - Governmental Activities	\$ 2,276,729	\$ 52,963	\$ 0	\$ 2,329,692

NOTE 4 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

None of the Township's funds had expenditures over budgeted amounts at March 31, 2014.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 5 - DEFICIT FUND BALANCES

None of the Township's funds had a deficit fund balance at March 31, 2014.

NOTE 6 - SUBSEQUENT EVENTS

The date to which events occurring after March 31, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 5, 2014, the date the financial statements were available to be issued.

NOTE 7 - RISK MANAGEMENT

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

The Township has an insurance policy with Township Officials of Illinois Risk Management Association (TOIRMA) as of March 31, 2014. Significant losses are covered by the insurance policy for all major programs. There have been no significant reductions in insurance coverage as of March 31, 2014. Settlement amounts have not exceeded insurance coverage amounts in the current or prior years.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Township adopted GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions. Projections of benefits for financial reporting purposes are based on a given plan and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. As of March 31, 2014, Sugar Grove Township has not adopted a plan that would meet this criterion.

NOTE 9 - PENSION COMMITMENT

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 on-line at www.imrf.org.

Sugar Grove Township
Notes To The Financial Statements (Continued)
For the Year Ended March 31, 2014

NOTE 9 - PENSION COMMITMENT (CONTINUED)

Funding Policy. As set by statute, your employer Regular plan members are required to contribute 4.50 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 annual required contribution rate for calendar year 2013 was 13.83 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. The required contribution for calendar year 2013 was \$49,231.

Three-Year Trend Information for the Regular Plan

<u>Actual Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/13	\$ 49,231	100%	\$ 0
12/31/12	56,573	100%	0
12/31/11	61,188	96%	8,566

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your 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, 2011 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, 2013, the most recent actuarial valuation date, the Regular plan was 81.62 percent funded. The actuarial accrued liability for benefits was \$1,319,990 and the actuarial value of assets was \$1,077,399, resulting in an underfunded actuarial accrued liability (UAAL) of \$242,591. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$355,974 and the ratio of the UAAL to the covered payroll was 68 percent.

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

**Sugar Grove Township
Schedule of Funding Progress
For the Year Ended March 31, 2014**

**Sugar Grove Township
EMPLOYER NUMBER: 00743R
OTHER INFORMATION
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 1,077,399	\$ 1,319,990	\$ 242,591	81.62%	\$ 355,974	68.15%
12/31/2012	913,231	1,267,838	354,607	72.03%	419,367	84.56%
12/31/2011	769,393	1,209,313	439,920	63.62%	448,922	97.99%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,264,527. On a market basis, the funded ratio would be 95.8%.

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

Sugar Grove Township
Town Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
RECEIPTS				
Property Taxes	\$ 595,070	\$ 595,070	\$ 585,635	\$ (9,435)
Replacement Taxes	10,000	10,000	12,438	2,438
Interest	200	200	1,077	877
Rental	29,760	29,760	29,760	0
Miscellaneous	9,405	9,405	3,148	(6,257)
TOTAL RECEIPTS	644,435	644,435	632,058	(12,377)
EXPENDITURES				
Administrative				
Personnel	126,300	126,300	95,309	30,991
Contractual Services	113,500	113,500	82,513	30,987
Commodities	4,500	4,500	3,260	1,240
Senior Center	1,200	1,200	966	234
Bus Barn	1,000	1,000	338	662
Bliss House	7,500	7,500	3,951	3,549
Capital Outlay	28,639	28,639	1,265	27,374
Other	3,500	3,500	20,231	(16,731)
	286,139	286,139	207,833	78,306
Assessor				
Personnel	217,257	217,257	173,861	43,396
Contractual Services	25,400	25,400	22,756	2,644
Commodities	3,000	3,000	2,088	912
Capital Outlay	2,500	2,500	974	1,526
Other	875	875	251	624
	249,032	249,032	199,930	49,102
Mental Health				
Purchased Services and Administrative	102,938	102,938	101,308	1,630
	102,938	102,938	101,308	1,630
TOTAL EXPENDITURES	638,109	638,109	509,071	129,038
NET CHANGE IN FUND BALANCE	\$ 6,326	\$ 6,326	122,987	\$ 116,661
FUND BALANCE, BEGINNING OF YEAR			496,134	
END OF YEAR			\$ 619,121	

**Sugar Grove Township
Road and Bridge Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2014**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
RECEIPTS				
Property Taxes	\$ 962,233	\$ 962,233	\$ 816,754	\$ (145,479)
Replacement Taxes	20,000	20,000	19,959	(41)
Motor Fuel Tax	0	0	44,396	44,396
Fees	500	500	0	(500)
Interest	6,000	6,000	6,628	628
Grants	85,000	85,000	0	(85,000)
Miscellaneous	90,000	90,000	83	(89,917)
TOTAL RECEIPTS	1,163,733	1,163,733	887,820	(275,913)
EXPENDITURES				
Administrative				
Personnel	58,900	58,900	47,957	10,943
Contractual Services	27,100	27,100	23,161	3,939
Commodities	400	400	433	(33)
Capital Outlay	0	0	28	(28)
Other	50	50	30	20
	86,450	86,450	71,609	14,841
Maintenance				
Personnel	383,500	383,500	349,726	33,774
Contractual Services	555,876	555,876	387,278	168,598
Commodities	120,800	120,800	48,985	71,815
Capital Outlay	109,000	109,000	4,584	104,416
Other	20,000	20,000	32,606	(12,606)
	1,189,176	1,189,176	823,179	365,997
TOTAL EXPENDITURES	1,275,626	1,275,626	894,788	380,838
NET CHANGE IN FUND BALANCE	\$ (111,893)	\$ (111,893)	(6,968)	\$ 104,925
FUND BALANCE, BEGINNING OF YEAR			2,363,832	
END OF YEAR			\$ 2,356,864	

Other Information

**Sugar Grove Township
Community Building Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2014**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
RECEIPTS				
Property Taxes	\$ 163,000	\$ 163,000	\$ 160,418	\$ (2,582)
Interest	30	30	16	(14)
Rental	8,000	8,000	12,155	4,155
Miscellaneous	0	0	451	451
TOTAL RECEIPTS	<u>171,030</u>	<u>171,030</u>	<u>173,040</u>	<u>2,010</u>
EXPENDITURES				
Administrative				
Personnel	12,430	12,430	7,569	4,861
Contractual Services	80,960	80,960	60,844	20,116
Commodities	37,440	37,440	36,592	848
Bus Barn	200	200	152	48
Capital Outlay	40,000	40,000	13,870	26,130
TOTAL EXPENDITURES	<u>171,030</u>	<u>171,030</u>	<u>119,027</u>	<u>52,003</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	54,013	<u>\$ 54,013</u>
FUND BALANCE, BEGINNING OF YEAR			<u>270,320</u>	
END OF YEAR			<u>\$ 324,333</u>	

Other Information

**Sugar Grove Township
General Assistance Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2014**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
RECEIPTS				
Property Taxes	\$ 12,283	\$ 12,283	\$ 12,093	\$ (190)
Interest	80	80	75	(5)
TOTAL RECEIPTS	<u>12,363</u>	<u>12,363</u>	<u>12,168</u>	<u>(195)</u>
EXPENDITURES				
Administrative				
Personnel	250	250	0	250
Contractual Services	15,750	15,750	2,373	13,377
Commodities	7,200	7,200	492	6,708
Other	17,000	17,000	0	17,000
TOTAL EXPENDITURES	<u>40,200</u>	<u>40,200</u>	<u>2,865</u>	<u>37,335</u>
NET CHANGE IN FUND BALANCE	<u>\$ (27,837)</u>	<u>\$ (27,837)</u>	<u>9,303</u>	<u>\$ 37,140</u>
FUND BALANCE, BEGINNING OF YEAR			<u>115,520</u>	
END OF YEAR			<u>\$ 124,823</u>	

Other Information