

TOWNSHIP OF TROY - COUNTY OF WILL
STATE OF ILLINOIS

ANNUAL FINANCIAL REPORT

MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Troy - County of Will
State of Illinois
Shorewood, Illinois

We have audited the accompanying financial statements of Township of Troy - County of Will - State of Illinois (Township) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's 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 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 opinion.

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 Township as of March 31, 2016, and the respective changes in financial position - modified cash basis, thereof for the year then 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

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 other information on pages 23 through 29, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Gassensmith & Associates, Ltd.
Certified Public Accountants

Joliet, Illinois
June 2, 2016

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
MARCH 31, 2016

	Governmental Activities
<u>Assets:</u>	
Cash and Investments	\$ 1,125,462
Capital Assets - net of accumulated depreciation	2,167,438
Total Assets	\$ 3,292,900
 <u>Liabilities:</u>	
Current Liabilities:	
Accrued Payroll Withholding	\$ 10,345
Loan Payable - Due in less than one year	158,994
Total Current Liabilities	169,339
Loan Payable - due in more than one year	657,326
Total Liabilities	826,665
 <u>Net Position:</u>	
Net invested in Capital Assets, net of related debt	1,351,118
Unrestricted	312,620
Restricted for:	
Road and Bridge	718,072
General Assistance	84,425
Total Net Position	\$ 2,466,235

The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>(Expense) Revenue and Changes In Net Position</u>
Governmental Activities:				
General Government	\$ 1,035,703	\$ -	\$ -	\$(1,035,703)
Health & Welfare	15,526	-	-	(15,526)
Public Works	347,957	3,060	-	(344,897)
Unallocated Depreciation Expense	164,573	-	-	(164,573)
Debt Services	<u>25,305</u>	<u>-</u>	<u>-</u>	<u>(25,305)</u>
Total Governmental Activities	<u>\$ 1,589,064</u>	<u>\$ 3,060</u>	<u>\$ -</u>	<u>\$ 1,586,004</u>
Taxes:				
Real Estate Taxes				\$ 1,664,595
Replacement Taxes				170,686
Interest Income				298
Other Income				<u>11,741</u>
Total General Revenue				<u>\$ 1,847,320</u>
Change in Net Position:				261,316
Net Position beginning of year				<u>2,204,919</u>
Net Position end of year				<u>\$ 2,466,235</u>

The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AT MARCH 31, 2016

	Governmental Fund Types			Totals
	Special Revenue			
	General Fund	Road and Bridge	General Assistance	
<u>ASSETS</u>				
Cash in Bank - Checking	\$ 7,176	\$ 11,998	\$ 2,153	\$ 21,327
Investments	313,532	708,131	82,472	1,104,135
Total Assets	\$ 320,708	\$ 720,129	\$ 84,625	\$ 1,125,462
 <u>LIABILITIES AND FUND BALANCE</u>				
Accrued Liabilities	\$ 8,088	\$ 2,057	\$ 200	\$ 10,345
Total Liabilities	\$ 8,088	\$ 2,057	\$ 200	\$ 10,345
Fund Balances:				
Fund Balance - Restricted	-	718,072	84,425	802,497
Fund Balance - Unassigned	312,620	-	-	312,620
Total Fund Balances	312,620	718,072	84,425	1,115,117
Total Liabilities and Fund Equity	\$ 320,708	\$ 720,129	\$ 84,625	\$ 1,125,462

The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2016

<u>REVENUE</u>	<u>Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Road and Bridge</u>	<u>Special Revenue General Assistance</u>	
Local Sources:				
Real Estate Taxes	\$ 979,812	\$ 645,868	\$ 38,915	\$ 1,664,595
Interest Income	90	187	21	298
Fines	-	1,439	-	1,439
State Sources:				
Corporate Replacement Taxes	37,399	133,287	-	170,686
Road Maintenance	-	3,060	-	3,060
Other Sources:				
Miscellaneous	8,460	1,842	-	10,302
Total Revenue Received	<u>\$ 1,025,761</u>	<u>\$ 785,683</u>	<u>\$ 38,936</u>	<u>\$ 1,850,380</u>
<u>EXPENDITURES:</u>				
General Government:				
Salaries	\$ 444,433	\$ 186,764	\$ 14,063	\$ 645,260
Payroll Taxes	36,079	12,911	1,149	50,139
IMRF	56,368	18,436	1,796	76,600
Health Insurance	69,996	13,926	-	83,922
Other	112,832	55,109	11,841	179,782
Health & Welfare:				
Public Assistance	12,791	-	2,735	15,526
Capital Outlay	78,606	94,869	845	174,320
Public Works:				
Maintenance of Roads	-	252,142	-	252,142
Building & Equipment Maintenance	34,188	46,987	158	81,333
Debt Service - Principal	124,648	30,663	-	155,311
Debt Service - Interest	25,305	-	-	25,305
Total Expenditures Disbursed	<u>\$ 995,246</u>	<u>\$ 711,807</u>	<u>\$ 32,587</u>	<u>\$ 1,739,640</u>
Excess (Deficiency) of Revenue Over Expenditures	\$ 30,515	\$ 73,876	\$ 6,349	\$ 110,740
<u>OTHER FINANCING SOURCES:</u>				
Loan Proceeds	-	-	-	-
Net Change in Fund Balance	<u>\$ 30,515</u>	<u>\$ 73,876</u>	<u>\$ 6,349</u>	<u>\$ 110,740</u>
FUND BALANCE - APRIL 1, 2015	<u>282,105</u>	<u>644,196</u>	<u>78,076</u>	<u>1,004,377</u>
FUND BALANCE - MARCH 31, 2016	<u>\$ 312,620</u>	<u>\$ 718,072</u>	<u>\$ 84,425</u>	<u>\$ 1,115,117</u>

The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
RECONCILIATION OF THE STATEMENT OF NET ASSETS OF
GOVERNMENTAL FUNDS TO BALANCE SHEET
MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

Total Fund Balance - Governmental Funds	\$ 1,115,117
Capital Assets, net of depreciation are not current financial resources and are not included in the Fund Statements.	2,167,438
Longterm liabilities are not due and payable as Fund liabilities: Loan Payable	<u>(816,320)</u>
Net Position of Governmental Funds	<u>\$ 2,466,235</u>

The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

Net Change in Fund Balance - Total Governmental Funds	\$ 110,740
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Loan proceeds are shown as Other Financing Sources of governmental funds. This transaction does not affect the Statement of Activities	-
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Governmental funds report capital outlay as expenditures. However, the Statement of Activities allocate these costs over the estimated useful lives and also reports depreciation expense.

Capital Outlay	\$ 159,838	
Depreciation expense	<u>(164,573)</u>	
		(4,735)

Loan principal repayment consumes current financial resources of governmental funds. This transaction does not affect the Statement of Activities	<u>155,311</u>
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Change in Net Position of Governmental Activities	<u>\$ 261,316</u>
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The Notes to Statements form an integral part of these financial statements.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Troy Township, Illinois (the Township) is an Illinois unit of local government which was incorporated under the provisions of the State of Illinois. The Township maintains a general assistance fund which assists eligible residents within the Township's boundaries by subsidizing costs for shelter, food and medical supplies. Assessing property values within the Township and contributing to various community programs are additional activities of the Township. The Township operates a road and bridge district which maintains the roads and bridges within the Township that are not under the jurisdiction of another governmental unit. The Senior Citizens funds maintained by the Township provide funding for senior programs in the Township.

The accounting policies and the presentation of the basic financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America ("USGAAP"). USGAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Basis of Presentation - Fund Accounting

The Township's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis. Governmental activities normally are supported by taxes and intergovernmental revenues. The government-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.

The Township maintains a policy for the elimination of the effect on assets and liabilities in the statement of net position within the governmental activities column for amounts reported in the individual funds as interfund receivables and payables, if any. Similarly, any transfers between funds have been eliminated in the statement of activities.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation - Fund Accounting (continued)

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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Nonmajor funds are aggregated in a single column.

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

B. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when disbursed. Property taxes are recognized as revenues in the year they are received.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collected within the current period. Expenditures generally are recorded when they are disbursed.

C. Fund Presentation

Governmental Funds - are those through which most governmental functions of the Township are financed. The Township's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The Township reports the following major governmental funds:

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

C. Fund Presentation (continued)

- The General Fund - the Town Fund is the general operating fund of the Township and accounts for all financial resources except those required to be accounted for in another fund.
- The General Assistance Fund - a special revenue fund, used to account for the expenditures for relief provided within the Township and related administration.
- The Road and Bridge Fund - presented as a special revenue fund to account for various road and bridge maintenance, construction and repair projects.

D. Fund Equity/Net Position

Fund Balance:

In the fund financial statements, governmental funds report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

1. *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable in form criteria includes items that are not expected to be converted to cash such as prepaid items or inventories.
2. *Restricted* – refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or are imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes.
3. *Committed* – refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Township’s highest level of decision-making authority (the Board of Trustees). The Board commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Township removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. The Township did not have any committed resources as of March 31, 2016.
4. *Assigned* – refers to amounts that are constrained by the Township’s intent to be used for a specific purpose, but are either restricted or committed. Intent may be expressed by the Board of Trustees, or the individual the Board of Trustees delegates the authority, to assign amounts to be used for specific purposes. The Township did not have any assigned resources as of March 31, 2016.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

D. Fund Equity/Net Position (continued)

Fund Balance (continued)

5. *Unassigned*—refers to all spendable amounts not contained in the other four classifications described above. In funds other than General Town Fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally they act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

E. Capital Assets

Capital assets used in governmental fund operations (general capital assets) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the statement of net assets.

Capital Assets are reported as an expenditure on the fund financial statements. Equipment of over \$2,500, buildings over \$10,000 and roads over \$50,000 are capitalized on the government-wide financial statements. Maintenance and repairs are recorded as an expense.

Depreciation is shown on the government-wide financial statements. It is calculated on the straight-line method with a useful life of equipment 7 years, vehicles 5-7 years, buildings 40 years and infrastructure 40 years.

F. Investments

Investments are stated at cost. Gains or losses on the sale of investments are recognized upon realization. All current investments are in money market funds.

G. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate the unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results could differ from those estimates.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies (continued)

H. GASB Pronouncements

The Township adopted the provision of GASB Statement No. 67 – Financial Reporting for Pension Plans – and GASB Statement 68 – Accounting and Financial Reporting for Pensions. These statements establish accounting and financial reporting standards for the activities of pension plans that are administered through trusts and meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The statements also require enhanced note disclosures and schedules of other supplemental information.

Note 2: Property Taxes

The Township's property tax is levied each year on all taxable real property located in the Township. The property taxes are levied before the last Tuesday in December and are attached as an enforceable lien on the property as of January 1 and are payable in two installments on June 1 and September 1. The Township receives significant distributions of tax receipts within a few weeks after these dates. The 2014 tax levy was collected during the current year to finance expenditures for the fiscal year ended March 31, 2016.

The following are the tax rate limits and the actual rates levied per \$100.00 of assessed valuation:

	<u>Limit</u>	<u>Actual</u>	
		<u>2014</u>	<u>2013</u>
Corporate	.2500	.0806	.0761
General Assistance	.1000	.0032	.0051
Road and Bridge	.6600	<u>.0989</u>	<u>.0958</u>
		<u>.1827</u>	<u>.1770</u>

Note 3: Deposits and Investments

At March 31, 2016, the Township's deposits were held at Chase Bank.

All cash and investments of the Township are combined as deposits for note disclosure purposes. At March 31, 2016, the carrying amount of the Township's deposits was \$1,125,462 and the bank balance was \$1,136,463.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 3: Deposits and Investments (continued)

Custodial Credit Risk – this is the risk that in the event of bank failure, the Township’s deposits may not be returned to it. At March 31, 2016, all of the bank balances are insured or collateralized with securities held by the pledging financial institution’s trust department or agent in the Township’s name.

Reconciliation of notes to financial statements:

Cash – Carrying Amount of Township Deposits per Note Above	<u>\$1,125,462</u>
Total	<u>\$1,125,462</u>
Cash and Cash Equivalents per Statement of Net Position	\$ 21,327
Investments per Statement of Net Position	<u>1,104,135</u>
Total	<u>\$1,125,462</u>

Note 4: Retirement Fund Commitments

Plan Description

The Township’s defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The Township’s plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multiple-employer public pension fund. A summary of IMRF’s pension benefits is provided in the “Benefits Provided” section of this document. Details of all benefit are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan’s fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefits plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff’s Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected policy chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 4: Retirement Fund Commitments (continued)

Benefits Provided (continued)

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

At March 31, 2016, the following employees were covered by the benefit terms:

Number of	
Retirees and Beneficiaries	16
Inactive, Non-Retired Members	11
Active Members	19
Total	<u>46</u>
Covered Valuation Payroll	\$ 588,067

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 4: Retirement Fund Commitments (continued)

Contributions

As set by statute, the Township's regular plan members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Township's annual contribution rate for calendar year 2015 was 6.8%. For the fiscal year ended 2016, the Township contributed \$76,600 to the plan. The Township also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.75%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.47%.
- **Projected Retirement Age** was from the Experience-based Table of Rates, specific to the type of eligibility condition, last updated for the 2014 valuation according to an experience study from years 2011 to 2013.
- The IMRF-specific rates for **Mortality** (for non-disabled retirees) were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
- For **Disabled Retirees**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 4: Retirement Fund Commitments (continued)

Actuarial Assumptions(continued)

- For **Active Members**, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.
- The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Portfolio Target Percentage</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	38%	7.60%
International Equity	17%	7.80%
Fixed Income	27%	3.00%
Real Estate	8%	6.15%
Alternative Investments	9%	5.25-8.50%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.47% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 4: Retirement Fund Commitments (continued)

Single Discount Rate (continued)

2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.57%, and the resulting single discount rate is 7.47%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2014	<u>\$3,119,889</u>	<u>\$2,577,485</u>	<u>\$542,404</u>
Changes for the year:			
Service Cost	\$ 58,949	\$ -	\$ 58,949
Interest on the Total Pension Liability	228,528	-	228,528
Changes of Benefit Terms			-
Differences Between Expected and Actual Experience of the Total Pension Liability	46,021	-	46,021
Changes of Assumptions	-	-	-
Contributions - Employer	-	73,274	(73,274)
Contributions - Employees	-	26,463	(26,463)
Net Investment Income	-	12,686	(12,686)
Benefit Payments, including Refunds of Employee Contributions	(180,260)	(180,260)	-
Other (Net Transfer)	-	103,907	(103,907)
Net Changes	<u>\$ 153,238</u>	<u>\$ 36,070</u>	<u>\$117,168</u>
Balances at December 31, 2015	<u>\$3,273,127</u>	<u>\$2,613,555</u>	<u>\$659,572</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 4: Retirement Fund Commitments (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.5%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% Decrease <u>(6.47%)</u>	Current Discount Rate <u>(7.47%)</u>	1% Increase <u>(8.47%)</u>
Net Pension Liability/(Asset)	1,059,810	659,572	329,032

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016, the Township incurred pension expense of \$7,118. At March 31, 2016, the Township reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	38,121	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	<u>145,203</u>	<u>-</u>
Total	<u>183,324</u>	<u>-</u>

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

Year Ended December 31:

2016	\$ 47,629
2017	47,629
2018	47,629
2019	40,437
2020	-

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 5: Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets Being Depreciated:				
Transportation Equipment	\$ 476,238	\$ 40,554	\$ -	\$ 516,792
Buildings	2,490,572	74,599	-	2,565,171
Machinery and Equipment	<u>398,973</u>	<u>44,685</u>	<u>-</u>	<u>443,658</u>
Total Capital Assets Being Depreciated:	\$ 3,365,783	\$ 159,838	\$ -	\$ 3,525,621
Less: Accumulated Depreciation	<u>(1,218,610)</u>	<u>(164,573)</u>	<u>-</u>	<u>(1,383,183)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,147,173</u>	<u>\$ (4,735)</u>	<u>\$ -</u>	<u>\$ 2,142,438</u>
Capital Assets, Net	<u>\$ 2,172,173</u>	<u>\$ (4,735)</u>	<u>\$ -</u>	<u>\$ 2,167,438</u>

Note 6: Loans Payable

The Township acquired financing to fund the addition to the Senior Center through Chase Bank. The total loan proceeds were \$1,700,000. The loan has an interest rate of 2.99%. The debt is being retired by semi-annual principal and interest payments of \$74,977 every August 1 and February 1. The maturity date of the loan is August 1, 2021. The principal balance due at March 31, 2016 is \$754,995. This payment is always being paid from the General Fund.

The annual requirement to amortize the debts, including interest, is as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 128,331	\$ 21,622	\$ 149,953
2018	132,197	17,756	149,953
2019	136,179	13,774	149,953
2020	140,281	9,672	149,953
2021	144,507	5,446	149,953
2022	<u>73,500</u>	<u>1,477</u>	<u>74,977</u>
	<u>\$ 754,995</u>	<u>\$ 69,747</u>	<u>\$ 824,742</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 6: Loans Payable (continued)

During the year ending March 31, 2014, the Township acquired a 2014 International dump truck for \$153,313. The total purchase price is being retired by five annual payments of \$30,663 beginning the date of purchase. The agreement matures on September 16, 2017. The balance due at March 31, 2016 is \$61,325. This payment is always being paid by the Road & Bridge Fund.

The annual requirement to amortize the debt, including interest, is as follows:

Year Ended March 31	Principal	Interest	Total
2017	\$ 30,663	-	\$ 30,663
2018	30,662	-	30,662
	<u>\$ 61,325</u>	<u>\$ -</u>	<u>\$ 61,325</u>

Changes in Long Term Debt

	Balance 3/31/15	Loan Proceeds	Debt Retired	Balance 3/31/16	Current Portion
Notes Payable	\$ 971,631	\$ -	\$155,311	\$ 816,320	\$158,994
	<u>\$ 971,631</u>	<u>\$ -</u>	<u>\$155,311</u>	<u>\$ 816,320</u>	<u>\$158,994</u>

Legal Debt Margin

Assessed Valuation 2014

(Latest available amount)

\$ 1,218,178,463

Legal Debt Limit - 8.625% of Assessed Valuation

\$ 105,067,892

Amount of Debt Applicable to Debt Limit

816,320

Legal Debt Margin

\$ 104,251,572

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

Note 7: Risk Management

The Township is exposed to various risks of loss including, but not limited to, general liability, property casualty, worker's compensation and public official's liability. To limit exposure to these risks the Township has purchased insurance through the Township Officials of Illinois Risk Management Association. The Township is liable for various deductibles ranging from \$50 to \$60,000 depending on which coverage the liability occurs. There were no significant reductions in insurance coverage from the previous year. Settlements during the past three fiscal years did not exceed the insurance coverage.

Note 8: Interfund Transfers

During the year ended March 31, 2016 there were no interfund loans.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

TOWN FUND

OTHER INFORMATION

SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>
<u>REVENUE</u>		
Real Estate Taxes	\$ 976,631	\$ 979,812
Corporate Replacement Taxes	30,000	37,399
Interest Income	100	90
Miscellaneous	3,360	8,460
Total Revenue	<u>\$1,010,091</u>	<u>\$1,025,761</u>
<u>EXPENDITURES</u>		
Salaries	\$ 451,500	\$ 444,433
Payroll Taxes	38,171	36,079
IMRF	59,460	56,368
Health Insurance	85,300	69,996
Travel	10,300	7,985
Printing and Publications	7,120	6,827
Professional Services	20,175	15,147
Utilities	30,615	26,121
Postage	4,815	4,696
Dues	2,125	2,034
Equipment and Building Maintenance	43,000	34,188
Office Supplies	2,200	2,039
Miscellaneous	4,520	4,116
Mosquito Management	22,620	20,256
Legal	2,000	616
Insurance	19,325	16,846
Training	8,000	6,149
Senior Services	22,150	12,791
Capital Outlay	138,000	78,606
Debt Services - Principal	124,700	124,648
Debt Services - Interest	25,400	25,305
Total Expenditures	<u>\$1,121,496</u>	<u>\$ 995,246</u>
Revenue Over (Under) Expenditures	<u>\$ (111,405)</u>	<u>\$ 30,515</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
ROAD AND BRIDGE FUND
OTHER INFORMATION
SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>
<u>REVENUE</u>		
Real Estate Taxes	\$ 645,822	\$ 645,868
Corporate Replacement Taxes	115,000	133,287
Fines	2,000	1,439
State Reimbursements	12,000	3,060
Interest Income	250	187
Miscellaneous and Reimbursements	1,303	1,842
Total Revenue	<u>\$ 776,375</u>	<u>\$ 785,683</u>
<u>EXPENDITURES</u>		
Salaries	\$ 230,000	\$ 186,764
Payroll Taxes	18,000	12,911
IMRF	28,000	18,436
Health Insurance	40,500	13,926
Insurance	19,200	17,268
Utilities	33,000	27,283
Professional Services	27,820	4,704
Replacement Tax Payments - Other Municipalities	50,000	-
Capital Outlay	346,550	94,869
Fuel and Oil	62,000	22,837
Office Supplies	5,000	3,073
Postage	2,500	2,169
Road Maintenance and Supplies	474,000	229,305
Equipment and Building Maintenance	72,400	46,987
Debt Service - Principal	70,000	30,663
Miscellaneous	7,250	612
Total Expenditures	<u>\$1,486,220</u>	<u>\$ 711,807</u>
Revenue Over (Under) Expenditures	<u>\$ (709,845)</u>	<u>\$ 73,876</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
GENERAL ASSISTANCE FUND
OTHER INFORMATION
SCHEDULE OF REVENUE AND EXPENDITURES
COMPARED TO BUDGET - MODIFIED CASH BASIS
FOR THE YEAR ENDED MARCH 31, 2016

	Original and Final <u>Budget</u>	<u>Actual</u>
<u>REVENUE</u>		
Real Estate Taxes	\$ 39,800	\$ 38,915
Interest	25	21
Miscellaneous	-	-
Total Revenue	<u>\$ 39,825</u>	<u>\$ 38,936</u>
<u>EXPENDITURES</u>		
Salaries	\$ 14,200	\$ 14,063
Payroll Taxes	1,350	1,149
IMRF	2,000	1,796
Insurance	2,400	2,360
Travel	1,200	471
Assistance to Individual	23,000	2,735
Professional Fees	4,600	4,354
Miscellaneous	500	296
Capital Outlay	1,500	845
Office Supplies	4,670	4,360
Building and Equipment Maintenance	250	158
Total Expenditures	<u>\$ 55,670</u>	<u>\$ 32,587</u>
Revenue Over (Under) Expenditures	<u>\$ (15,845)</u>	<u>\$ 6,349</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

SCHEDULES OF OTHER INFORMATION - IMRF
 MULTIYEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Calendar year ending December 31,	Last 10 Calendar Years									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	(schedule to be built prospectively from 2015)									
Total Pension Liability										
Service Cost	58,948									
Interest on the Total Pension Liability	228,528									
Benefit Changes	-									
Difference between Expected and Actual Experience	46,021									
Assumption Changes	-									
Benefit Payments and Refunds	<u>(180,260)</u>									
Net Change in Total Pension Liability	153,237									
Total Pension Liability - Beginning	<u>3,119,889</u>									
Total Pension Liability - Ending (a)	<u><u>3,273,126</u></u>									
Plan Fiduciary Net Position										
Employer Contributions	73,274									
Employee Contributions	26,463									
Pension Plan Net Investment Income	12,686									
Benefit payments and Refunds	<u>(180,260)</u>									
Other	<u>103,907</u>									
Net Change in Plan Fiduciary Net Position	36,070									
Plan Fiduciary Net Position - Beginning	<u>2,577,485</u>									
Plan Fiduciary Net Position - Ending (b)	<u><u>2,613,555</u></u>									
Net Pension Liability (Asset) - Ending (a) - (b)	659,572									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.85%									
Current Valuation Payroll	588,067									
Net Pension Liability as a Percentage of Covered Valuation Payroll	112.16%									

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS
OTHER INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - IMRF

MOST RECENT CALENDAR YEAR

<u>Calendar Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Valuation Payroll</u>	<u>Actual Contribution as a % of Covered Valuation Payroll</u>
2015	73,273	73,274	(1)	588,067	12.46%

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO SCHEDULE OF CONTRIBUTIONS - IMRF

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
USED IN THE CALCULATION OF THE 2015 CONTRIBUTION RATE*

Valuation Date

Notes

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine 2015 Contribution Rates:

Actuarial Cost Method

Aggregate Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

Non-taxing bodies: 10- year rolling period.

Taxing bodies (Regular, SLEP and ECO groups): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period).

Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).

Asset Valuation Method

5-Year smoothed market; 20% corridor

Wage growth

4.00%

Price Inflation

3.0% - approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases

4.40% to 16.00% including inflation

Investment Rate of Return

7.50%

Retirement Age

Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008 - 2010.

Mortality

RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information

Notes

There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation.

TOWNSHIP OF TROY – COUNTY OF WILL – STATE OF ILLINOIS
Notes to Other Information
March 31, 2016

Legal Compliance and Accountability – Budgets

The Township follows these procedures in establishing the budgetary data reflected in the combined financial statements:

1. The Supervisor and Accountant will submit a proposed budget for the fiscal year commencing April 1, to the Board at a regular or special meeting that will be held prior to June 1. The budget includes proposed expenditures and the means of financing them.
2. A public meeting is held to permit a review of the budget.
3. The budget is available for public inspection for at least 30 days prior to passage by the Board.
4. The budget is legally enacted through passage of an appropriation ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds through an internal reporting basis. Unexpended appropriations lapse at March 31 each year.
6. Estimated revenues included in the combined financial statements are based on estimated cash collections for the period.

The budget and the accounting records are maintained on the cash basis of accounting.

Line item budget transfers cannot exceed 10% of each individual budget. Budgetary expenditure changes increasing the total budget can only be made after the complete hearing process, and where additional revenue is expected to become available to cover these expenditures. The budget was adopted by the Board on May 18, 2015. However, line transfers of appropriations that did not exceed 10% of the original budget have been done, and such transfers are included in the budget numbers.