

TOWNSHIP OF TROY - COUNTY OF WILL  
STATE OF ILLINOIS

ANNUAL FINANCIAL REPORT

MARCH 31, 2017

FILED  
2017 JUL 26 PM 2:04  
NANCY SCHULTZ VOOIS  
COUNTY CLERK  
WILL COUNTY, ILLINOIS

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
GOVERNMENT WIDE FINANCIAL STATEMENTS:	
Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4
FUND FINANCIAL STATEMENTS:	
Statement of Assets, Liabilities and Fund Balances - Modified Cash Basis - Governmental Funds	5
Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	6
Reconciliation of the Statement of Net Assets of Governmental Funds to Balance Sheet - Modified Cash Basis	7
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds with the Statement of Activities - Modified Cash Basis	8
Notes to Financial Statements	9 - 22
OTHER INFORMATION	
Schedule of Revenue and Expenditures Compared to Budget - Modified Cash Basis:	
Town Fund	23
Road and Bridge Fund	24
General Assistance Fund	25
Schedule of Other Information -IMRF	26
Schedule of Employer Contribution - IMRF	27
Notes to Schedule of Contributions - IMRF	28
Notes to Other Information	29

# GASSENSMITH & MICHALESKO, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

FILED  
2017 JUL 26 PM 2:04  
NANCY SCHULTZ, VEDITS  
COUNTY CLERK  
WILL COUNTY, 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, 2017, 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, 2017, 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.

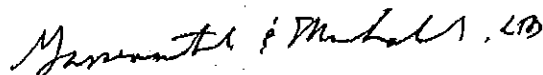
### **Basis of Accounting**

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 & Michalesko, Ltd.  
Certified Public Accountants

Joliet, Illinois  
May 23, 2017

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS  
STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
MARCH 31, 2017

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	\$ 36,434
Investments	1,203,014
Capital Assets - net of accumulated depreciation	<u>2,073,835</u>
Total Assets	<u>\$ 3,313,283</u>
<u>Liabilities:</u>	
Current Liabilities:	
Accrued Liabilities	\$ 10,452
Loan Payable - Due in less than one year	<u>162,861</u>
Total Current Liabilities	<u>173,313</u>
Loan Payable - due in more than one year	<u>494,380</u>
Total Liabilities	<u>\$ 667,693</u>
<u>Net Position:</u>	
Net invested in Capital Assets, net of related debt	\$ 1,416,594
Unrestricted	453,641
Restricted for:	
Road and Bridge	711,968
General Assistance	<u>63,387</u>
Total Net Position	<u>\$ 2,645,590</u>

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, 2017

	<u>Expenses</u>	<u>Charge for</u>	<u>Operating</u>	(Expense)
Governmental Activities:		<u>Services</u>	<u>Grants and</u>	<u>Revenue and</u>
			<u>Contributions</u>	<u>Changes In</u>
				<u>Net Position</u>
General Government	\$ 1,096,129	\$ -	\$ -	\$(1,096,129)
Health & Welfare	14,130	-	-	(14,130)
Public Works	427,625	21,919	-	(405,706)
Unallocated Depreciation Expense	169,885	-	-	(169,885)
Debt Services	21,538	-	-	(21,538)
Total Governmental Activities	<u>\$ 1,729,307</u>	<u>\$ 21,919</u>	<u>\$ -</u>	<u>\$(1,707,388)</u>

Taxes:

Real Estate Taxes	\$ 1,703,885
Replacement Taxes	160,422
Interest Income	1,110
Other Income	21,326
Total General Revenue	<u>\$ 1,886,743</u>

Change in Net Position: \$ 179,355

Net Position beginning of year 2,466,235

Net Position end of year \$ 2,645,590

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, 2017

	Governmental <u>Fund Types</u>			
		<u>Special Revenue</u>		
	<u>General Fund</u>	<u>Road and Bridge</u>	<u>General Assistance</u>	<u>Totals</u>
<u>ASSETS</u>				
Cash in Bank - Checking	\$ 18,220	\$ 15,584	\$ 2,630	\$ 36,434
Investments	<u>443,259</u>	<u>698,734</u>	<u>61,021</u>	<u>1,203,014</u>
Total Assets	<u>\$ 461,479</u>	<u>\$ 714,318</u>	<u>\$ 63,651</u>	<u>\$ 1,239,448</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Accrued Liabilities	<u>\$ 7,838</u>	<u>\$ 2,350</u>	<u>\$ 264</u>	<u>\$ 10,452</u>
Total Liabilities	<u>\$ 7,838</u>	<u>\$ 2,350</u>	<u>\$ 264</u>	<u>\$ 10,452</u>
Fund Balances:				
Fund Balance - Restricted	\$ -	\$ 711,968	\$ 63,387	\$ 775,355
Fund Balance - Unassigned	<u>453,641</u>	<u>-</u>	<u>-</u>	<u>453,641</u>
Total Fund Balances	<u>\$ 453,641</u>	<u>\$ 711,968</u>	<u>\$ 63,387</u>	<u>\$ 1,228,996</u>
Total Liabilities and Fund Equity	<u>\$ 461,479</u>	<u>\$ 714,318</u>	<u>\$ 63,651</u>	<u>\$ 1,239,448</u>

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, 2017

<u>REVENUE</u>	<u>Governmental Funds</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u> <u>Road and</u> <u>Bridge</u>	<u>General</u> <u>Assistance</u>	
Local Sources:				
Real Estate Taxes	\$ 1,032,989	\$ 660,778	\$ 10,118	\$ 1,703,885
Interest Income	456	592	62	1,110
Fines	-	327	-	327
State Sources:				
Corporate Replacement Taxes	35,150	125,272	-	160,422
Road Maintenance	-	21,919	-	21,919
Other Sources:				
Miscellaneous	10,976	10,020	3	20,999
Total Revenue Received	<u>\$ 1,079,571</u>	<u>\$ 818,908</u>	<u>\$ 10,183</u>	<u>\$ 1,908,662</u>
<u>EXPENDITURES:</u>				
General Government:				
Salaries	\$ 443,820	\$ 209,641	\$ 14,103	\$ 667,564
Payroll Taxes	35,455	14,119	1,139	50,713
IMRF	59,328	22,721	1,882	83,931
Health Insurance	80,867	13,647	-	94,514
Other	108,501	79,698	11,208	199,407
Health & Welfare:				
Public Assistance	11,445	-	2,685	14,130
Capital Outlay	9,669	91,114	-	100,783
Public Works:				
Maintenance of Roads	-	312,229	-	312,229
Building & Equipment Maintenance	39,511	51,180	204	90,895
Debt Service - Principal	128,416	30,663	-	159,079
Debt Service - Interest	21,538	-	-	21,538
Total Expenditures Disbursed	<u>\$ 938,550</u>	<u>\$ 825,012</u>	<u>\$ 31,221</u>	<u>\$ 1,794,783</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 141,021</u>	<u>\$ (6,104)</u>	<u>\$ (21,038)</u>	<u>\$ 113,879</u>
<u>OTHER FINANCING SOURCES:</u>				
Loan Proceeds	-	-	-	-
Net Change in Fund Balance	<u>\$ 141,021</u>	<u>\$ (6,104)</u>	<u>\$ (21,038)</u>	<u>\$ 113,879</u>
FUND BALANCE - APRIL 1, 2016	<u>312,620</u>	<u>718,072</u>	<u>84,425</u>	<u>1,115,117</u>
FUND BALANCE - MARCH 31, 2017	<u>\$ 453,641</u>	<u>\$ 711,968</u>	<u>\$ 63,387</u>	<u>\$ 1,228,996</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, 2017

Total Fund Balance - Governmental Funds	\$ 1,228,996
Capital Assets, net of depreciation are not current financial resources and are not included in the Fund Statements.	2,073,835
Liabilities are not due and payable as Fund liabilities: Loan Payable	<u>(657,241)</u>
Net Position of Governmental Funds	<u>\$-2,645,590</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, 2017

Net Change in Fund Balance - Total Governmental Funds \$ 113,879

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	\$ 76,282	
Depreciation expense	<u>(169,885)</u>	
		(93,603)

Loan principal repayment consumes current financial resources of governmental funds. This transaction does not affect the Statement of Activities

159,079

Change in Net Position of Governmental Activities \$ 179,355

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:***

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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, 2017.
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, 2017.

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 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 2015 tax levy was collected during the current year to finance expenditures for the fiscal year ended March 31, 2017.

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>2015</u>	<u>2014</u>
Corporate	.2500	.0820	.0806
General Assistance	.1000	.0008	.0032
Road and Bridge	.6600	.0977	.0989
		<u>.1805</u>	<u>.1827</u>

**Note 3: Deposits and Investments**

At March 31, 2017, 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, 2017, the carrying amount of the Township's deposits was \$1,239,448 and the bank balance was \$1,244,371.

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, 2017, 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>\$1,239,448</u>
Total	<u>\$1,239,448</u>
Cash and Cash Equivalents per Statement of Net Position	\$ 36,434
Investments per Statement of Net Position	<u>1,203,014</u>
Total	<u>\$1,239,448</u>

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**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](http://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).

**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:



TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**Note 4: Retirement Fund Commitments (continued)**

- 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, 2017, the following employees were covered by the benefit terms:

Number of	
Retirees and Beneficiaries	17
Inactive, Non-Retired Members	10
Active Members	19
Total	<u>46</u>
Covered Valuation Payroll	\$ 639,076

**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 2016 was 13.63%. For the fiscal year ended 2017, the Township contributed \$83,931 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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**Note 4: Retirement Fund Commitments (continued)**

**Actuarial Assumptions**

The following are the methods and assumptions used to determine total pension liability at December 31, 2016:

- 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 7.5%.
- ~~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.
- 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:

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**Note 4: Retirement Fund Commitments (continued)**

**Actuarial Assumptions(continued)**

<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	1%	2.25%
Total	100%	

**Single Discount Rate**

A Single Discount Rate of 7.50% 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
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 3.78%, and the resulting single discount rate is 7.50%.

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**Note 4: Retirement Fund Commitments (continued)**

**Changes in the Net Pension Liability**

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Balances at December 31, 2015	<u>\$3,263,022</u>	<u>\$2,603,448</u>	<u>\$659,574</u>
Changes for the year:			
Service Cost	\$ 63,251	\$ -	\$ 63,251
Interest on the Total Pension Liability	238,110	-	238,110
Changes of Benefit Terms			-
Differences Between Expected and Actual			-
Experience of the Total Pension Liability	18,686	-	18,686
Changes of Assumptions	(11,652)	-	(11,652)
Contributions - Employer	-	87,106	(87,106)
Contributions - Employees	-	28,759	(28,759)
Net Investment Income	-	176,595	(176,595)
Benefit Payments, including Refunds of Employee Contributions	(214,200)	(214,200)	-
Other (Net Transfer)	-	47,852	(47,852)
Net Changes	<u>\$ 94,195</u>	<u>\$ 126,112</u>	<u>\$ (31,917)</u>
Balances at December 31, 2016	<u>\$3,357,217</u>	<u>\$2,729,560</u>	<u>\$627,657</u>

**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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability/(Asset)	1,046,294	627,657	281,936

TOWNSHIP OF TROY - COUNTY OF WILL - STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

**Note 4: Retirement Fund Commitments (continued)**

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

For the year ended March 31, 2017, the Township incurred pension expense of \$83,834. At March 31, 2017, 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	41,172	-
Changes of assumptions	-	8,967
Net difference between projected and actual earnings on pension plan investments	121,852	-
Total	163,024	8,967

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:**

2017	\$ 52,449
2018	52,449
2019	45,255
2020	3,904
2021	-

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	\$ 516,792	\$ 69,782	\$ -	\$ 586,574
Buildings	2,565,171	-	-	2,565,171
Machinery and Equipment	443,658	6,500	-	450,158
Total Capital Assets Being Depreciated:	\$ 3,525,621	\$ 76,282	\$ -	\$ 3,601,903
Less: Accumulated Depreciation	(1,383,183)	(169,885)	-	(1,553,068)
Total Capital Assets Being Depreciated, Net	\$ 2,142,438	\$ (93,603)	\$ -	\$ 2,048,835
Capital Assets, Net	<u>\$ 2,167,438</u>	<u>\$ (93,603)</u>	<u>\$ -</u>	<u>\$ 2,073,835</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, 2017 is \$626,579. 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>
2018	\$ 132,199	\$ 17,754	\$ 149,953
2019	136,182	13,771	149,953
2020	140,284	9,669	149,953
2021	144,510	5,443	149,953
2022	73,404	1,097	74,501
	<u>\$ 626,579</u>	<u>\$ 47,734</u>	<u>\$ 674,313</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, 2017 is \$30,662. This payment is always being paid by the Road & Bridge Fund.

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

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

Changes in Long Term Debt

	<u>Balance</u> <u>3/31/16</u>	<u>Loan</u> <u>Proceeds</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>3/31/17</u>	<u>Current</u> <u>Portion</u>
Notes Payable	\$ 816,320	\$ -	\$159,079	\$ 657,241	\$ 162,861
	<u>\$ 816,320</u>	<u>\$ -</u>	<u>\$159,079</u>	<u>\$ 657,241</u>	<u>\$ 162,861</u>

**Legal Debt Margin**

Assessed Valuation 2015

(Latest available amount)

\$ 1,259,663,606

Legal Debt Limit - 2.875% of Assessed Valuation

\$ 36,215,329

Amount of Debt Applicable to Debt Limit

657,241

Legal Debt Margin

\$ 35,558,088

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, 2017 there were no interfund loans.

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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, 2017

	Original and Final Budget	Actual
<u>REVENUE</u>		
Real Estate Taxes	1,027,458	1,032,989
Corporate Replacement Taxes	30,000	35,150
Interest Income	100	456
Miscellaneous	3,300	10,976
Total Revenue	<u>1,060,858</u>	<u>1,079,571</u>
<u>EXPENDITURES</u>		
Salaries	459,000	443,820
Payroll Taxes	37,700	35,455
IMRF	61,800	59,328
Health Insurance	90,500	80,867
Travel	10,300	7,411
Printing and Publications	7,170	6,620
Professional Services	19,875	14,420
Utilities	29,211	25,153
Postage	4,950	4,591
Dues	2,100	1,922
Equipment and Building Maintenance	40,500	39,511
Office Supplies	2,200	1,788
Miscellaneous	4,548	3,238
Mosquito Management	23,200	20,661
Legal	2,000	1,316
Insurance	19,350	17,878
Training	8,500	3,503
Senior Services	19,525	11,445
Capital Outlay	47,000	9,669
Debt Services - Principal	128,416	128,416
Debt Services - Interest	21,700	21,538
Total Expenditures	<u>1,039,545</u>	<u>938,550</u>
Revenue Over (Under) Expenditures	<u>21,313</u>	<u>141,021</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, 2017

	Original and Final Budget	Actual
<u>REVENUE</u>		
Real Estate Taxes	657,471	660,778
Corporate Replacement Taxes	118,000	125,272
Fines	2,000	327
State Reimbursements	12,000	21,919
Interest Income	250	592
Miscellaneous and Reimbursements	1,687	10,020
Total Revenue	791,408	818,908
<u>EXPENDITURES</u>		
Salaries	243,000	209,641
Payroll Taxes	19,600	14,119
IMRF	28,000	22,721
Health Insurance	26,000	13,647
Insurance	19,200	16,577
Utilities	33,000	27,701
Professional Services	27,820	4,468
Replacement Tax Payments - Other Municipalities	50,000	-
Capital Outlay	346,550	91,114
Fuel and Oil	62,000	24,911
Office Supplies	6,750	3,466
Postage	2,550	2,116
Road Maintenance and Supplies	474,000	312,229
Equipment and Building Maintenance	72,400	51,180
Debt Service - Principal	70,000	30,663
Miscellaneous	5,000	459
Total Expenditures	1,485,870	825,012
Revenue Over (Under) Expenditures	(694,462)	(6,104)

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, 2017

	Original and Final Budget	Actual
<u>REVENUE</u>		
Real Estate Taxes	9,950	10,118
Interest	25	62
Miscellaneous	-	3
Total Revenue	<u>9,975</u>	<u>10,183</u>
<hr/>		
<u>EXPENDITURES</u>		
Salaries	15,000	14,103
Payroll Taxes	1,450	1,139
IMRF	2,100	1,882
Insurance	2,400	2,360
Travel	1,300	28
Assistance to Individual	25,500	2,685
Professional Fees	4,800	4,550
Miscellaneous	500	128
Capital Outlay	-	-
Office Supplies	5,020	4,142
Building and Equipment Maintenance	250	204
Total Expenditures	<u>58,320</u>	<u>31,221</u>
Revenue Over (Under) Expenditures	<u>(48,345)</u>	<u>(21,038)</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									
	(schedule to be built prospectively from 2015)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	63,251	58,949								
Interest on the Total Pension Liability	238,110	227,584								
Benefit Changes	-	-								
Difference between Expected and Actual Experience	18,686	49,450								
Assumption Changes	(11,652)	-								
Benefit Payments and Refunds	(214,200)	(180,260)								
Net Change in Total Pension Liability	94,195	155,723								
Total Pension Liability - Beginning	3,263,022	3,107,299								
Total Pension Liability - Ending (a)	3,357,217	3,263,022								
Plan Fiduciary Net Position										
Employer Contributions	87,106	73,274								
Employee Contributions	28,759	26,463								
Pension Plan Net Investment Income	176,595	12,625								
Benefit payments and Refunds	(214,200)	(180,260)								
Other	47,852	106,151								
Net Change in Plan Fiduciary Net Position	126,112	38,253								
Plan Fiduciary Net Position - Beginning	2,603,448	2,565,195								
Plan Fiduciary Net Position - Ending (b)	2,729,560	2,603,448								
Net Pension Liability (Asset) - Ending (a) - (b)	627,657	659,574								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.30%	79.79%								
Current Valuation Payroll	639,076	588,067								
Net Pension Liability as a Percentage of Covered Valuation Payroll	98.21%	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</u> <u>Ending</u> <u>December 31</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Valuation</u> <u>Payroll</u>	<u>Actual</u> <u>Contribution</u> <u>as a % of</u> <u>Covered</u> <u>Valuation</u> <u>Payroll</u>
2015	73,273	73,274	(1)	588,067	12.46%
2016	87,106	87,106	-	639,076	13.63%

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 2016 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 2016 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 22 years for most employers (two employers were financed over 31 years).
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.50% 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 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, a IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates 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 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**Other Information**

Notes

There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation.

TOWNSHIP OF TROY – COUNTY OF WILL – STATE OF ILLINOIS  
Notes to Other Information  
March 31, 2017

**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 16, 2016. 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.