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Accounting • Auditing • Consulting

Grafton Township, Illinois

Annual Financial Report
For the Year Ended March 31, 2016

GRAFTON TOWNSHIP, ILLINOIS

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Year ended March 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Township Supervisor and
Members of the Grafton Township Board
Grafton, Illinois

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grafton Township, Illinois (Township) as of and for the year ended March 31, 2016, which collectively comprise the Township's basic financial statements as listed in the accompanying 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 as described in Note 1. 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 fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Grafton Township, Illinois as of March 31, 2016, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 as discussed in Note 1 to the financial statements:

Statement No. 68 – Accounting and Financial Reporting for Pensions

The emphasis of this matter does not constitute modifications to our opinion.

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 purposes of forming opinions on the financial statements that collectively comprise the Grafton Township, Illinois' financial statements. The other information (OI) as described in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. We have applied certain limited procedures to the other information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the other information because the limited procedures do not provide us sufficient evidence to express an opinion or provide any assurance.

George Roach & Associates, P.C.

George Roach & Associates, P.C.
Crystal Lake, Illinois
May 16, 2016

OTHER INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS -
UNAUDITED

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

As management of Grafton Township (Township), we offer readers of the Township's statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2016. The Management of the Township encourages the readers of this financial information presented in conjunction with the financial statements to obtain a better understanding of the Township's financial operations.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at March 31, 2016 by \$3,566,125 (net position). Of this amount, \$711,267 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$559,082.
- At March 31, 2016, the Township's governmental funds reported combined ending fund balances of \$1,712,248, an increase of \$292,652 from the prior year.
- At March 31, 2016, the fund balance for the Town Fund was \$711,267.
- The Township's total fixed assets increased by \$133,381 during the year ended March 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other information (OI) and additional information for analysis.

Government-wide financial statements

The government-wide financial statements are prepared using the modified cash basis of accounting and are designed to provide readers with a broad overview of the Township's finances, in a manner similar to private-sector businesses.

The statement of net position presents financial information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a portion of the costs through user fees and charges. The

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

governmental activities of the Township include general government, services for youth and family, seniors, general assistance and mental health, and road and bridge projects.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Fund financial statements

All of the funds of the Township are governmental funds. The fund financial statements are prepared using the modified cash basis of accounting. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The fund financial statements report the Township's operations in more detail than the government-wide statements by providing information about the Township's three funds.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

Notes to the financial statements

Notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the basic financial statements. Other information consists of more detailed data on budget to actual revenues and expenditures.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain other information concerning Grafton Township's progress in funding its obligation to provide pension benefits to its employees. Additionally, other information regarding a statement of revenues, expenditures, and changes in fund balance - budget vs. actual for each major fund is presented in this section. The Township adopts an annual budget for all funds. A budgetary comparison statement has been provided for the Town Fund and other governmental funds to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of Grafton Township, assets exceeded liabilities by \$3,566,125 for the year ended March 31, 2016. A portion of the Township's net position reflects its investment in capital assets; \$1,853,877. The Township uses these capital assets to provide services, and consequently these assets are not available to liquidate liabilities or for other spending. The remaining net position balance is \$1,712,248, of which \$1,000,981 is restricted and \$711,267 is unrestricted.

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

Grafton Township Net Position

| | Governmental Activities | |
|----------------------------------|-------------------------|---------------------|
| | 3/31/2016 | 3/31/2015 |
| Assets | | |
| Current and Other Assets | \$ 1,723,402 | \$ 1,426,519 |
| Fixed Assets | 1,853,877 | 1,720,496 |
| Total Assets | <u>\$ 3,577,279</u> | <u>\$ 3,147,015</u> |
| Liabilities | | |
| Liabilities | \$ 11,154 | \$ 56,672 |
| Long-term Liabilities | - | 83,300 |
| Total Liabilities | <u>11,154</u> | <u>139,972</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 1,853,877 | 1,587,447 |
| Restricted | 1,000,981 | 1,072,124 |
| Unrestricted | <u>711,267</u> | <u>347,472</u> |
| Total Net Position | <u>\$ 3,566,125</u> | <u>\$ 3,007,043</u> |

An additional portion of the Township's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$711,267) may be used to meet the Township's ongoing obligations to citizens and creditors.

At March 31, 2016, the Township is able to report positive balances in all three categories of net position. The Township's net position increased by \$559,082 in comparison with the prior year.

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

Governmental activities

Key elements of the changes to net position by governmental activities are as follows:

Grafton Township Changes in Net Position

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | March 31, 2016 | March 31, 2015 |
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 3,131 | \$ 4,063 |
| Operating Grants | - | 25,257 |
| General Revenues | | |
| Property Taxes | 1,851,771 | 1,799,954 |
| Replacemnt Taxes | 76,717 | 69,362 |
| Intergovernmental Receipts | 33,868 | 89,190 |
| Interest | 2,864 | 2,769 |
| Other Income | (20,333) | 10,454 |
| Total Revenues | <u>1,948,018</u> | <u>2,001,049</u> |
| Expenses | | |
| General Government | 545,197 | 566,942 |
| Assessor | 377,231 | 431,524 |
| General Assistance | 21,049 | 17,008 |
| Road and Bridge | 442,710 | 432,036 |
| Interest | 2,749 | 4,860 |
| Total Expenses | <u>1,388,936</u> | <u>1,452,370</u> |
| Increase (Decrease) in Net Position | 559,082 | 548,679 |
| Net Position - Beginning of Year | <u>3,007,043</u> | <u>2,458,364</u> |
| Net Position - End of Year | <u>\$ 3,566,125</u> | <u>\$ 3,007,043</u> |

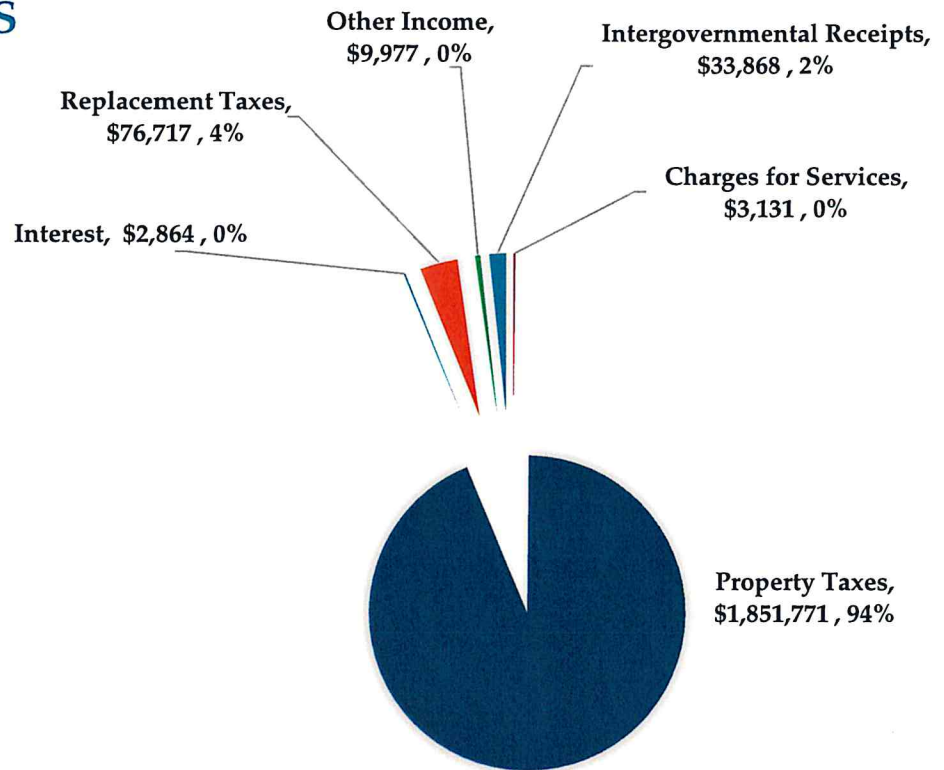
GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

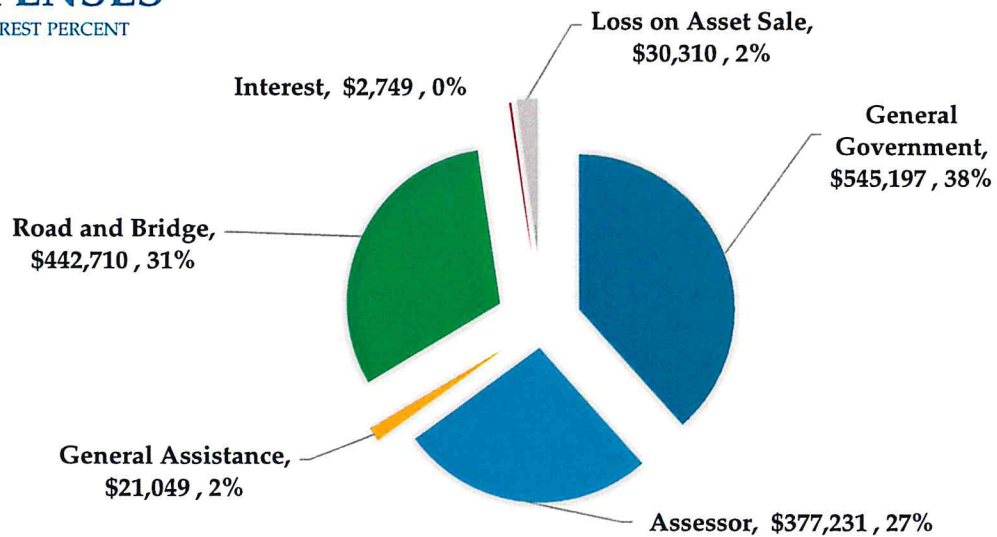
2016 REVENUES

ROUND TO NEAREST PERCENT



2016 EXPENSES

ROUND TO NEAREST PERCENT



GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Township's net resources available for spending at the end of the fiscal year.

At March 31, 2016, the Township's governmental funds reported combined ending fund balances of \$1,712,248, an increase of \$292,652 in comparison with the prior year.

The Town Fund is the main operating fund of the Township. At March 31, 2016, the fund balance of the Town Fund was \$711,267. This represents an increase of \$251,900 compared to the prior fiscal year.

Town Fund Budgetary Highlights

Expenditures in the General Town Fund of \$1,006,311 were under revenues by \$251,900 and were \$394,468 less than the appropriation of \$1,400,779.

CAPITAL ASSETS

The Township's capital fixed assets for its governmental activities as of March 31, 2016 amount to \$1,853,877 (net of accumulated depreciation). This investment in fixed assets includes land, roads and improvements, buildings and improvements, vehicles, and other equipment. Major fixed asset events during the current fiscal year included the following:

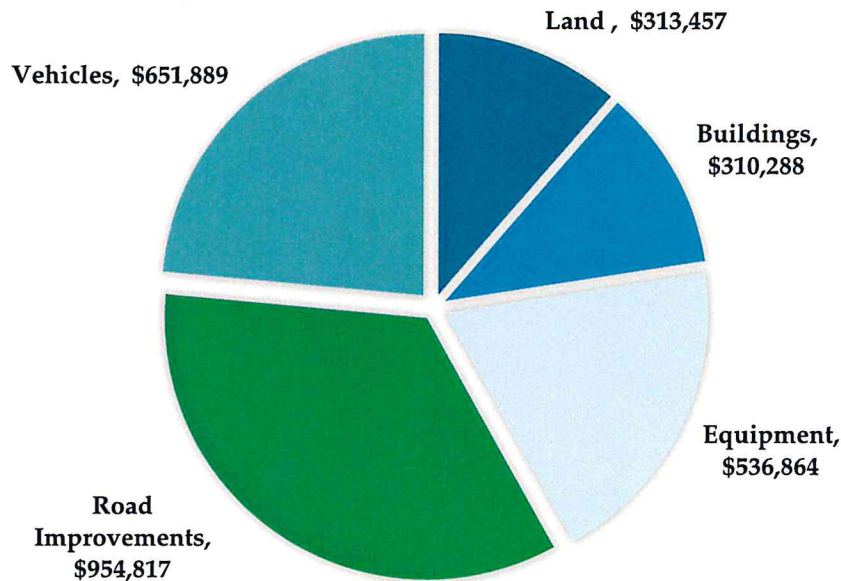
| | Balance April 1, 2015 | Increases | Decreases | Balance March 31, 2016 |
|---------------------------|--------------------------|-------------------|-------------------|---------------------------|
| Fixed Assets | | | | |
| Land | \$ 412,886 | \$ - | \$ 99,429 | \$ 313,457 |
| Buildings | 298,577 | 11,711 | - | 310,288 |
| Equipment | 475,164 | 61,700 | - | 536,864 |
| Road Improvements | 722,256 | 232,561 | - | 954,817 |
| Vehicles | 650,006 | 56,883 | 55,000 | 651,889 |
| Total Fixed Assets | 2,558,889 | 362,855 | 154,429 | 2,767,315 |
| Less: Accumulated | | | | |
| Depreciation | 838,393 | 113,735 | 38,690 | 913,438 |
| Fixed Assets (Net) | \$ 1,720,496 | \$ 249,120 | \$ 115,739 | \$ 1,853,877 |

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

CAPITAL ASSETS



ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the Township for 2015 is \$1,305,813,841. That represents an increase in EAV of \$44,039,889 over the prior year's EAV. Taxes recorded in these financial statements are from the 2014 levy. A summary of the assessed valuations and extensions for tax years 2015 and 2014 is as follows:

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

Grafton Township, Illinois Assessed Valuations, Extended Tax Rates, Percentage Allocations and Extensions by Fund

| Tax Levy Year | 2015 | | 2014 | | 2013 | |
|---|-----------------|-------------------|----------------|-------------------|-----------------|-------------------|
| Assessed Valuation | | | | | | |
| McHenry County | \$ | 1,305,813,841 | \$ | 1,261,773,952 | \$ | 1,268,158,440 |
| Tax Rates and Percentage Allocations by Fund | | | | | | |
| Funds | Rate | Percentage | Rate | Percentage | Rate | Percentage |
| Town - Corporate | 0.084847 | 55.57 | 0.087721 | 56.06 | 0.087254 | 57.67 |
| Town - Insurance | 0.001379 | 0.90 | 0.001426 | 0.91 | 0.001398 | 0.92 |
| Public Assistance | 0.002528 | 1.66 | 0.002613 | 1.67 | 0.000078 | 0.05 |
| Road & Bridge | 0.019548 | 12.80 | 0.019792 | 12.65 | 0.019138 | 12.65 |
| Permanent Road | 0.041267 | 27.03 | 0.041782 | 26.70 | 0.040401 | 26.70 |
| Road & Bridge - IMRF | 0.001353 | 0.89 | 0.001369 | 0.87 | 0.001023 | 0.68 |
| Road & Bridge - Insurance | 0.001756 | 1.15 | 0.001777 | 1.14 | 0.002018 | 1.33 |
| Totals | 0.152678 | 100.00 | 0.15648 | 100.00 | 0.151310 | 100.00 |

Property Tax Extensions

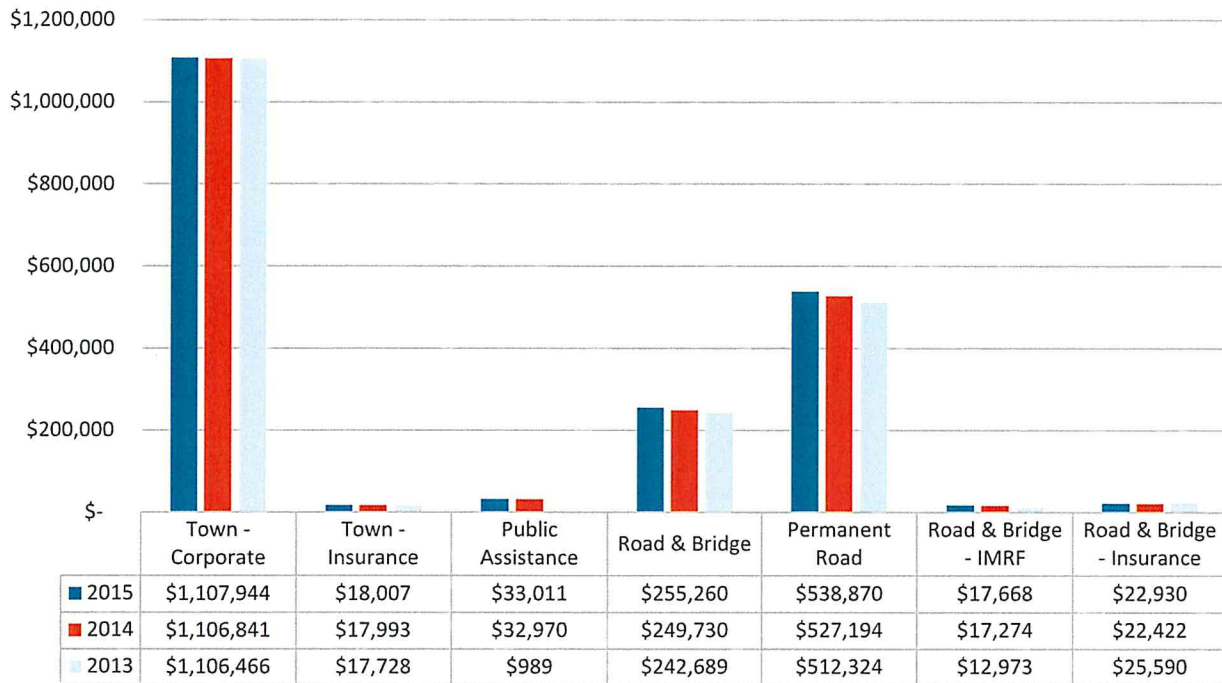
| Funds | 2015 | 2014 | 2013 |
|---------------------------|--------------------|--------------------|--------------------|
| Town - Corporate | \$1,107,944 | \$1,106,841 | \$1,106,466 |
| Town - Insurance | 18,007 | 17,993 | 17,728 |
| Public Assistance | 33,011 | 32,970 | 989 |
| Road & Bridge | 255,260 | 249,730 | 242,689 |
| Permanent Road | 538,870 | 527,194 | 512,324 |
| Road & Bridge - IMRF | 17,668 | 17,274 | 12,973 |
| Road & Bridge - Insurance | 22,930 | 22,422 | 25,590 |
| Totals | \$1,993,690 | \$1,976,438 | \$1,918,759 |

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2016

Property Tax Extensions



Description of Current or Expected Conditions

Currently, management is not aware of any other significant changes in conditions that could have a significant effect on the financial position or results of activities of the Township in the near future. However, management continues to monitor items that may impact future receipts, especially noting a potential decline in state funds as well as losses due to the tax cap.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Supervisor, Grafton Township, 10109 Vine Street, Huntley, Illinois 60142.

BASIC FINANCIAL STATEMENTS

GRAFTON TOWNSHIP, ILLINOIS

Statement of Net Position

Year ended March 31, 2016

| Assets | |
|---|---------------------|
| Cash and investments - at cost | \$ 1,723,402 |
| Fixed assets - net accumulated depreciation | 1,853,877 |
| Total Assets | \$ 3,577,279 |
| Current Liabilities | |
| Payroll Liabilities | \$ 11,154 |
| Total Current Liabilities | 11,154 |
| Total Liabilities | 11,154 |
| Net Position | |
| Net investment in capital assets | 1,853,877 |
| Restricted - general assistance | 83,668 |
| Restricted - general road & bridge | 917,313 |
| Unrestricted | 711,267 |
| Total Net Position | \$ 3,566,125 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Statement of Activities and Changes in Net Position

Year ended March 31, 2016

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue & Changes in Net Position |
|--------------------------------------|-------------------------|--|--|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| | Expenses | | | |
| Governmental Activities | | | | |
| General Government | \$ 545,197 | \$ - | \$ - | \$ (545,197) |
| Assessor | 377,231 | - | - | (377,231) |
| Road & Bridge | 442,710 | - | - | (439,579) |
| General Assistance | 21,049 | - | - | (21,049) |
| Debt Service -- interest | 2,749 | - | - | (2,749) |
| Total Governmental Activities | \$ 1,388,936 | \$ - | \$ - | \$ (1,385,805) |
| | | | | |
| Property taxes | | | | 1,851,771 |
| Replacement tax | | | | 76,717 |
| Municipal transport income | | | | 437 |
| Miscellaneous revenue | | | | 9,540 |
| Investment Income | | | | 2,864 |
| Intergovernmental | | | | 33,868 |
| Loss on disposition of assets | | | | (30,310) |
| Total Revenues | | | | 1,944,887 |
| Changes in Net Position | | | | 559,082 |
| Net Position Beginning of Year | | | | 3,007,043 |
| Total Net Position | | | | \$ 3,566,125 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Governmental Fund Types

Combined Balance Sheet - Modified Cash Basis

Year ended March 31, 2016

| | Assets | Town Fund | General Assistance Fund | Road & Bridge Fund | Total |
|--|--------|--------------|-------------------------------|--------------------------|--------------|
| Cash | | \$ 721,573 | \$ 82,168 | \$ 919,661 | \$ 1,723,402 |
| Due from/(to) other funds | | (1,500) | 1,500 | - | - |
| Total Assets | | \$ 720,073 | \$ 83,668 | \$ 919,661 | \$ 1,723,402 |
| Liabilities | | | | | |
| Payroll liabilities and long term debt | | \$ 8,806 | \$ - | \$ 2,348 | \$ 11,154 |
| Total Liabilities | | 8,806 | - | 2,348 | 11,154 |
| Fund Balance | | | | | |
| Nonspendable | | - | - | - | - |
| Restricted | | 32,260 | - | 30,031 | 62,291 |
| Committed | | - | - | - | - |
| Assigned | | - | - | - | - |
| Unassigned | | 679,007 | 83,668 | 887,282 | 1,649,957 |
| Total Fund Balance | | 711,267 | 83,668 | 917,313 | 1,712,248 |
| Total Liabilities and Fund Balance | | \$ 720,073 | \$ 83,668 | \$ 919,661 | \$ 1,723,402 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Modified Cash Basis

Year ended March 31, 2016

| | Town Fund | General Assistance Fund | Road & Bridge Fund | Total |
|--|-------------------|-------------------------------|--------------------------|---------------------|
| Revenue | | | | |
| Property taxes | \$ 1,123,467 | \$ 32,930 | \$ 695,374 | \$ 1,851,771 |
| Replacement taxes | 28,408 | - | 48,309 | 76,717 |
| Municipal transport income | 437 | - | - | 437 |
| Intergovernmental receipts | 15,068 | - | 18,800 | 33,868 |
| Fines | - | - | 901 | 901 |
| Interest income | 1,089 | 109 | 1,666 | 2,864 |
| Permits and bonds | - | - | 2,230 | 2,230 |
| Miscellaneous revenue | 89,742 | 1,538 | 3,689 | 94,969 |
| Total Revenue | 1,258,211 | 34,577 | 770,969 | 2,063,757 |
| Expenditures | | | | |
| Administrative | 441,635 | 28,483 | 77,284 | 547,402 |
| Assessor | 373,211 | - | - | 373,211 |
| Transportation | 55,667 | - | - | 55,667 |
| Home relief | - | 21,049 | - | 21,049 |
| Maintenance | - | - | 87,763 | 87,763 |
| Debt Service -- principal | 133,049 | - | - | 133,049 |
| Debt Service -- interest | 2,749 | - | - | 2,749 |
| Permanent Road | - | - | 550,215 | 550,215 |
| Total Expenditures | 1,006,311 | 49,532 | 715,262 | 1,771,105 |
| Excess (Deficiency) of Revenue over Expenditures and other uses | 251,900 | (14,955) | 55,707 | 292,652 |
| Fund Balance | | | | |
| Balance, beginning of year | 459,367 | 98,623 | 861,606 | 1,419,596 |
| Total Fund Balance | \$ 711,267 | \$ 83,668 | \$ 917,313 | \$ 1,712,248 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

*Reconciliations of the Governmental Funds to the
Statement of Net Position and the Statement of Activities
Year ended March 31, 2016*

Reconciliation of the Governmental Fund Balance to the Statement of Net Position

| | |
|---|----------------------------|
| Total Fund Balances --Total Governmental Funds | \$ 1,712,248 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Amount net of depreciation | <u>1,853,877</u> |
| Total Net Position of Governmental Activities | <u>\$ 3,566,125</u> |

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to Governmental Statement of Activities and Changes in Net Position

| | |
|---|--------------------------|
| Excess (Deficiency) of Revenue Over Expenditures | |
| Governmental Funds | \$ 292,652 |
| Governmental funds report capital outlays as expenditures; however for the Statement of Activities the amounts are capitalized and depreciated over their useful life. | |
| (amount shown is net of depreciation) | 249,119 |
| Governmental funds report capital asset sales as revenue, however, for the government wide statements, asset sales reduce capital assets and a gain/(loss) is recorded on the statement of activities | (115,738) |
| Governmental funds report the payment of debt and leases as an expenditure; however the Statement of Activities records the payment as a reduction in the debt liability. | <u>133,049</u> |
| Changes in Net Position Governmental Funds | <u>\$ 559,082</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC
FINANCIAL STATEMENTS

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Grafton Township ("Township") are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Township follows all Governmental Accounting Standards Board (GASB) pronouncements and pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements; to the extent they are applicable to the modified cash basis of accounting. The more significant accounting policies used by the Township are discussed below. In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using modified cash basis accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

REPORTING ENTITY –

The Township is located in the Village of Huntley, Illinois and is governed by a board. The Township is primarily funded through a tax levy, operating grants, fines and fees, and charitable donations. Revenue is used to operate and staff the Township. The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Township, there are no component units to be included in these financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION –

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS –

The government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the modified cash basis of accounting. Revenue is recorded when received and expenses are recorded when paid. Property taxes are recognized as revenue in the year received.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position includes and recognizes all long-term assets and long-term debt and obligations. The Township's net position is reported in three parts – net investment in capital assets, restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Township patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported as general revenue.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenue is recognized as soon as it is received. Expenditures generally are recorded when paid, as under cash basis accounting. Debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. The primary sources of revenue are property taxes, state-shared revenue, and interest associated with the current fiscal period. All are considered to be susceptible to cash and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

THE TOWNSHIP REPORTS ALL THE FUNDS AS MAJOR GOVERNMENTAL FUNDS –

The Town Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund, while the Township Road & Bridge Fund accounts for the resources associated with taxes levied specifically for the maintenance of the Township's road and bridges. General Assistance funds are administered by the Township Supervisor in accordance with the policies of the Township.

FINANCIAL STATEMENT AMOUNTS –

Bank Deposits and Investments - The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The Township maintains a cash and investment pool which is available for use by the General and Special Revenue Funds.

The Township's investment policies are governed by state statutes. All funds are deposited in federally insured banks and savings and loans institutions. The cash and investments reflected in the combined balance sheet consist of demand accounts.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

CAPITAL ASSETS –

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|------------------------------------|-------------|
| Building and improvements | 20-50 years |
| Equipment, furniture, and fixtures | 5-20 years |

Compensated Absences (Vacation and Sick Leave) - It is the Township’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. A liability for unused vacation pay benefit is reported in the governmental fund - General Fund only for employee terminations as of yearend.

LONG-TERM OBLIGATIONS –

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

The Township has a pension plan covering substantially all the full-time employees. Employees are covered by the Illinois Municipal Retirement Fund.

FUND BALANCE CLASSIFICATION –

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy and is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NONSPENDABLE –

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township has not classified any items as being Nonspendable.

RESTRICTED –

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

COMMITTED –

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Township Board. These amounts cannot be used for any other purpose unless the Township Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Township did not have any committed resources as of March 31, 2016.

ASSIGNED –

This classification includes amounts that are constrained by the Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township Board or through the Township Board delegating this responsibility to the Township Supervisor through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

UNASSIGNED –

This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding which represents the portion of the General Fund balance that has been established by the board to be used for debt service or in emergency situations. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

The Township would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS –

GASB Statement No. 68 – In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the Township implemented this Statement in fiscal year ending March 31, 2016. The financial statements for fiscal year ended March 31, 2015 could not be restated as the information required to do so was not readily available.

NOTE 2 – CASH AND INVESTMENTS

The Township's investment policies are governed by state statutes whereby Township money must be deposited in FDIC insured banks located within the state. Permissible investments include demand accounts and certificates of deposits.

At March 31, 2016, the carrying amount of the Township's deposits totaled \$1,723,402, and the bank balances totaled \$1,735,073. All cash is short-term in nature and is stated at cost, which approximates market value.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from interest rates, the Township's cash was invested in bank demand accounts.

Credit Risk. Statutes authorized the Township to invest in obligations of the U.S. Treasury and U.S. Agencies' accounts and any other investments constituting direct obligations of any bank as defined by the Illinois Bank Act, certain short-term commercial paper, accounts of federally insured savings and loans, and the state treasurers' investment pool. During fiscal year ended March 31, 2016, the Township invested its cash in bank demand accounts.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Township will not be able to recover the value of its deposits or collateral securities. Of the Township's cash, \$250,000

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 2 – CASH AND INVESTMENTS

is FDIC insured and \$1,485,073 is collateralized in the bank's trust department, not in the name of the Township.

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT

IMRF 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 multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits 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. The report is available for download at www.imrf.org.

BENEFITS PROVIDED

IMRF has three benefit 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 police 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).

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.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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

As of December 31, 2015, the following employees were covered by the benefit terms:

| | IMRF |
|--|-----------|
| Retirees and Beneficiaries currently receiving benefits | 7 |
| Inactive Plan Members entitled to but not yet receiving benefits | 11 |
| Active Plan Members | <u>13</u> |
| Total | 31 |

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 9.42%. For the fiscal year ended March 31, 2016, the Township contributed \$59,629 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.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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 3.5%.
- **Salary Increases** were expected to be 3.75% to 14.50%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.50%.
- **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:

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

| <u>Asset Class</u> | Portfolio | Long-Term |
|-------------------------|-------------------|------------------|
| | Target | Expected |
| | Percentage | Real Rate |
| | | of Return |
| 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% | |

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Executive Summary as of December 31, 2015

| | |
|---|------------|
| Actuarial Valuation Date | 12/31/2015 |
| Measurement Date of the Net Pension Liability | 12/31/2015 |
| Fiscal Year End | 3/31/2016 |

Membership

| | |
|---------------------------------|----|
| Number of | |
| - Retirees and Beneficiaries | 7 |
| - Inactive, Non-Retired Members | 11 |
| - Active Members | 13 |
| - Total | 31 |

| | |
|---------------------------|------------|
| Covered Valuation Payroll | \$ 633,005 |
|---------------------------|------------|

Net Pension Liability

| | |
|--|--------------|
| Total Pension Liability/(Asset) | \$ 2,039,244 |
| Plan Fiduciary Net Position | 1,832,554 |
| Net Pension Liability/(Asset) | \$ 206,690 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 89.86% |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 32.65% |

Development of the Single Discount Rate as of December 31, 2015

| | |
|--|-------|
| Long-Term Expected Rate of Investment Return | 7.50% |
| Long-Term Municipal Bond Rate* | 3.57% |
| Last year ending December 31 in the 2016 to 2115 projection period for which projected benefit payments are fully funded | 2089 |
| Resulting Single Discount Rate based on the above development | 7.49% |
| Single Discount Rate calculated using December 31, 2014 Measurement Date | 7.50% |

| | |
|--------------------------------|-----------|
| Total Pension Expense/(Income) | \$ 57,926 |
|--------------------------------|-----------|

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Difference between expected and actual experience | \$ - | \$ 6,856 |
| Changes in assumptions | 2,014 | - |
| Net difference between projected and actual earnings on pension plan investments | 101,666 | - |
| Total | \$ 103,680 | \$ 6,856 |

* "State & local bonds" rate from Federal Reserve statistical release (H.15) as of December 31, 2015.

The statistical release describes this rate as "Bond Buyer Index, general obligation, 20 years to maturity, mixed quality." In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Services's Aa2 rating and Standard & Poor's Corp.'s AA.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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 3.56%, and the resulting single discount rate is 7.49%.

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 7.49%, 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:

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios -- Current Period Calendar Year Ended December 31, 2015

A. Total pension liability

| | | |
|--|----|-----------|
| 1. Service Cost | \$ | 70,731 |
| 2. Interest on the Total Pension Liability | | 143,258 |
| 3. Changes of benefit terms | | - |
| 4. Difference between expected and actual experience of the Total Pension Liability | | (9,036) |
| 5. Changes of assumptions | | 2,654 |
| 6. Benefit payments, including refunds of employee contributions | | (86,220) |
| 7. Net change in total pension liability | | 121,387 |
| 8. Total pension liability – beginning | | 1,917,857 |
| 9. Total pension liability – ending | \$ | 2,039,244 |

B. Plan fiduciary net position

| | | |
|---|----|-----------|
| 1. Contributions – employer | \$ | 59,629 |
| 2. Contributions – employee | | 28,485 |
| 3. Net investment income | | 9,036 |
| 4. Benefit payments, including refunds of employee contributions | | (86,220) |
| 5. Other (Net Transfer) | | 15,336 |
| 6. Net change in plan fiduciary net position | | 26,266 |
| 7. Plan fiduciary net position – beginning | | 1,806,288 |
| 8. Plan fiduciary net position – ending | \$ | 1,832,554 |

C. Net pension liability/(asset)

\$ 206,690

D. Plan fiduciary net position as a percentage

of the total pension liability 89.86%

E. Covered Valuation payroll

\$ 633,005

F. Net pension liability as a percentage

of covered valuation payroll 32.65%

Sensitivity of Net Pension Liability/(Asset) to the Single discount rate Assumption

| | 1% Decrease 6.49% | Current Single Discount Rate Assumption 7.49% | 1% Increase 8.49% |
|-------------------------------|----------------------|---|----------------------|
| Total Pension Liability | \$ 2,329,729 | \$ 2,039,244 | \$ 1,807,077 |
| Plan Fiduciary Net Position | 1,832,554 | 1,832,554 | 1,832,554 |
| Net Pension Liability/(Asset) | \$ 497,175 | \$ 206,690 | \$ (25,477) |

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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

For the year ended March 31, 2016, the Township recognized pension expense of \$59,629. At March 31, 2016, the Township reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Amounts Related to Pensions <i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i> | Deferred Outflows of Resources | Deferred Outflows of Resources |
|---|---|---|
| Differences between expected and actual | \$ - | \$ 51,339 |
| Changes of assumptions | 359 | - |
| Net difference between projected and actual earnings on pension plan investments | 43,338 | 51,339 |
| Total Deferred Amounts to be recognized in pension expense in future periods | 43,697 | 51,339 |
| <i>Pension Contributions made subsequent to the Measurement Date</i> | 5,548 | - |
| Total Deferred Amounts Related to Pensions | \$ 49,245 | \$ 51,339 |

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 Ending December 31 | Net Deferred Outflows of Resources | Net Deferred Inflows of Resources |
|------------------------------------|---|--|
| 2015 | \$ (15,437) | \$ - |
| 2016 | (13,873) | - |
| 2017 | 10,835 | - |
| 2018 | 10,833 | - |
| 2019 | - | - |
| Thereafter | - | - |
| Total | \$ (7,642) | \$ - |

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2015 Contribution Rate *

Valuation Date: December 31, 2015

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior 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 assumptions 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 12% of the table rates were used. For woman 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

Notes to Financial Statements
Year ended March 31, 2016

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONCLUDED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the Total Pension Liability

Methods and Assumptions Used to Determine Total pension Liability:

| | |
|---------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Market Value of Assets |
| Price Inflation | 2.75% |
| Salary Increases | 3.75% to 14.50% |
| Investment Rate of Return | 7.49% |
| 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, 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 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 (based on 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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. |

Other Information:

Notes There were no benefit changes during the year.

A detailed description of the actuarial assumptions and methods can be found in the December 31, 2015 Illinois Municipal Retirement annual actuarial valuation report.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 4 – CHANGES IN FIXED ASSETS

| | Balance April 1, 2015 | Increases | Decreases | Balance March 31, 2016 |
|-----------------------------------|--------------------------|-------------------|-------------------|---------------------------|
| Fixed Assets | | | | |
| Land | \$ 412,886 | \$ - | \$ 99,429 | \$ 313,457 |
| Buildings | 298,577 | 11,711 | - | 310,288 |
| Equipment | 475,164 | 61,700 | - | 536,864 |
| Road Improvements | 722,256 | 232,561 | - | 954,817 |
| Vehicles | 650,006 | 56,883 | 55,000 | 651,889 |
| Total Fixed Assets | 2,558,889 | 362,855 | 154,429 | 2,767,315 |
| Less: Accumulated Depreciation | 838,393 | 113,735 | 38,690 | 913,438 |
| Fixed Assets (Net) | <u>\$ 1,720,496</u> | <u>\$ 249,120</u> | <u>\$ 115,739</u> | <u>\$ 1,853,877</u> |

Depreciation by Governmental Activity

| | |
|----------------------------------|-------------------|
| General Government | \$ 10,723 |
| Road & Bridge | 98,992 |
| Assessor | 4,020 |
| Total Governmental Activities | <u>\$ 113,735</u> |

NOTE 5 – LONG-TERM DEBT

On October 16, 2013 the Township issued an installment note in the amount of \$200,000 for the purpose of retiring the outstanding debt certificates. The note repayment is to be made in 48 monthly installments of \$4,543.71, including both principal and interest. The installment note bears an annual interest rate of 4.25%. During the year the Township retired the entire debt early.

Long-term debt activity for the year ended March 31, 2016 was as follows:

| Governmental Activities: | Balance April 1, 2015 | Additions | Retirements | Balance March 31, 2016 | Amounts Due Within One Year |
|--------------------------------------|-----------------------------|-------------|-------------------|------------------------------|-----------------------------------|
| Long-Term Debt | | | | | |
| Bank Notes | \$ 133,049 | \$ - | \$ 133,049 | \$ - | \$ - |
| Total Governmental Long-Term Debt | <u>\$ 133,049</u> | <u>\$ -</u> | <u>\$ 133,049</u> | <u>\$ -</u> | <u>\$ -</u> |

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2016

NOTE 6 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial Statements are issued or available to be issued. There are two types of subsequent events: recognized (events that relate to conditions present at the balance sheet date) and non-recognized (events or conditions that did not exist at the balance sheet date but arose after that date).

There have been no recognized or non-recognized subsequent events that have occurred between March 31, 2016 and the date of this audit report requiring disclosure in the financial statements.

OTHER INFORMATION

GRAFTON TOWNSHIP, ILLINOIS

Town Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|-----------------------------------|--------------------|------------------|---------------------------|
| Revenue | | | |
| Property taxes | \$ 1,125,939 | \$ 1,125,939 | \$ 1,123,467 |
| Replacement taxes | 10,000 | 10,000 | 28,408 |
| Municipal transport income | - | - | 437 |
| Intergovernmental road | 14,790 | 14,790 | 15,068 |
| Interest income | - | - | 1,089 |
| Miscellaneous revenue | 50 | 50 | 89,742 |
| Total Revenues | 1,150,779 | 1,150,779 | 1,258,211 |
| General and Administrative | | | |
| Personnel | | | |
| Salaries | 55,500 | 55,500 | 40,366 |
| Elected officials | 198,000 | 198,000 | 190,370 |
| Health insurance | 84,000 | 84,000 | 48,688 |
| Social Security | 18,958 | 18,958 | 14,796 |
| Medicare | 4,400 | 4,400 | 3,460 |
| Unemployment insurance | 4,576 | 4,576 | 502 |
| IMRF contribution | 28,000 | 28,000 | 23,871 |
| Total personnel | 393,434 | 393,434 | 322,053 |
| Contractual services | | | |
| Maintenance - buildings | 35,000 | 35,000 | 23,936 |
| Maintenance - equipment | 35,000 | 35,000 | 8,276 |
| TOIRMA insurance | 14,238 | 14,238 | 14,223 |
| Accounting services | 18,000 | 18,000 | 6,645 |
| Legal services | 20,000 | 20,000 | 2,088 |
| Other professional services | 20,000 | 20,000 | - |
| Other contract services - clerk | 3,500 | 3,500 | 67 |
| Dues, memberships | 2,000 | 2,000 | 1,884 |
| Annual meeting | 500 | 500 | - |
| Postage | 2,000 | 2,000 | 208 |
| Printing | 1,500 | 1,500 | 213 |
| Publishing | 1,500 | 1,500 | 1,257 |
| Room rental | 1,000 | 1,000 | - |
| Telephone | 2,000 | 2,000 | 867 |
| Training and education | 1,500 | 1,500 | 252 |
| Travel expenses | 2,000 | 2,000 | 93 |
| Utilities | 5,000 | 5,000 | 3,004 |
| Total contractual services | 164,738 | 164,738 | 63,013 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS*Town Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**Year ended March 31, 2016*

| | Original Budget | Final Budget | Modified Cash Basis |
|---|----------------------------|-------------------------|------------------------------------|
| General and Administrative (concluded) | | | |
| Commodities | | | |
| Fuel and oil | \$ 2,000 | \$ 2,000 | \$ - |
| Office supplies | 3,000 | 3,000 | 1,492 |
| Operating supplies | 3,000 | 3,000 | 828 |
| Other admin misc. contingencies | 25,000 | 25,000 | - |
| Other miscellaneous | 31,000 | 31,000 | 973 |
| Total commodities | 64,000 | 64,000 | 3,293 |
| Capital expenditures | | | |
| Deferred Equipment | 10,000 | 10,000 | - |
| Deferred Maintenance - Building | 50,000 | 50,000 | - |
| Debt Service | 80,000 | 80,000 | - |
| Equipment | 100,000 | 100,000 | 53,276 |
| Total capital expenditures | 240,000 | 240,000 | 53,276 |
| Debt Service | | | |
| Debt service -- interest | 7,650 | 7,650 | 2,746 |
| Debt service -- principal | 46,715 | 46,715 | 133,052 |
| Total debt service | 54,365 | 54,365 | 135,798 |
| Total General and Administrative | 916,537 | 916,537 | 577,433 |
| Assessor Office | | | |
| Personnel | | | |
| Salaries | 244,000 | 244,000 | 227,306 |
| Social Security | 19,000 | 19,000 | 17,389 |
| Health insurance | 68,500 | 68,500 | 46,817 |
| IMRF contribution | 23,000 | 23,000 | 20,862 |
| Total personnel | 354,500 | 354,500 | 312,374 |
| Contractual services | | | |
| Maintenance services | 4,200 | 4,200 | 2,271 |
| Legal services | - | - | 23,429 |
| Dues, memberships | 750 | 750 | 40 |
| Postage | 250 | 250 | - |
| Printing | 500 | 500 | - |
| Publishing | 600 | 600 | - |
| Telephone | 4,500 | 4,500 | 2,212 |
| Training and education | 4,000 | 4,000 | 4,346 |
| Travel and meetings | 2,000 | 2,000 | 2,008 |
| Total contractual services | 16,800 | 16,800 | 34,306 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS*Town Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**Year ended March 31, 2016*

| | Original Budget | Final Budget | Modified Cash Basis |
|---|----------------------------|-------------------------|------------------------------------|
| Commodities | | | |
| Office supplies | \$ 2,100 | \$ 2,100 | \$ 2,090 |
| Periodicals and publications | 300 | 300 | - |
| Other miscellaneous | 1,500 | 1,500 | - |
| Total commodities | 3,900 | 3,900 | 2,090 |
| Capital expenditures | | | |
| Software | 21,633 | 21,633 | 21,667 |
| Equipment | 2,850 | 2,850 | 2,774 |
| Total capital expenditures | 24,483 | 24,483 | 24,441 |
| Total Assessor Office | 399,683 | 399,683 | 373,211 |
| Senior Transportation Personnel | | | |
| Salaries | 25,000 | 25,000 | 25,109 |
| Social Security | 3,600 | 3,600 | 1,996 |
| Health insurance | 7,459 | 7,459 | 7,430 |
| IMRF contribution | 2,500 | 2,500 | 2,413 |
| Total personnel | 38,559 | 38,559 | 36,948 |
| Contractual services | | | |
| Maintenance service | 15,000 | 15,000 | 468 |
| Postage | 500 | 500 | 44 |
| Printing | 500 | 500 | 46 |
| Telephone | 2,000 | 2,000 | 1,002 |
| Total contractual services | 18,000 | 18,000 | 1,560 |
| Commodities | | | |
| Gas/diesel/oil | 5,000 | 5,000 | 624 |
| Office supplies | 500 | 500 | - |
| Other miscellaneous | 16,500 | 16,500 | 16,310 |
| Total commodities | 22,000 | 22,000 | 16,934 |
| Other expenditures | | | |
| Community events/Bingo | 6,000 | 6,000 | 225 |
| Total other expenditures | 6,000 | 6,000 | 225 |
| Total Senior Transportation | 84,559 | 84,559 | 55,667 |
| Total expenditures Town Fund | 1,400,779 | 1,400,779 | 1,006,311 |
| Excess (deficiency) of revenue over expenditures | \$ (250,000) | \$ (250,000) | \$ 251,900 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

General Assistance Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|---|--------------------|-----------------|---------------------------|
| Revenue | | | |
| Property taxes | \$ 33,000 | \$ 33,000 | \$ 32,930 |
| Interest income | 150 | 150 | 109 |
| Miscellaneous revenue | - | - | 1,538 |
| Total Revenues | 33,150 | 33,150 | 34,577 |
| General and Administrative | | | |
| Personnel | | | |
| Salaries | 15,000 | 15,000 | 14,744 |
| Health insurance | 9,404 | 9,404 | 9,246 |
| Total personnel | 24,404 | 24,404 | 23,990 |
| Contractual services | | | |
| Maintenance - buildings | 1,000 | 1,000 | - |
| Maintenance - equipment | 2,000 | 2,000 | 1,889 |
| Accounting services | 1,600 | 1,600 | 410 |
| Legal services | 850 | 850 | - |
| Other professional services | 1,000 | 1,000 | 25 |
| Postage | 90 | 90 | 52 |
| Telephone | 1,000 | 1,000 | 608 |
| Publishing | 200 | 200 | - |
| Printing | 150 | 150 | 77 |
| Travel expenses | 100 | 100 | - |
| Training and education | 600 | 600 | 220 |
| Utilities | 2,000 | 2,000 | 1,055 |
| Total contractual services | 10,590 | 10,590 | 4,336 |
| Commodities | | | |
| Fuel and oil | 775 | 775 | - |
| Maintenance supplies building | 500 | 500 | - |
| Office supplies | 500 | 500 | 157 |
| Total commodities | 1,775 | 1,775 | 157 |
| Total General and Administrative | 36,769 | 36,769 | 28,483 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

General Assistance Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|---|---------------------|---------------------|---------------------------|
| Home Relief | | | |
| Contractual services | | | |
| Transportation assistance | \$ 1,500 | \$ 1,500 | \$ 210 |
| Physician services | 500 | 500 | - |
| Hospital services | 500 | 500 | - |
| Dental services | 500 | 500 | - |
| Other medical services insurance | 6,000 | 6,000 | 2,360 |
| Funeral and burial services | 500 | 500 | - |
| Shelter | 12,000 | 12,000 | 11,490 |
| Utility payments | 20,000 | 20,000 | 6,989 |
| Ambulance services | 500 | 500 | - |
| Eye care | 500 | 500 | - |
| Total contractual services | 42,500 | 42,500 | 21,049 |
| Commodities | | | |
| Food | 500 | 500 | - |
| Catastrophic deduction | 65,122 | 65,122 | - |
| Personal incidentals | 500 | 500 | - |
| Household incidentals | 500 | 500 | - |
| Flat Grant | 500 | 500 | - |
| Prescriptions | 500 | 500 | - |
| Fuel | 500 | 500 | - |
| Total commodities | 68,122 | 68,122 | - |
| Total Home Relief | 110,622 | 110,622 | 21,049 |
| Total expenditures General Assistance Fund | 147,391 | 147,391 | 49,532 |
| Excess (deficiency) of revenue over expenditures | \$ (114,241) | \$ (114,241) | \$ (14,955) |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Road and Bridge Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|-----------------------------------|--------------------|-----------------|---------------------------|
| Revenue | | | |
| Property taxes | \$ 816,588 | \$ 816,588 | \$ 695,374 |
| Replacement taxes | 40,000 | 40,000 | 48,309 |
| Municipal share | (122,000) | (122,000) | - |
| Rental income | 10 | 10 | - |
| Permits and Bonds | 2,000 | 2,000 | 2,230 |
| Intergovernmental road | 510 | 510 | 18,800 |
| Grants and donations | 1,910 | 1,910 | - |
| Interest income | 1,585 | 1,585 | 1,666 |
| Court fines and permits | 800 | 800 | 901 |
| Miscellaneous revenue | 3,980 | 3,980 | 3,688 |
| Total revenue | 745,383 | 745,383 | 770,968 |
| General and Administrative | | | |
| Personnel | | | |
| Salaries | 25,000 | 25,000 | 24,932 |
| Unemployment insurance | 6,000 | 6,000 | 231 |
| IMRF contribution | 35,000 | 35,000 | 14,166 |
| Total personnel | 66,000 | 66,000 | 39,329 |
| Contractual services | | | |
| Maintenance - equipment | 1,000 | 1,000 | 391 |
| TOIRMA insurance | 44,000 | 44,000 | 20,467 |
| Accounting services | 14,000 | 14,000 | 2,706 |
| Legal services | 30,000 | 30,000 | 54 |
| Postage | 300 | 300 | 196 |
| Telephone | 5,000 | 5,000 | 3,250 |
| Publishing | 1,500 | 1,500 | - |
| Printing | 200 | 200 | - |
| Dues, memberships | 300 | 300 | 275 |
| Travel expenses | 6,000 | 6,000 | 1,097 |
| Training and education | 1,000 | 1,000 | - |
| Total contractual services | 103,300 | 103,300 | 28,436 |
| Commodities | | | |
| Office supplies | 800 | 800 | 416 |
| Total commodities | 800 | 800 | 416 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Road and Bridge Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|--|--------------------|-----------------|---------------------------|
| Capital expenditures/debt service | | | |
| Equipment | \$ 5,000 | \$ 5,000 | \$ 87 |
| Total capital expenditures | 5,000 | 5,000 | 87 |
| Other expenditures | | | |
| Miscellaneous expense | 8,000 | 8,000 | 121 |
| Municipal replacement tax | 8,900 | 8,900 | 8,895 |
| Contingencies | 22,000 | 22,000 | - |
| Total other expenditures | 38,900 | 38,900 | 9,016 |
| Total General and Administrative | 214,000 | 214,000 | 77,284 |
| Maintenance Department | | | |
| Personnel | | | |
| Salaries | 10,500 | 10,500 | 101 |
| Total personnel | 10,500 | 10,500 | 101 |
| Contractual services | | | |
| Maintenance services - building | 10,000 | 10,000 | 360 |
| Maintenance services - equipment | 15,000 | 15,000 | 4,103 |
| Maintenance services - vehicles | 15,000 | 15,000 | 4,248 |
| Maintenance services - roads | 100 | 100 | - |
| Maintenance services - snow removal | 100 | 100 | - |
| Maintenance services - bridge | 15,000 | 15,000 | - |
| Garbage disposal | 6,000 | 6,000 | 1,451 |
| Utilities | 9,000 | 9,000 | 2,285 |
| Engineering service | 5,000 | 5,000 | - |
| Rentals | 500 | 500 | - |
| Total contractual services | 75,700 | 75,700 | 12,447 |
| Commodities | | | |
| Building maintenance supplies | 12,000 | 12,000 | 493 |
| Equipment supplies | 12,000 | 12,000 | 3,468 |
| Vehicle supplies | 14,000 | 14,000 | 6,785 |
| Road supplies | 100 | 100 | - |
| Snow removal supplies | 100 | 100 | - |
| Bridge supplies | 5,000 | 5,000 | - |
| Operating supplies | 3,000 | 3,000 | 2,295 |
| Small tools | 6,000 | 6,000 | 364 |
| Total commodities | 52,200 | 52,200 | 13,405 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Road and Bridge Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|--------------------------------------|--------------------|-----------------|---------------------------|
| Other expenditures | | | |
| Miscellaneous | \$ 5,000 | \$ 5,000 | \$ 110 |
| Total other expenditures | <u>5,000</u> | <u>5,000</u> | <u>110</u> |
| Capital expenditures | | | |
| Capital Asset Outlay | 155,000 | 155,000 | 61,700 |
| Other improvements | 50,000 | 50,000 | - |
| Total capital expenditures | <u>205,000</u> | <u>205,000</u> | <u>61,700</u> |
| Total maintenance department | <u>348,400</u> | <u>348,400</u> | <u>87,763</u> |
| Permanent Road Department | | | |
| Personnel | | | |
| Salaries | 180,000 | 180,000 | 127,856 |
| Social Security | 14,000 | 14,000 | 9,479 |
| Medicare | 4,000 | 4,000 | 2,217 |
| Uniforms | 2,000 | 2,000 | 1,107 |
| Health insurance | 50,000 | 50,000 | 36,100 |
| Payroll Expenses | 1,200 | 1,200 | 924 |
| Total personnel | <u>251,200</u> | <u>251,200</u> | <u>177,683</u> |
| Contractual services | | | |
| Maintenance services - roads | 350,000 | 350,000 | 259,795 |
| Maintenance services - street lights | 5,000 | 5,000 | 3,262 |
| Maintenance services - striping | 25,000 | 25,000 | 23,543 |
| Road signage | 18,000 | 18,000 | 507 |
| Engineering | 40,000 | 40,000 | - |
| Rentals | 10,000 | 10,000 | - |
| Total contractual services | <u>448,000</u> | <u>448,000</u> | <u>287,107</u> |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

Road and Bridge Fund - Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended March 31, 2016

| | Original Budget | Final Budget | Modified Cash Basis |
|---|----------------------------|-------------------------|------------------------------------|
| Commodities | | | |
| Gas/diesel/oil | \$ 42,000 | \$ 42,000 | \$ 11,138 |
| Maintenance supplies roads | 55,000 | 55,000 | 10,511 |
| Salt, calcium and ice control | 158,000 | 158,000 | 44,499 |
| Operating supplies | 8,000 | 8,000 | 3,184 |
| Total commodities | 263,000 | 263,000 | 69,332 |
| Other expenditures | | | |
| Intergovernmental agreement | 15,068 | 15,068 | 15,068 |
| Miscellaneous Expenses | 3,000 | 3,000 | 1,025 |
| Contingencies | 48,000 | 48,000 | - |
| Total other expenditures | 66,068 | 66,068 | 16,093 |
| Total Permanent Road | 1,028,268 | 1,028,268 | 550,215 |
| Total expenditures Road and Bridge Fund | 1,590,668 | 1,590,668 | 715,262 |
| Excess (deficiency) of revenue over expenditures | \$ (845,285) | \$ (845,285) | \$ 55,706 |

The accompanying notes are an integral part of these financial statements.

GRAFTON TOWNSHIP, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Changes in Net Pension Liability and Related Ratios**

Last 10 Calendar Years

(Schedule to be built prospectively from 2014)

| Calendar Year Ending | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2005 |
|---|---------------------|------|------|------|------|------|------|------|------|------|
| Total Pension Liability | | | | | | | | | | |
| Service Cost | \$ 70,731 | | | | | | | | | |
| Interest on the Total Pension Liability | 143,258 | | | | | | | | | |
| Benefit Changes | - | | | | | | | | | |
| Difference between Expected and Actual Experience | (9,036) | | | | | | | | | |
| Assumption Changes | 2,654 | | | | | | | | | |
| Benefit Payments and Refunds | (86,220) | | | | | | | | | |
| Net Change in Total Pension Liability | 121,387 | | | | | | | | | |
| Total Pension Liability - Beginning | 1,917,857 | | | | | | | | | |
| Total Pension Liability - Ending (a) | \$ 2,039,244 | | | | | | | | | |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Employer Contributions | 59,629 | | | | | | | | | |
| Employee Contributions | 28,485 | | | | | | | | | |
| Pension Plan Net Investment Income | 9,036 | | | | | | | | | |
| Benefit Payments and Refunds | (86,220) | | | | | | | | | |
| Other | 15,336 | | | | | | | | | |
| Net Change in Plan Fiduciary Net Position | 26,266 | | | | | | | | | |
| Plan Fiduciary Net Position - Beginning | 1,806,288 | | | | | | | | | |
| Plan Fiduciary Net Position - Ending (b) | \$ 1,832,554 | | | | | | | | | |
| Net Pension Liability/(Asset) - Ending (a) - (b) | 206,690 | | | | | | | | | |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 89.86% | | | | | | | | | |
| Covered Valuation Payroll | \$ 633,005 | | | | | | | | | |
| Net Pension Liability as a Percentage of Covered Valuation Payroll | 32.65% | | | | | | | | | |

GRAFTON TOWNSHIP, ILLINOIS

**Schedule of Required Supplemental Information
Multi-year Schedule of Contributions
Last 10 Calendar Years**

| Calendar Year Ending December 31, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Valuation Payroll | Actual Contribution as a % of Covered Valuation Payroll |
|--|--|--------------------------------|---|--|--|
| 2015 | \$ 59,629 * | \$ 59,629 | \$ - | \$ 633,005 | 9.42% |

* Estimated based on a contribution rate of 9.42% and covered valuation payroll of \$633,005.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Other Information

Year ended March 31, 2016

The Township prepares its budget on the modified cash basis of accounting.

Under the modified cash basis of accounting, revenues are recorded when received in cash and expenditures are recorded when the cash is disbursed. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

Budgets are adopted at the function level in the General Fund and total General Fund expenditures disbursed may not legally exceed the budgeted amount. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

The Township procedures in establishing the budgetary data reflected in the General Fund Financial Statements is presented below:

- Prior to June 15th the Township Board receives a proposed operating budget (appropriation ordinance) for the fiscal year commencing on proceeding April 1st. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at a public meeting to obtain taxpayers comments.
- The budget is legally enacted through passage of an ordinance prior to June 30th.
- The Township Treasurer, in conjunction with the Board, is authorized to expend the unexpended balance of any item or items of any general appropriation in making up any deficiency in any item or items of the same general appropriation.
- The original budget was not amended during the fiscal year.
- Formal budgetary integration is not employed as a management control device during the year for any fund.
- Budgetary comparisons presented in the accompanying financial statements are prepared on the modified cash basis of accounting, which is comprehensive basis of accounting other than generally accepted accounting principles. All funds utilize the same basis of accounting for both budgetary purposes and actual results.
- Expenditures cannot legally exceed appropriations at the fund level.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Other Information

Year ended March 31, 2016

- All appropriations lapse at year-end.
- The budget for Town Fund and Road & Bridge Fund were adopted on March 16, 2015

The budget represents departmental appropriations as authorized by the Township's appropriation ordinance and includes revisions authorized by the Township Board to reflect changes in departmental programs. At March 31, 2016, unexpended appropriations of the budgetary funds (general fund and special revenue funds) automatically lapse. The budget is prepared on the modified cash basis. The 2016 appropriations ordinance was adopted March 16, 2015.

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

No fund had expenditures that exceeded the appropriations