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Accounting • Auditing • Consulting

Grafton Township, Illinois

Annual Financial Report

For the Year Ended March 31, 2017

GRAFTON TOWNSHIP, ILLINOIS

Contents

Year ended March 31, 2017

	<u>Pages</u>
Independent Auditor's Report	1-2
Other Information - Management's Discussion and Analysis - Unaudited	
Management's Discussion and Analysis - Unaudited	3-11
Basic Financial Statements:	
Government-wide Statement of Net Position	12
Government-wide Statement of Activities and Changes in Net Position	13
Governmental Funds - Combined Balance Sheet	14
Governmental Funds – Combined Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Governmental Fund Balances to the Statement of Net Position and the Statement of Activities	16
Notes to the Basic Financial Statements	17-31
Other Information:	
Town Fund – Statement of Revenue, Expenditures and changes in Fund Balance – Budget and Actual	32-34
General Assistance Fund – Statement of Revenue, Expenditures and changes in Fund Balance – Budget and Actual	35-36
Road & Bridge Fund – Statement of Revenue, Expenditures and changes in Fund Balance – Budget and Actual	37-40
Multi-Year Schedule of Changes in Net Pension Liability	41
Multi-Year Schedule of Pension Contributions	42
Notes to Other Information	43-44



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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, 2017, 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, 2017, 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 modified cash basis of accounting described in Note 1.

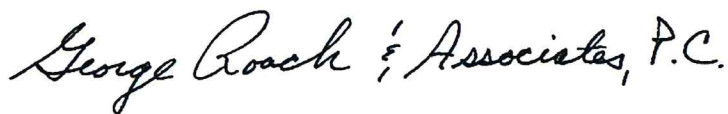
Basis of Accounting

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 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 the responsibility of management and presented for purposes of additional analysis and are not a required part of the 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.

A handwritten signature in black ink that reads "George Roach & Associates, P.C." in a cursive script.

George Roach & Associates, P.C.
Crystal Lake, Illinois
May 24, 2017

OTHER INFORMATION –
MANAGEMENT DISCUSSION AND ANALYSIS -
UNAUDITED

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

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, 2017. 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, 2017 by \$4,205,713 (net position). Of this amount, \$1,061,988 (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 \$639,588.
- At March 31, 2017, the Township's governmental funds reported combined ending fund balances of \$2,173,999, an increase of \$461,751 from the prior year.
- At March 31, 2017, the fund balance for the Town Fund was \$1,082,759.
- The Township's total net fixed assets increased by \$177,837 during the year ended March 31, 2017.

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, 2017*

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

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

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 \$4,205,713 for the year ended March 31, 2017. A portion of the Township's net position reflects its investment in capital assets; \$2,031,714. 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 \$2,173,999, of which \$1,112,011 is restricted and \$1,061,988 is unrestricted.

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

Grafton Township Net Position

	Governmental Activities	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Assets		
Current and Other Assets	\$ 2,184,615	\$ 1,723,402
Fixed Assets	<u>2,031,714</u>	<u>1,853,877</u>
Total Assets	<u>\$ 4,216,329</u>	<u>\$ 3,577,279</u>
Liabilities		
Payroll Liabilities	<u>\$ 10,616</u>	<u>\$ 11,154</u>
Total Liabilities	<u>10,616</u>	<u>11,154</u>
Net Position:		
Net Investment in Capital Assets	2,031,714	1,853,877
Restricted - general assistance	75,898	83,668
Restricted - general road & bridge	978,630	887,282
Restricted - IMRF	17,934	28,572
Restricted - insurance	39,549	33,719
Unrestricted	<u>1,061,988</u>	<u>679,007</u>
Total Net Position	<u>\$ 4,205,713</u>	<u>\$ 3,566,125</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 (\$1,061,988) may be used to meet the Township's ongoing obligations to citizens and creditors.

At March 31, 2017, the Township is able to report positive balances in all three categories of net position. The Township's net position increased by \$639,588 in comparison with the prior year.

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

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, 2017	March 31, 2016
Revenues		
Program Revenues		
Charges for Services	\$ 6,796	\$ 3,131
General Revenues		
Property Taxes	1,867,273	1,851,771
Replacemnt Taxes	72,103	76,717
Intergovernmental Receipts	26,499	33,868
Interest	4,689	2,864
Other Income	8,712	(20,333)
Total Revenues	<u>1,986,072</u>	<u>1,948,018</u>
Expenses		
General Government	665,401	545,197
Assessor	323,897	377,231
General Assistance	17,100	21,049
Road and Bridge	340,086	442,710
Interest	-	2,749
Total Expenses	<u>1,346,484</u>	<u>1,388,936</u>
Change in Net Position	639,588	559,082
Net Position - Beginning of Year	<u>3,566,125</u>	<u>3,007,043</u>
Net Position - End of Year	<u>\$ 4,205,713</u>	<u>\$ 3,566,125</u>

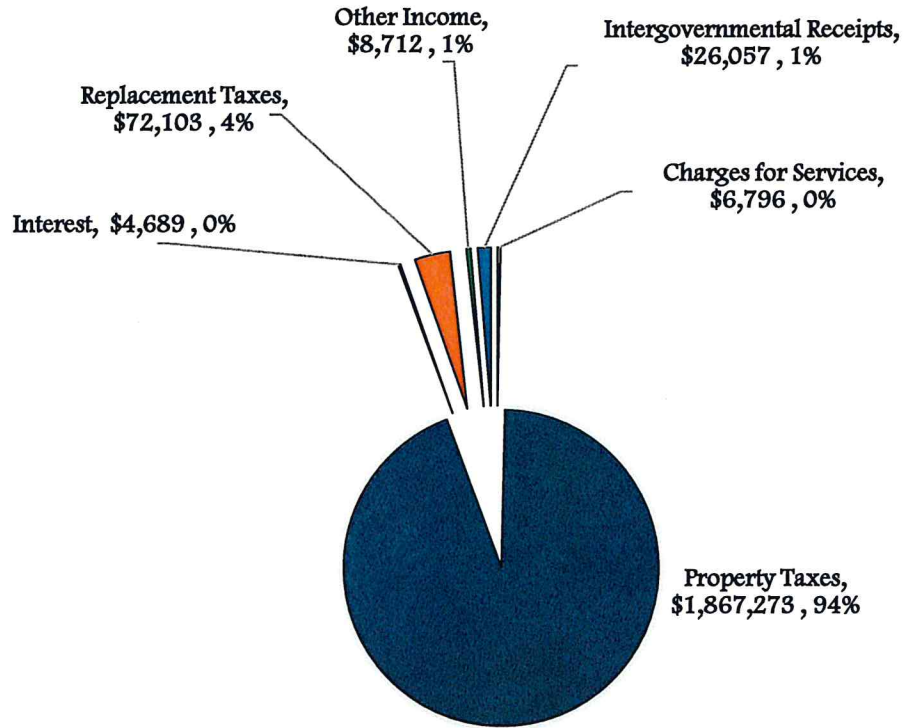
GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis

Year Ended March 31, 2017

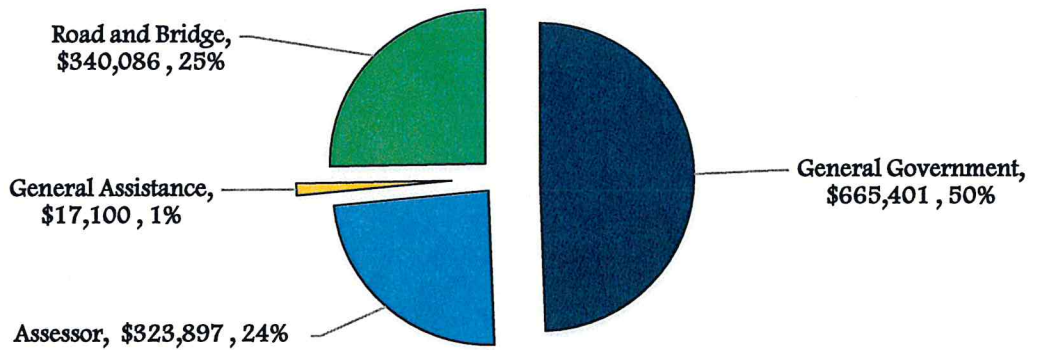
2017 REVENUES

ROUND TO NEAREST PERCENT



2017 EXPENSES

ROUND TO NEAREST PERCENT



GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

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, 2017, the Township's governmental funds reported combined ending fund balances of \$2,173,999, an increase of \$461,751 in comparison with the prior year.

The Town Fund is the main operating fund of the Township. At March 31, 2017, the fund balance of the Town Fund was \$1,082,754. This represents an increase of \$371,492 compared to the prior fiscal year.

Town Fund Budgetary Highlights

Expenditures in the General Town Fund of \$801,437 were under revenues by \$371,492 and were \$542,256 less than the appropriation of \$1,343,693.

CAPITAL ASSETS

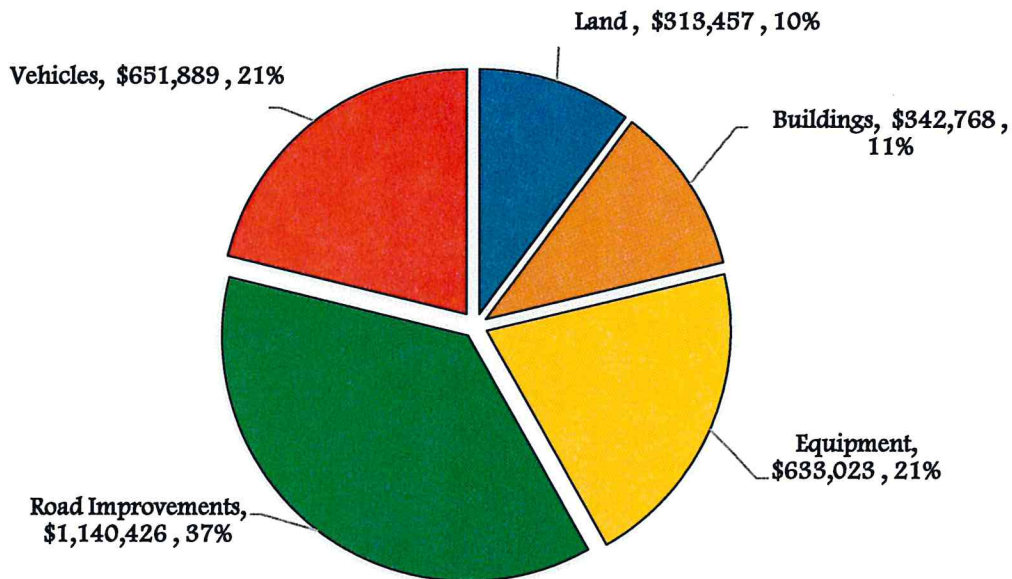
The Township's capital fixed assets for its governmental activities as of March 31, 2017 amount to \$2,031,714 (net of accumulated depreciation). This investment in fixed assets includes land, roads and improvements, buildings and improvements, vehicles, and other equipment. Major fixed asset events during the current fiscal year included the following:

	Balance April 1, 2016	Increases	Decreases	Balance March 31, 2017
Fixed Assets				
Land	\$ 313,457	\$ -	\$ -	\$ 313,457
Buildings	310,288	32,480	-	342,768
Equipment	536,864	96,159	-	633,023
Road Improvements	954,817	185,609	-	1,140,426
Vehicles	651,889	-	-	651,889
Total Fixed Assets	2,767,315	314,248	-	3,081,563
Less: Accumulated Depreciation	913,438	136,411	-	1,049,849
Fixed Assets (Net)	\$ 1,853,877	\$ 177,837	\$ -	\$ 2,031,714

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

CAPITAL ASSETS, AT COST



ECONOMIC FACTORS AND PROPERTY TAXES

The equalized assessed valuation (EAV) of the Township for 2016 is \$1,405,917,754. That represents an increase in EAV of \$100,103,913 over the prior year's EAV. Taxes recorded in these financial statements are from the 2015 levy. A summary of the assessed valuations and extensions for tax years 2016, 2015 and 2014 is as follows:

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

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

Tax Levy Year	2016		2015		2014	
Assessed Valuation						
McHenry County	\$	1,405,917,754	\$	1,305,813,841	\$	1,261,773,952
Tax Rates and Percentage Allocations by Fund						
Funds	Rate	Percentage	Rate	Percentage	Rate	Percentage
Town - Corporate	0.070926	52.41	0.084847	55.57	0.087721	56.06
Town - Insurance	0.001281	0.95	0.001379	0.90	0.001426	0.91
Public Assistance	0.002348	1.74	0.002528	1.66	0.002613	1.67
Road & Bridge	0.018585	13.73	0.019548	12.80	0.019792	12.65
Permanent Road	0.039234	28.99	0.041267	27.03	0.041782	26.70
Road & Bridge - IMRF	0.001287	0.95	0.001353	0.89	0.001369	0.87
Road & Bridge - Insurance	0.001670	1.23	0.001756	1.15	0.001777	1.14
Totals	0.135331	100.00	0.152678	100.00	0.15648	100.00

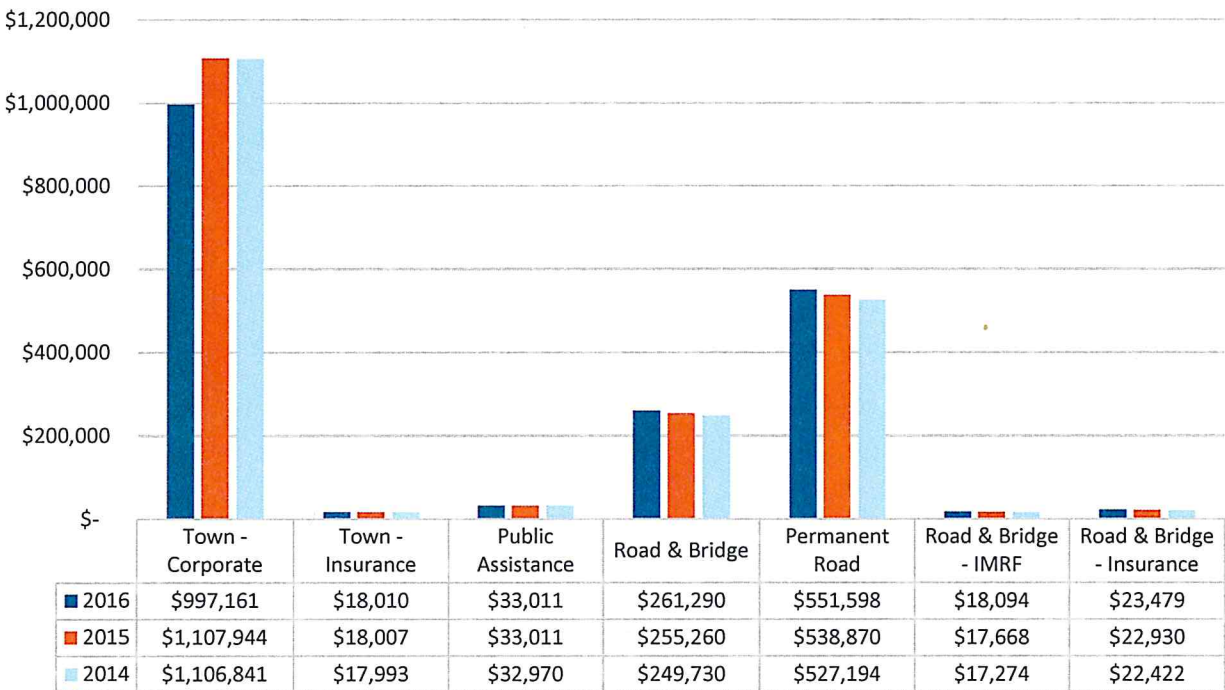
Property Tax Extensions

Funds	2016	2015	2014
Town - Corporate	\$ 997,161	\$ 1,107,944	\$ 1,106,841
Town - Insurance	18,010	18,007	17,993
Public Assistance	33,011	33,011	32,970
Road & Bridge	261,290	255,260	249,730
Permanent Road	551,598	538,870	527,194
Road & Bridge - IMRF	18,094	17,668	17,274
Road & Bridge - Insurance	23,479	22,930	22,422
Totals	\$ 1,902,643	\$ 1,993,690	\$ 1,976,438

GRAFTON TOWNSHIP, ILLINOIS

Management's Discussion and Analysis
Year Ended March 31, 2017

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

Government-wide Statement of Net Position

Year ended March 31, 2017

Assets	
Cash and investments - at cost	\$ 2,184,615
Fixed assets - net accumulated depreciation	<u>2,031,714</u>
Total Assets	<u><u>\$ 4,216,329</u></u>
Current Liabilities	
Payroll Liabilities	<u>\$ 10,616</u>
Total Current Liabilities	<u>10,616</u>
Total Liabilities	<u>10,616</u>
Net Position	
Net investment in capital assets	2,031,714
Restricted - general assistance	75,898
Restricted - general road & bridge	978,630
Restricted - IMRF	17,934
Restricted - insurance	39,549
Unrestricted	<u>1,061,988</u>
Total Net Position	<u><u>\$ 4,205,713</u></u>

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

GRAFTON TOWNSHIP, ILLINOIS

Government-wide Statement of Activities and Changes in Net Position
Year ended March 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government	\$ 665,401	\$ -	\$ -	\$ -	\$ (665,401)
Assessor	323,897	-	-	-	(323,897)
Road & Bridge	340,086	6,796	-	-	(333,290)
General Assistance	17,100	-	-	-	(17,100)
Total Governmental Activities	\$ 1,346,484	\$ 6,796	\$ -	\$ -	\$ (1,339,688)
		Property taxes			1,867,273
		Replacement tax			72,103
		Municipal transport income			442
		Miscellaneous revenue			8,712
		Investment Income			4,689
		Intergovernmental			26,057
		Total Revenues			1,979,276
		Changes in Net Position			639,588
		Net Position Beginning of Year			3,566,125
		Total Net Position			\$ 4,205,713

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

GRAFTON TOWNSHIP, ILLINOIS

Governmental Funds

Combined Balance Sheet - Modified Cash Basis

Year ended March 31, 2017

	Assets			
	Town Fund	General Assistance Fund	Road & Bridge Fund	Total
Cash	\$ 1,076,616	\$ 90,378	\$ 1,017,621	\$ 2,184,615
Due from/(to) other funds	14,480	(14,480)	-	-
Total Assets	<u>\$ 1,091,096</u>	<u>\$ 75,898</u>	<u>\$ 1,017,621</u>	<u>\$ 2,184,615</u>
Liabilities				
Payroll liabilities	\$ 8,337	\$ -	\$ 2,279	\$ 10,616
Total Liabilities	<u>8,337</u>	<u>-</u>	<u>2,279</u>	<u>10,616</u>
Fund Balance				
Nonspendable	-	-	-	-
Restricted - General Assistance	-	75,898	-	75,898
Restricted - IMRF	-	-	17,934	17,934
Restricted - insurance	20,771	-	18,778	39,549
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,061,988	-	978,630	2,040,618
Total Fund Balance	<u>1,082,759</u>	<u>75,898</u>	<u>1,015,342</u>	<u>2,173,999</u>
Total Liabilities and Fund Balance	<u>\$ 1,091,096</u>	<u>\$ 75,898</u>	<u>\$ 1,017,621</u>	<u>\$ 2,184,615</u>

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

GRAFTON TOWNSHIP, ILLINOIS

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

Year ended March 31, 2017

	Town Fund	General Assistance Fund	Road & Bridge Fund	Total
Revenue				
Property taxes	\$ 1,124,050	\$ 32,955	\$ 710,268	\$ 1,867,273
Replacement taxes	26,699	-	45,404	72,103
Municipal transport income	442	-	-	442
Intergovernmental receipts	15,388	-	10,669	26,057
Fines	-	-	1,053	1,053
Interest income	2,376	84	2,229	4,689
Permits and bonds	-	-	5,743	5,743
Miscellaneous revenue	3,974	-	4,738	8,712
Total Revenue	1,172,929	33,039	780,104	1,986,072
Expenditures				
Administrative	433,970	23,709	79,371	537,050
Assessor	319,877	-	-	319,877
Transportation	47,590	-	-	47,590
Home relief	-	17,100	-	17,100
Maintenance	-	-	130,349	130,349
Permanent Road	-	-	472,355	472,355
Total Expenditures	801,437	40,809	682,075	1,524,321
Excess (Deficiency) of Revenue over Expenditures and other uses	371,492	(7,770)	98,029	461,751
Fund Balance				
Balance, beginning of year	711,267	83,668	917,313	1,712,248
Total Fund Balance	\$ 1,082,759	\$ 75,898	\$ 1,015,342	\$ 2,173,999

GRAFTON TOWNSHIP, ILLINOIS

*Reconciliations of the Governmental Funds to the
Statement of Net Position and the Statement of Activities
Year ended March 31, 2017*

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

Total Fund Balances -Total Governmental Funds	\$ 2,173,999
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Amount net of depreciation	<u>2,031,714</u>
Total Net Position of Governmental Activities	<u>\$ 4,205,713</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	\$ 461,751
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)	<u>177,837</u>
Changes in Net Position Governmental Funds	<u>\$ 639,588</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, 2017

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, 2017

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. Interfund activity is eliminated, as all fund activities are combined in the statement of 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, 2017

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” and are expected to be repaid within one year. 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.” Interfund balances are used to finance operations in the respective fund that holds the “due to” or “advances from” account.

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, 2017

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, 2017.

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, 2017

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.

PROPERTY TAX CALENDAR –

The Township's property tax is levied each calendar year on all taxable real estate property located in the Township's district on or before the last Tuesday in December. The 2016 levy was passed by the board on November 21, 2016. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year they are for and are payable in two installments early in June and early in September of the following calendar year. The Township receives significant distributions of tax receipts approximately one month after these dates.

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, 2017, the carrying amount of the Township's deposits totaled \$2,184,615, and the bank balances totaled \$2,193,539. 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, 2017, 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 is FDIC insured and \$1,934,615 is collateralized in the bank's trust department, not in the name of the Township.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

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.

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:

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (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

As of December 31, 2016, 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 2016 was 8.88%. For the fiscal year ended March 31, 2017, the Township contributed \$55,510 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.

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 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

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

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:

<u>Asset Class</u>	Portfolio	Long-Term
	Target	Expected
	Percentage	Real Rate
	<u>of Return</u>	
Domestic Equity	38%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	<u>1%</u>	2.25%
Total	100%	

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Executive Summary as of December 31, 2016

Actuarial Valuation Date	12/31/2016
Measurement Date of the Net Pension Liability	12/31/2016
Fiscal Year End	3/31/2017

Membership

Number of	
- Retirees and Beneficiaries	7
- Inactive, Non-Retired Members	11
- Active Members	13
- Total	31
Covered Valuation Payroll (1)	\$ 626,026

Net Pension Liability

Total Pension Liability/(Asset)	\$ 2,179,528
Plan Fiduciary Net Position	1,973,549
Net Pension Liability/(Asset)	\$ 205,979
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.55%
Net Pension Liability as a Percentage of Covered Valuation Payroll	32.90%

Development of the Single Discount Rate as of December 31, 2016

Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate (2)	3.78%
Last year ending December 31 in the 2017 to 2116 projection period for which projected benefit payments are fully funded	2116
Resulting Single Discount Rate based on the above development	7.50%
Single Discount Rate calculated using December 31, 2015 Measurement Date	7.49%

Total Pension Expense/(Income)	\$ 67,660
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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	\$ 5,724	\$ 4,676
Changes in assumptions	1,374	2,110
Net difference between projected and actual earnings on pension plan investments	83,731	-
Total	\$ 90,829	\$ 6,786

(1) Does not necessarily represent Covered Employee Payroll as defined in GASB Statement Nos. 67-68.

(2) Source: "20-Bond GO Index" is the 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. The rate shown is as of December 29, 2016, the most recent date available on or before the measurement date.

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

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 7.50%.

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 7.50%, 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, 2017

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Schedule of Changes in Net Pension Liability and Related Ratios -- Current Period

Calendar Year Ended December 31, 2016

A. Total pension liability

1. Service Cost	\$	67,374
2. Interest on the Total Pension Liability		152,116
3. Changes of benefit terms		-
4. Difference between expected and actual experience of the Total Pension Liability		7,606
5. Changes of assumptions		(2,804)
6. Benefit payments, including refunds of employee contributions		(84,008)
7. Net change in total pension liability		140,284
8. Total pension liability – beginning		2,039,244
9. Total pension liability – ending	\$	2,179,528

B. Plan fiduciary net position

1. Contributions – employer	\$	55,590
2. Contributions – employee		28,171
3. Net investment income		128,557
4. Benefit payments, including refunds of employee contributions		(84,008)
5. Other (Net Transfer)		12,685
6. Net change in plan fiduciary net position		140,995
7. Plan fiduciary net position – beginning		1,832,554
8. Plan fiduciary net position – ending	\$	1,973,549

C. Net pension liability/(asset)

\$ 205,979

D. Plan fiduciary net position as a percentage

of the total pension liability 90.55%

E. Covered Valuation payroll

\$ 626,026

F. Net pension liability as a percentage

of covered valuation payroll 32.90%

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

	1% Decrease 6.50%	Current Single Discount Rate Assumption 7.50%	1% Increase 8.50%
Total Pension Liability	\$ 2,485,746	\$ 2,179,528	\$ 1,933,987
Plan Fiduciary Net Position	1,973,549	1,973,549	1,973,549
Net Pension Liability/(Asset)	\$ 512,197	\$ 205,979	\$ (39,562)

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

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, 2017, the Township recognized pension expense of \$55,510. At March 31, 2017, 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 Inflows of Resources
Differences between expected and actual	\$ 5,724	\$ 4,676
Changes of assumptions	1,274	2,110
Net difference between projected and actual earnings on pension plan investments	<u>83,731</u>	<u>-</u>
Total Deferred Amounts to be recognized in pension expense in future periods	90,829	6,786
 <i>Pension Contributions made subsequent to the Measurement Date</i>	 <u>(13,264)</u>	 <u>-</u>
 Total Deferred Amounts Related to Pensions	 <u><u>\$ 77,565</u></u>	 <u><u>\$ 6,786</u></u>

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

Year Ending December 31	Net Deferred Outflows of Resources
2017	\$ 26,934
2018	26,934
2019	28,254
2020	1,921
2021	-
Thereafter	-
Total	<u><u>\$ 84,043</u></u>

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements
Year ended March 31, 2017

NOTE 3 – ILLINOIS MUNICIPAL RETIREMENT (CONTINUED)

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2016 Contribution Rate *

Valuation	Date:
December 31, 2016	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior contributions are reported.
Notes	
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): 27-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). 5-Year smoothed market; 20% corridor 3.50% 2.75% - approximate; No explicit price inflation assumptions is used in this valuation.
Asset Valuation Method	
Wage growth	3.75% to 14.50% including inflation
Price Inflation	7.50%
Salary Increases	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 2011-2013.
Investment Rate of Return	
Retirement Age	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.
Mortality	
Other Information:	
Notes	There were no benefit changes during the year

* Based on Valuation Assumptions used in the December 31, 2014 actuarial valuation; note two year lag between valuation and rate setting.

Notes to Financial Statements
Year ended March 31, 2017

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 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	7.50%
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, 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.

Notes There were no benefit changes during the year.

30

GRAFTON TOWNSHIP, ILLINOIS

Notes to Financial Statements

Year ended March 31, 2017

NOTE 4 – CHANGES IN FIXED ASSETS

	Balance			Balance
Fixed Assets	April 1, 2016	Increases	Decreases	March 31, 2017
Land	\$ 313,457	\$ -	\$ -	\$ 313,457
Buildings	310,288	32,480	-	342,768
Equipment	536,864	96,159	-	633,023
Road Improvements	954,817	185,609	-	1,140,426
Vehicles	651,889	-	-	651,889
Total Fixed Assets	2,767,315	314,248	-	3,081,563
Less: Accumulated				
Depreciation	913,438	136,411	-	1,049,849
Fixed Assets (Net)	<u>\$ 1,853,877</u>	<u>\$ 177,837</u>	<u>\$ -</u>	<u>\$ 2,031,714</u>

Depreciation by Governmental Activity	
General Government	\$ 17,082
Road & Bridge	115,309
Assessor	<u>4,020</u>
Total Governmental	
Activities	<u>\$ 136,411</u>

NOTE 5 – 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 6 – 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, 2017 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, 2017

	Original Budget	Final Budget	Modified Cash Basis
Revenue			
Property taxes	\$ 1,125,950	\$ 1,125,950	\$ 1,124,050
Replacement taxes	24,000	24,000	26,699
Municipal transport income	-	-	442
Intergovernmental road	15,387	15,387	15,388
Interest income	-	-	2,376
Miscellaneous revenue	50	50	3,974
Total Revenues	1,165,387	1,165,387	1,172,929
General and Administrative			
Personnel			
Salaries	55,500	55,500	40,647
Elected officials	203,000	203,000	187,674
Health insurance	84,000	84,000	64,998
Social Security	18,958	18,958	15,083
Medicare	4,400	4,400	2,525
Unemployment insurance	4,576	4,576	431
IMRF contribution	28,000	28,000	20,785
Total personnel	398,434	398,434	332,143
Contractual services			
Maintenance - buildings	170,900	170,900	17,892
Maintenance - equipment	35,000	35,000	16,171
TOIRMA insurance	15,000	15,000	14,365
Accounting services	18,000	18,000	5,863
Legal services	50,000	50,000	3,200
Other professional services	20,000	20,000	55
Other contract services - clerk	3,500	3,500	163
Dues, memberships	2,000	2,000	1,907
Annual meeting	500	500	-
Postage	2,000	2,000	169
Printing	2,000	2,000	364
Publishing	2,000	2,000	279
Room rental	1,000	1,000	-
Telephone	2,000	2,000	971
Training and education	1,500	1,500	74
Travel expenses	2,000	2,000	-
Utilities	5,000	5,000	2,622
Total contractual services	332,400	332,400	64,095

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, 2017

	Original Budget	Final Budget	Modified Cash Basis
General and Administrative (Continued)			
Commodities			
Fuel and oil	\$ 2,000	\$ 2,000	\$ -
Office supplies	3,000	3,000	925
Operating supplies	3,000	3,000	1,505
Other admin misc. contingencies	25,000	25,000	-
Other miscellaneous	31,000	31,000	2,823
Total commodities	64,000	64,000	5,253
Capital expenditures			
Equipment	142,013	142,013	32,479
Total capital expenditures	142,013	142,013	32,479
Total General and Administrative	936,847	936,847	433,970
Assessor Office			
Personnel			
Salaries	217,800	211,020	214,480
Social Security	18,000	18,000	15,199
Health insurance	50,000	56,780	47,147
IMRF contribution	22,000	22,000	18,965
Total personnel	307,800	307,800	295,791
Contractual services			
Maintenance services	4,200	4,200	4,545
Legal services	187	187	187
Dues, memberships	750	750	50
Postage	250	250	47
Printing	500	500	-
Publishing	600	600	-
Telephone	4,500	4,500	2,809
Travel and meetings	2,000	2,000	985
Total contractual services	12,987	12,987	8,623
Commodities			
Office supplies	2,100	2,100	1,928
Periodicals and publications	300	300	-
Other miscellaneous	1,500	1,500	757
Total commodities	3,900	3,900	2,685

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, 2017

	Original Budget	Final Budget	Modified Cash Basis
Assessor Office (Continued)			
Capital expenditures			
Software	\$ 12,600	\$ 12,600	\$ 12,778
Total capital expenditures	<u>12,600</u>	<u>12,600</u>	<u>12,778</u>
Total Assessor Office	<u>337,287</u>	<u>337,287</u>	<u>319,877</u>
Senior Transportation Personnel			
Salaries	25,000	25,000	26,080
Social Security	3,600	3,600	1,908
Health insurance	7,459	7,459	8,016
IMRF contribution	2,500	2,500	2,319
Total personnel	<u>38,559</u>	<u>38,559</u>	<u>38,323</u>
Contractual services			
Postage	500	500	99
Printing	500	500	139
Telephone	2,000	2,000	1,508
Total contractual services	<u>3,000</u>	<u>3,000</u>	<u>1,746</u>
Commodities			
Gas/diesel/oil	5,000	5,000	446
Office supplies	500	500	39
Other miscellaneous	16,500	16,500	6,390
Total commodities	<u>22,000</u>	<u>22,000</u>	<u>6,875</u>
Other expenditures			
Community events/Bingo	6,000	6,000	646
Total other expenditures	<u>6,000</u>	<u>6,000</u>	<u>646</u>
Total Senior Transportation	<u>69,559</u>	<u>69,559</u>	<u>47,590</u>
Total expenditures Town Fund	<u>1,343,693</u>	<u>1,343,693</u>	<u>801,437</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (178,306)</u>	<u>\$ (178,306)</u>	<u>\$ 371,492</u>

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, 2017*

	Original Budget	Final Budget	Modified Cash Basis
Revenue			
Property taxes	\$ 33,000	\$ 33,000	\$ 32,955
Interest income	150	150	84
Total Revenues	33,150	33,150	33,039
General and Administrative			
Personnel			
Salaries	15,000	15,000	14,480
Health insurance	4,012	4,012	4,012
Total personnel	19,012	19,012	18,492
Contractual services			
Maintenance - equipment	2,000	2,000	1,878
Accounting services	1,600	1,600	1,600
Other professional services	1,000	1,000	-
Postage	90	90	-
Telephone	1,000	1,000	818
Training and education	600	600	-
Utilities	2,000	2,000	921
Total contractual services	8,290	8,290	5,217
Commodities			
Maintenance supplies building	500	500	-
Office supplies	500	500	-
Total commodities	1,000	1,000	-
Total General and Administrative	28,302	28,302	23,709
Home Relief			
Contractual services			
Transportation assistance	500	500	90
Other medical services insurance	4,000	4,000	2,360
Shelter	19,000	19,000	8,298
Utility payments	16,000	16,000	5,706
Total contractual services	39,500	39,500	16,454
Home Relief (Concluded)			

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, 2017*

	Original	Final	Modified
	Budget	Budget	Cash
			Basis
Commodities			
Food	\$ 500	\$ 500	\$ -
Catastrophic deduction	44,516	44,516	-
Personal incidentals	500	500	149
Household incidentals	500	500	497
Flat Grant	500	500	-
Prescriptions	500	500	-
Fuel	500	500	-
Total commodities	<u>47,516</u>	<u>47,516</u>	<u>646</u>
Total Home Relief	<u>87,016</u>	<u>87,016</u>	<u>17,100</u>
Total expenditures General Assistance Fund	<u>115,318</u>	<u>115,318</u>	<u>40,809</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (82,168)</u>	<u>\$ (82,168)</u>	<u>\$ (7,770)</u>

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

GRAFTON TOWNSHIP, ILLINOIS

Road & Bridge Fund- Statement of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual
Year ended March 31, 2017

	Original Budget	Final Budget	Modified Cash Basis
Revenue			
Property taxes	\$ 834,728	\$ 834,728	\$ 710,268
Replacement taxes	40,000	40,000	45,404
Municipal share	(123,257)	(123,257)	-
Rental income	10	10	-
Permits and Bonds	2,000	2,000	5,743
Intergovernmental road	510	510	10,669
Grants and donations	20	20	-
Interest income	1,525	1,525	2,229
Court fines and permits	800	800	1,053
Miscellaneous revenue	4,050	4,050	4,738
Total revenue	760,386	760,386	780,104
General and Administrative			
Personnel			
Salaries	26,000	26,000	24,087
Unemployment insurance	6,000	6,000	211
IMRF contribution	40,000	40,000	13,175
Total personnel	72,000	72,000	37,473
Contractual services			
Maintenance - equipment	1,000	1,000	-
TOIRMA insurance	50,000	50,000	20,672
Accounting services	14,000	14,000	2,933
Legal services	30,000	30,000	1,196
Postage	300	300	141
Telephone	5,000	5,000	3,271
Publishing	1,500	1,500	60
Printing	200	200	26
Dues, memberships	300	300	235
Travel expenses	6,000	6,000	1,124
Training and education	1,000	1,000	75
Total contractual services	109,300	109,300	29,733
Commodities			
Office supplies	800	800	94
Total commodities	800	800	94

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

GRAFTON TOWNSHIP, ILLINOIS

Road & Bridge Fund- Statement of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual
Year ended March 31, 2017

	Original Budget	Final Budget	Modified Cash Basis
General and Administrative (Continued)			
Capital expenditures/debt service			
Equipment	\$ 5,000	\$ 5,000	\$ 2,107
Total capital expenditures	5,000	5,000	2,107
Other expenditures			
Miscellaneous expense	8,000	8,000	479
Municipal replacement tax	9,500	9,500	9,485
Contingencies	20,000	20,000	-
Total other expenditures	37,500	37,500	9,964
Total General and Administrative	224,600	224,600	79,371
Maintenance Department			
Personnel			
Salaries	10,500	10,500	-
Total personnel	10,500	10,500	-
Contractual services			
Maintenance services - building	10,000	10,000	161
Maintenance services - equipment	15,000	15,000	6,867
Maintenance services - vehicles	15,000	15,000	5,501
Maintenance services - roads	100	100	-
Maintenance services - snow removal	100	100	-
Maintenance services - bridge	15,000	15,000	-
Garbage disposal	6,000	6,000	1,534
Utilities	9,000	9,000	2,324
Engineering service	10,000	10,000	2,850
Rentals	500	500	-
Total contractual services	80,700	80,700	19,237
Commodities			
Building maintenance supplies	12,000	12,000	134
Equipment supplies	12,000	12,000	3,844
Vehicle supplies	14,000	14,000	5,388
Road supplies	100	100	-
Snow removal supplies	100	100	-
Bridge supplies	5,000	5,000	-
Operating supplies	3,000	3,000	2,002

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

GRAFTON TOWNSHIP, ILLINOIS

Road & Bridge Fund- Statement of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual
Year ended March 31, 2017

	Original Budget	Final Budget	Modified Cash Basis
Maintenance Department Commodities (Continued)			
Small tools	\$ 6,000	\$ 6,000	\$ 3,585
Total commodities	52,200	52,200	14,953
Other expenditures			
Miscellaneous	5,000	5,000	-
Total other expenditures	5,000	5,000	-
Capital expenditures			
Capital Asset Outlay	150,000	150,000	96,159
Other improvements	110,000	110,000	-
Total capital expenditures	260,000	260,000	96,159
Total maintenance department	408,400	408,400	130,349
Permanent Road Department Personnel			
Salaries	180,000	180,000	124,925
Social Security	15,000	15,000	9,239
Medicare	5,000	5,000	2,161
Uniforms	2,000	2,000	496
Health insurance	50,000	50,000	31,223
Payroll Expenses	1,200	1,200	1,069
Total personnel	253,200	253,200	169,113
Contractual services			
Maintenance services - roads	355,000	355,000	197,084
Maintenance services - street lights	5,000	5,000	3,245
Maintenance services - striping	25,000	25,000	23,787
Road signage	18,000	18,000	-
Engineering	40,000	40,000	-
Rentals	10,000	10,000	1,094
Total contractual services	453,000	453,000	225,210
Commodities			
Gas/diesel/oil	42,000	42,000	10,670
Maintenance supplies roads	55,000	55,000	12,792
Salt, calcium and ice control	158,000	158,000	37,898

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

GRAFTON TOWNSHIP, ILLINOIS

*Road & Bridge Fund- Statement of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual
Year ended March 31, 2017*

	Original Budget	Final Budget	Modified Cash Basis
Permanent Road Department Commodities (Concluded)			
Operating supplies	\$ 8,000	\$ 8,000	\$ 637
Total commodities	<u>263,000</u>	<u>263,000</u>	<u>61,997</u>
Other expenditures			
Intergovernmental agreement	15,388	15,388	15,388
Miscellaneous Expenses	3,000	3,000	647
Contingencies	48,000	48,000	-
Total other expenditures	<u>66,388</u>	<u>66,388</u>	<u>16,035</u>
Total Permanent Road	<u>1,035,588</u>	<u>1,035,588</u>	<u>472,355</u>
Total expenditures Road and Bridge Fund	<u>1,668,588</u>	<u>1,668,588</u>	<u>682,075</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (908,202)</u>	<u>\$ (908,202)</u>	<u>\$ 98,029</u>

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 2015)

Calendar Year Ending	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	\$ 67,374	\$ 70,731								
Interest on the Total Pension Liability	152,116	143,258								
Benefit Changes	-	-								
Difference between Expected and Actual Experience	7,606	(9,036)								
Assumption Changes	(2,804)	2,654								
Benefit Payments and Refunds	(84,008)	(86,220)								
Net Change in Total Pension Liability	140,284	121,387								
Total Pension Liability - Beginning	2,039,244	1,917,857								
Total Pension Liability - Ending (a)	\$ 2,179,528	\$ 2,039,244								
Plan Fiduciary Net Position										
Employer Contributions	55,590	59,629								
Employee Contributions	28,171	28,485								
Pension Plan Net Investment Income	128,557	9,036								
Benefit Payments and Refunds	(84,008)	(86,220)								
Other	12,685	15,336								
Net Change in Plan Fiduciary Net Position	140,995	26,266								
Plan Fiduciary Net Position - Beginning	1,832,554	1,806,288								
Plan Fiduciary Net Position - Ending (b)	\$ 1,973,549	\$ 1,832,554								
Net Pension Liability/(Asset) - Ending (a) - (b)	205,979	206,690								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.55%	89.86%								
Covered Valuation Payroll	\$ 626,026	\$ 633,005								
Net Pension Liability as a Percentage of Covered Valuation Payroll	32.90%	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%
2016	55,591 *	55,590	1	626,026	8.88%

* Estimated based on a contribution rate of 8.88% and covered valuation payroll of \$626,026.

NOTES TO OTHER INFORMATION

GRAFTON TOWNSHIP, ILLINOIS

Notes to Other Information
Year ended March 31, 2017

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, 2017

- All appropriations lapse at year-end.
- The budget for Town Fund and Road & Bridge Fund were adopted on May 16, 2016.

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, 2017, unexpended appropriations of the budgetary funds (general fund and special revenue funds) automatically lapse. The budget is prepared on the modified cash basis. The 2017 appropriations ordinance was adopted May 16, 2016.

NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

No fund had expenditures that exceeded the appropriations