

**Elk Grove Township  
Cook County, Illinois**

**Annual Financial Report**

**Year Ended March 31, 2016**

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# Costabile & Steffens P.C.

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To: The Board of Trustees  
Elk Grove Township  
Arlington Heights, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, and each major fund, of Elk Grove Township, Illinois, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting 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 error or fraud.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Frank J. Costabile  
Frank R. Costabile

Members  
American Institute  
of Certified Public  
Accountants  
and Illinois  
Society of CPAs

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# Costabile & Steffens P.C.

## Certified Public Accountants

The Board of Trustees  
Elk Grove Township  
Arlington Heights, Illinois

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### **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, the business-type activities and each major fund of Elk Grove 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 accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

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

*Costabile & Steffens PC*

COSTABILE & STEFFENS PC  
Certified Public Accountants

Rolling Meadows, Illinois 60008  
August 15, 2016



**Elk Grove Township**  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
March 31, 2016

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	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,150,995	\$ 683,392	\$ 3,834,387
Investments	2,845,000	-	2,845,000
Capital Assets			
Land	14,884	-	14,884
Other Capital Assets, Net of Depreciation	914,954	286,258	1,201,212
<b>Total Assets</b>	<b>6,925,833</b>	<b>969,650</b>	<b>7,895,483</b>
<b>LIABILITIES</b>			
Net Pension Obligation	39,399	-	39,399
Non-Current Liabilities			
Due Within One Year	25,563	-	25,563
Due in More Than One Year	42,447	-	42,447
<b>Total Liabilities</b>	<b>107,409</b>	<b>-</b>	<b>107,409</b>
<b>NET POSITION</b>			
Net Invested in Capital Assets	903,058	286,258	1,189,316
Restricted for:			
General Assistance	782,071	-	782,071
Road and Bridge	281,991	-	281,991
Unrestricted	4,851,304	683,392	5,534,696
<b>Total Net Position</b>	<b>\$ 6,818,424</b>	<b>\$ 969,650</b>	<b>\$ 7,788,074</b>

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



**Elk Grove Township**  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
Year Ended March 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
General Government	\$ 1,309,382	\$ 59,852	\$ 13,885	\$ (1,235,645)	\$ -	\$ (1,235,645)
Assessor	119,939	-	-	(119,939)	-	(119,939)
Youth Division	312,722	15,942	-	(296,780)	-	(296,780)
Social Services Division	884,578	-	-	(884,578)	-	(884,578)
Construction and Maintenance of Roads	39,497	-	-	(39,497)	-	(39,497)
General Assistance	138,469	-	-	(138,469)	-	(138,469)
Food Pantry	33,039	-	-	(33,039)	-	(33,039)
Interest	1,519	-	-	(1,519)	-	(1,519)
Depreciation Expense - Unallocated	46,498	-	-	(46,498)	-	(46,498)
<b>Total Governmental Activities</b>	<b>2,885,643</b>	<b>75,794</b>	<b>13,885</b>	<b>(2,795,964)</b>	<b>-</b>	<b>(2,795,964)</b>
<b>Business-Type Activities</b>						
Sewer	97,771	104,247	-	-	6,476	6,476
<b>Total Primary Government</b>	<b>\$ 2,983,414</b>	<b>\$ 180,041</b>	<b>\$ 13,885</b>	<b>(2,795,964)</b>	<b>6,476</b>	<b>(2,789,488)</b>
		<b>General Revenues</b>				
		Taxes				
				3,234,107	-	3,234,107
				296,502	-	296,502
				14,015	1,674	15,689
				12,693	4,296	16,989
			<b>Total General Revenues</b>	<b>3,557,317</b>	<b>5,970</b>	<b>3,563,287</b>
			Change in Net Position	761,353	12,446	773,799
			Net Position - Beginning of Year	6,057,071	957,204	7,014,275
			Net Position - End of Year	<u>\$ 6,818,424</u>	<u>\$ 969,650</u>	<u>\$ 7,788,074</u>

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



**Elk Grove Township**  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - MODIFIED CASH BASIS  
 GOVERNMENTAL FUNDS  
 March 31, 2016

	<u>General Fund</u>	<u>General Assistance Fund</u>	<u>Road and Bridge Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,998,789	\$ 626,840	\$ 525,366	\$ 3,150,995
Investments	2,000,000	595,000	250,000	2,845,000
Due from Other Funds	-	-	18,984	18,984
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 3,998,789</u>	<u>\$ 1,221,840</u>	<u>\$ 794,350</u>	<u>\$ 6,014,979</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Due to Other Funds	\$ 18,984	\$ -	\$ -	\$ 18,984
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balances				
Restricted				
General Assistance	-	782,071	-	782,071
Road and Bridge	-	-	281,991	281,991
Assigned				
General Assistance	-	439,769	-	439,769
Road and Bridge	-	-	512,359	512,359
Unassigned	3,979,805	-	-	3,979,805
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>3,979,805</u>	<u>1,221,840</u>	<u>794,350</u>	<u>5,995,995</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 3,998,789</u>	<u>\$ 1,221,840</u>	<u>\$ 794,350</u>	<u>\$ 6,014,979</u>

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



**Elk Grove Township**  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS  
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
Year Ended March 31, 2016

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Total Fund Balances - Governmental Funds	\$ 5,995,995
Amounts reported for governmental activities in the Statement of Net Assets - Modified Cash Basis are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets, Net of Accumulated Depreciation	929,838
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Leases Payable	(26,780)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(41,230)
The Net Pension Obligation is not included in the governmental funds.	<u>(39,399)</u>
Net Position of Governmental Activities	<u>\$ 6,818,424</u>

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





**Elk Grove Township**  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
Year Ended March 31, 2016

	General Fund	General Assistance Fund	Road and Bridge Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Taxes				
Property Taxes	\$ 2,391,927	\$ 542,479	\$ 299,701	\$ 3,234,107
Intergovernmental				
State Replacement Tax	199,796	-	96,706	296,502
Other Local Sources				
Youth Services Income	15,942	-	-	15,942
Passport Fees	6,744	-	-	6,744
Bike Safety Fees	820	-	-	820
Interest	4,935	6,440	2,640	14,015
Rental	7,959	-	-	7,959
Donations	1,789	12,096	-	13,885
Reimbursements	21,070	-	-	21,070
Other	5,163	18,096	12,602	35,861
Total Revenues	<u>2,656,145</u>	<u>579,111</u>	<u>411,649</u>	<u>3,646,905</u>
<b>EXPENDITURES</b>				
Current				
General Government	971,443	186,328	135,981	1,293,752
Assessor	121,488	-	-	121,488
Youth Division	315,836	-	-	315,836
Social Services Division	883,714	-	-	883,714
Construction and Maintenance of Roads	-	-	40,278	40,278
General Assistance	-	140,010	-	140,010
Food Pantry	-	33,039	-	33,039
Capital Outlay	26,100	-	-	26,100
Debt Service				
Principal Payments	30,287	-	7,783	38,070
Total Expenditures	<u>2,348,868</u>	<u>359,377</u>	<u>184,042</u>	<u>2,892,287</u>
Excess of Revenues Over Expenditures	307,277	219,734	227,607	754,618
Fund Balances - April 1, 2015	<u>3,672,528</u>	<u>1,002,106</u>	<u>566,743</u>	<u>5,241,377</u>
Fund Balances - March 31, 2016	<u>\$ 3,979,805</u>	<u>\$ 1,221,840</u>	<u>\$ 794,350</u>	<u>\$ 5,995,995</u>

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



**Elk Grove Township**  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS TO THE STATEMENT  
 OF ACTIVITIES - MODIFIED CASH BASIS  
 Year Ended March 31, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 754,618

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities - Modified Cash Basis the cost  
 of those assets is allocated over their estimated useful lives and reported  
 as depreciation expense. This is the amount by which depreciation expense  
 exceeds capital outlay in the current period.

Loss on Disposal of Capital Asset		(471)
Depreciation Expense	\$ (73,743)	
Capital Outlays	<u>26,100</u>	(47,643)

Repayment of long-term debt requires the use of current financial resources  
 of governmental funds and is therefore shown as an expenditure in the  
 Statement of Revenues - Modified Cash Basis, but the repayment reduces  
 long-term liabilities in the Statement of Net Assets - Modified Cash  
 Basis and is therefore not reported in the Statement of Activities -  
 Modified Cash Basis.

Repayment of Long-Term Debt	38,070
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Some expenses in the Statement of Activities - Modified Cash Basis do not  
 require the use of current financial resources and therefore are not  
 reported as expenditures in governmental funds.

Compensated Absences	5,108
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The change in the Net Pension Obligation is not included in the  
 governmental funds.

<u>11,671</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ 761,353</u></u>
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The accompanying notes are an integral part of these financial statements.



**Elk Grove Township**  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended March 31, 2016

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	<u>Enterprise Fund Sewer</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 683,392
Non-Current Assets	
Capital Assets	
Sewer System	761,840
Less: Accumulated Depreciation	<u>(475,582)</u>
Total Non-Current Assets	<u>286,258</u>
Total Assets	<u>969,650</u>
<b>LIABILITIES - Due to General Fund</b>	<u>-</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	286,258
Unrestricted	<u>683,392</u>
Total Net Position	<u><u>\$ 969,650</u></u>

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



**Costabile & Steffens P.C.**  
Certified Public Accountants

**Elk Grove Township**  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET  
POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended March 31, 2016

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	Enterprise Fund Sewer
OPERATING REVENUES	
Charges for Services	
Sewer Maintenance Fees	\$ 104,247
OPERATING EXPENSES	
Administration Expenses	29,923
Operating Expenses	55,909
Depreciation	11,939
Total Operating Expenses	97,771
Operating Income	6,476
NON-OPERATING REVENUE (EXPENSE)	
Other Income	4,296
Interest Income	1,674
Total Non-Operating Revenue (Expense)	5,970
Change in Net Position	12,446
Net Position - April 1, 2015	957,204
Net Position - March 31, 2016	\$ 969,650

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



**Costabile & Steffens P.C.**  
Certified Public Accountants

**Elk Grove Township**  
FUND FINANCIAL STATEMENTS  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
Year Ended March 31, 2016

	Enterprise Fund Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 104,247
Payments to Suppliers for Goods and Services	(85,832)
Net Cash Provided by Operating Activities	18,415
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payments on Interfund Loan	(37,820)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Fixed Asset Purchase	(149,871)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Other Cash Receipts	4,296
Interest on Cash and Cash Equivalents and Investments	1,674
Net Cash Provided by Investing Activities	5,970
Net Decrease in Cash and Cash Equivalents	(163,306)
Cash and Cash Equivalents - April 1, 2015	846,698
Cash and Cash Equivalents - March 31, 2016	\$ 683,392
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 6,476
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	11,939
Net Cash Provided by Operating Activities	\$ 18,415

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



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Elk Grove Township (Township) was created in 1850. The Township's major operations include general government, sewer, assessor, youth services, social services, construction and maintenance of roads, and community assistance and services.

The Township's financial statements 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 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.

Reporting Entity - The accompanying financial statements comply with the provisions of GASB Statement No. 14, The Financial Reporting Entity, in that the financial statements include all organizations, activities, and functions that comprise the Township. Component units are legally separate entities for which the Township (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Township's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Township. Using these criteria, the Township has no component units. In addition, the Township is not included as a component unit in any other governmental reporting entity as defined by GASB pronouncements.

Basic Financial Statements - Government-Wide Statements - The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund (reporting the Township's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's general government, assessor, youth division, social services division, construction and maintenance of roads, general assistance and food pantry are governmental activities. The business-type activities of the Township include the sewer division.

In the government-wide Statement of Net Assets - Modified Cash Basis, the governmental activities column (a) is presented on a consolidated basis by column, and (b) is reported on a modified cash, economic resource basis, which recognizes all long-term assets as well as long-term debt and obligations. The Township's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basic Financial Statements - Government-Wide Statements (Continued)

The government-wide Statement of Activities - Modified Cash Basis reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, state replacement taxes, unrestricted investment earnings, etc.). The Statement of Activities - Modified Cash Basis reduces gross expenses, (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (sewer, general government, assessor, youth division, social services division, construction and maintenance of roads, general assistance, and food pantry). Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, state replacement taxes, unrestricted investment earnings, etc.).

The Township does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on major funds. GASB Statement No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of all governmental funds) for the determination of major funds. The Township electively made all governmental funds major funds.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Fund Financial Statements (Continued)

The following fund types are used by the Township:

1. Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Township reports these major governmental funds and fund types:

- a. The General Fund is the Township's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The General Assistance special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes related to the general assistance activities.
- c. The Road and Bridge special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes related to the road and bridge activities.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Fund Types

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Township reports the following proprietary fund types:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.





**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In the government-wide Statement of Net Assets - Modified Cash Basis and Statement of Activities - Modified Cash Basis and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the modified cash basis of accounting.

Fees and charges and other exchange revenues are recognized when received and expenses are recognized when paid.

Cash and Cash Equivalents and Investments - Separate bank accounts are not maintained for all Township funds. Instead, the funds maintain their cash balances in a common checking account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund.

Occasionally certain funds participating in the common bank account will incur overdrafts (deficits) in the account. Such overdrafts in effect constitute cash borrowed from other Township funds and are, therefore, interfund loans that have not been authorized by Township Board action.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

No Township fund had a cash overdraft at March 31, 2016.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Fair value is determined by quoted market prices. Gains or losses on the sale of investments are recognized as they are incurred.

Inventories - No inventory accounts are maintained to reflect the values of resale or supply items on hand. Instead, the costs of such items are charged to expense when purchased. The value of the Township's inventories is not deemed to be material.

Interfund Activity - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets - Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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 half-year basis over the following estimated useful lives:

Land Improvements	20 Years
Buildings	15-40 Years
Equipment	5-15 Years
Vehicles	8 Years
Sewer System	50 Years
Software	3 Years



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

GASBS No. 34 requires the Township to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Township. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

Compensated Absences - The Township accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The accrual for governmental funds is reported only as a general long-term obligation in the government-wide Statement of Net Assets - Modified Cash Basis and represents a reconciling item between the fund and government-wide presentations.

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Township. Employees accrue vacation time each year; however, time accrued in the current year can only be carried over to future years with special approval. Upon termination, employees are paid both the amount of their accrued vacation for the current year and approved hours carried over from prior years.

Government-Wide Net Assets - Government-wide net assets are divided into three components:

- \* Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- \* Restricted net assets - consists of net assets that are restricted by the Township's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- \* Unrestricted - all other net assets are reported in this category.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances - Governmental fund balances are divided between nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable fund balances are arranged in a hierarchy based on spending constraints.

- \* Restricted - Restricted fund balances are restricted when constraints are placed on the use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) law through constitutional provisions or enabling legislation.
- \* Committed - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints of the Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of action (e.g. legislation, resolution, ordinance). Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- \* Assigned - Assigned fund balances are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by an appointed body (e.g. a budget or finance committee) or official to whom the Board of Trustees has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balances also include (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Township itself. All assigned fund balances are the residual amounts of the funds.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances (Continued)

- \* Unassigned - Unassigned fund balance is the residual classification for the General Fund. This classification represents the General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The Township permits funds to be expended in the following order: Restricted, Committed, Assigned, and Unassigned.

Property Tax Calendar and Revenues - Property taxes are levied each calendar year on all taxable real property located in the Township's district on or before the last Tuesday in December. The 2015 tax levies were passed by the Board on November 23, 2015. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments in March and September of the following calendar year. The Township receives significant distributions of tax receipts approximately one month after these dates.

Defining Operating Revenues and Expenses - The Township's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Township's Sewer Fund consist of charges for services (including sewer maintenance fees) and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

The Township is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Act 235/Articles 2 and 6.

Deposits - As of March 31, 2016, the carrying amount of the cash was \$3,150,995 and none of the Township's bank balance of \$3,367,981 was uninsured or uncollateralized.

Certificates of Deposit

Certificates of Deposit amount to \$2,845,000 at March 31, 2016. All Certificates of Deposit were either insured by the Federal Deposit Insurance Corporation (FDIC) or are held in a third party institution in the name of the District. Certificates of deposit over FDIC insurable limits are secured by collateral to protect deposits in a single financial institution if it were to default. Collateral will have a market value equivalent to at least 100% of deposits at that particular institution.

Credit risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township helps limit its exposure to credit risk by primarily investing in certificates of deposits that have FDIC insurance and or secured by collateral. The Township's investment policy is to apply the prudent-person rule: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return.

Custodial Credit Risk - is the risk that in the event of failure of the counterparty, the Township would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Mutual funds and money markets are not subject to custodial risk. To limit their exposure, the Township's investment policy requires all security to be held only in insured financial institutions.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2016 was as follows:

	<u>Balance</u> <u>April 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>March 31, 2016</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets not being Depreciated				
Land	\$ 14,884	\$ -	\$ -	\$ 14,884
Other Capital Assets				
Land Improvements	322,678	-	-	322,678
Buildings	2,024,764	-	-	2,024,764
Equipment	468,295	26,100	14,054	480,341
Vehicles	409,154	-	-	409,154
Total Other Capital Assets at Historical Cost	<u>3,224,891</u>	<u>26,100</u>	<u>14,054</u>	<u>3,236,937</u>
Less Accumulated Depreciation for				
Land Improvements	257,686	12,071	-	269,757
Buildings	1,376,256	32,932	-	1,409,188
Equipment	402,767	12,298	13,492	401,573
Vehicles	225,023	16,442	-	241,465
Total Accumulated Depreciation	<u>2,261,732</u>	<u>73,743</u>	<u>13,492</u>	<u>2,321,983</u>
Other Capital Assets, Net	<u>963,159</u>	<u>(47,643)</u>	<u>562</u>	<u>914,954</u>
Governmental Activities Capital Assets, Net	<u>\$ 978,043</u>	<u>\$ (47,643)</u>	<u>\$ 562</u>	<u>\$ 929,838</u>



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

NOTE 3 - CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>April 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>March 31, 2016</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Other Capital Assets				
Sewer System	\$ 611,969	\$ 149,871	\$ -	\$ 761,840
Less Accumulated Depreciation for Sewer System	<u>463,643</u>	<u>11,939</u>	<u>-</u>	<u>475,582</u>
Business-Type Activities Capital Assets, Net	<u>\$ 148,326</u>	<u>\$ 137,932</u>	<u>\$ -</u>	<u>\$ 286,258</u>

Depreciation expense was charged to functions as follows:

**GOVERNMENTAL ACTIVITIES:**

Youth Division	\$ 11,899
Social Services Division	836
Construction and Maintenance of Roads	14,510
Unallocated	<u>46,498</u>
Total Governmental Activities Depreciation Expense	<u>\$ 73,743</u>

**BUSINESS-TYPE ACTIVITIES**

Sewer	<u>\$ 11,939</u>
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**Elk Grove Township**  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

NOTE 4 - LONG-TERM LIABILITY ACTIVITY

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>April 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2016</u>	<u>Due Within</u>
					<u>One Year</u>
GOVERNMENTAL ACTIVITIES					
Long-Term Liabilities Outstanding					
Compensated Absences	\$ 46,338	\$ -	\$ 5,108	\$ 41,230	\$ -
Capital Leases	<u>64,850</u>	<u>-</u>	<u>38,070</u>	<u>26,780</u>	<u>25,563</u>
Total	<u>\$ 111,188</u>	<u>\$ -</u>	<u>\$ 43,178</u>	<u>\$ 68,010</u>	<u>\$ 25,563</u>

Capital leases and compensated absences are paid out of the General Fund.

On November 10, 2011, the Township entered into a capital lease agreement with Wells Fargo Equipment Finance, Inc., to finance the lease/purchase of a new bus. The total principal amount of the agreement was \$78,344 at an interest rate of 3.300%. The agreement requires monthly interest and principal payments of \$1,418 over a five-year period, with the final payment being due on November 10, 2016.

On May 8, 2012, the Township entered into a capital lease agreement with Sovereign Bank, to finance the lease/purchase of a new bus. The total principal amount of the agreement was \$86,034 at an interest rate of 4.496%. The agreement requires monthly interest and principal payments of \$1,219 over a sixty one month period, with the final payment being due on May 8, 2017.

On October 19, 2012, the Township entered into a capital lease agreement with Ford Motor Co., Inc., to finance the lease/purchase of a truck. The total principal amount of the agreement was \$37,406 at an interest rate of 6.125%. The agreement required monthly interest and principal payments of \$1,135 over a three-year period, with the final payment made on October 19, 2015.



**Elk Grove Township**  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

NOTE 4 - LONG-TERM LIABILITY ACTIVITY (CONTINUED)

At March 31, 2016, the annual amounts needed to cover long-term debt requirements were as follows:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 25,563	\$ 410	\$ 25,973
2018	1,217	4	1,221
	<u>\$ 26,780</u>	<u>\$ 414</u>	<u>\$ 27,194</u>

NOTE 5 - DEFICIT FUND BALANCES

There were no funds that reflected a deficit fund balance as of March 31, 2016.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of March 31, 2016 is as follows:

Advances from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge	General	18,984

The amount payable to the Road and Bridge Fund is to cover temporary deficits in the fund's balance in the internal pooled cash. Repayment is expected within one year.



**Elk Grove Township**  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

**NOTE 7 - PROPERTY TAXES REVENUE**

Property taxes recorded in these financial statements are from the 2014 and part of the 2015 tax levy. A summary of the assessed valuation, rates, and extensions for the years 2014, 2013 and 2012 follows:

TAX YEAR	2014		2013		2012	
ASSESSED VALUATION	\$3,183,935,389		\$3,128,226,831		\$3,651,530,208	
	Rates	Extensions	Rates	Extensions	Rates	Extensions
General Town	0.0756	\$ 2,419,791	0.0761	\$ 2,408,735	0.0631	\$ 2,304,115
General Assistance	0.0165	541,269	0.0166	531,799	0.0133	485,653
Road and Bridge	0.0175	573,108	0.0168	531,799	0.0138	505,051
	<u>0.1096</u>	<u>\$ 3,534,168</u>	<u>0.1095</u>	<u>\$ 3,472,333</u>	<u>0.0902</u>	<u>\$ 3,294,819</u>

**NOTE 8 - OPERATING LEASES**

The Township leases 2 copier/printers. The lease terms are for 60 months, beginning in November 2015, through October 2021. For the year ended March 31, 2016, rent of \$1,640 was paid and expensed.

The future minimum lease payments under these leases are as follows:

March 31,	
2017	\$ 3,936
2018	3,936
2019	3,936
2020	3,936
2021	<u>2,296</u>
	<u>\$ 18,040</u>



**Elk Grove Township**  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

**NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND**

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 affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

Funding Policy - As set by statute, the Township's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual contribution rate for calendar year 2015 was 11.03%. 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 the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation - The Township's annual pension cost and the net pension obligation to the plan as of December 31, 2015 (the date the most current actuarial information is available) is as follows:

Annual Required Contribution	\$ 98,800
Adjustment to Annual Required Contribution	(3,079)
Interest on Net Pension Obligation	3,928
Annual Pension Cost	<u>99,649</u>
Contributions Made	111,320
Decrease in Pension Obligation	(11,671)
Net Pension Obligation - Beginning of Year	51,070
Net Pension Obligation - End of Year	<u><u>\$ 39,399</u></u>

For calendar year ending December 31, 2015, the required contribution for calendar year 2015 was \$98,845.

Three Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2015	\$ 98,845	100%	\$ 39,399
12/31/2014	106,722	100%	51,161
12/31/2013	100,704	99%	61,747



**Elk Grove Township**  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2016

NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND (CONTINUED)

The required contribution for 2015 was determined as part of the December 31, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Township's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Township's Regular plan's unfunded actuarial accrued liability at December 31, 2013 is being amortized as a level percentage of projected payroll on an open 28 year basis.

Funded Status and Funding Progress - As of December 31, 2015, the most recent actuarial valuation date, the Regular plan was 89.54% funded. The actuarial accrued liability for benefits was \$3,652,348 and the actuarial value of assets was \$3,270,195 resulting in an underfunded actuarial accrued liability (UAAL) of \$382,153. The covered payroll for calendar year 2015 (annual payroll of active employees covered by the plan) was \$896,150 and the ratio of the UAAL to the covered payroll was 43%.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	\$ 3,270,195	\$ 3,652,348	\$ 382,153	89.54%	\$ 896,150	42.64%
12/31/2014	\$ 3,246,709	\$ 3,697,350	\$ 450,641	87.81%	\$ 895,322	50.33%
12/31/2013	\$ 2,940,310	\$ 3,323,558	\$ 383,248	88.47%	\$ 871,894	43.96%

On a market value basis, the actuarial value of assets as of December 31, 2015 is \$3,212,941. On a market basis, the funded ratio would be 87.97%.

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



**Elk Grove Township**  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2016

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**NOTE 10 - RISK MANAGEMENT**

The Township is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Township is a member of the Illinois Counties Risk Management Trust (ICRMT), a joint risk management pool of local governmental units through which property, general liability, automobile liability, crime, excess property, excess liability, and boiler and machinery coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the Township and ICRMT is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions for ICRMT, to report claims on a timely basis, cooperate with ICRMT, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by ICRMT. Members have a contractual obligation to fund any deficit of ICRMT attributable to a membership year during which they were a member.

ICRMT is responsible for administering the self-insurance program and purchasing excess insurance according to the direction of the Board of Directors. ICRMT also provides its members with risk management services, including the defense of and settlement of claims, and establishes reasonable and necessary loss of reduction and prevention procedures to be followed by the members.

During the year ended March 31, 2016, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage for the last 3 years. The Township is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended March 31, 2016, there were no significant adjustments in premiums based on actual experience.

**NOTE 11 - CONTINGENCIES**

The Township is not aware of any pending litigation or potential non-disclosed liabilities that management believes would have a material adverse affect on the financial statements.



**Elk Grove Township**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2016

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NOTE 12 - LEGAL DEBT LIMITATION

The Illinois Compiled Statutes limits the amount of indebtedness to 8.625% of the most recent available equalized assessed valuation (EAV) of the Township.

2014 EAV	\$ 3,183,935,389
	<u>8.625%</u>
Debt Margin	<u>274,614,427</u>
Current Debt	<u>26,780</u>
Remaining Debt Margin	<u>\$ 274,587,647</u>

NOTE 13 - SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 15, 2016, the date on which the financial statements were available to be issued.