

TOWNSHIP OF RICH, ILLINOIS  
GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2015  
(With Comparative Totals for 2014)



TOWNSHIP OF RICH, ILLINOIS  
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MARCH 31, 2015

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**EUGENE C. VARNADO, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 478  
South Holland, Illinois 60473

(708) 794-0750  
Fax (708) 362-5660  
evarnado@ecvllc.com

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Township Board of Trustees  
Township of Rich, Illinois  
22013 Governors Highway  
Richton Park, Illinois 60471

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rich, Illinois, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Township of Rich, Illinois' 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 accounting principles generally accepted in the United States of America; this includes 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Rich, Illinois, as of March 31, 2015, and the respective changes in financial position, and, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

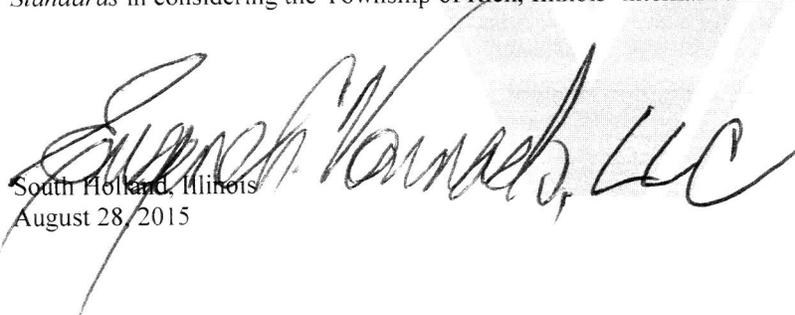
**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages **22-24** be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 on our consideration of the Township of Rich, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Rich, Illinois' internal control over financial reporting and compliance.



South Holland, Illinois  
August 28, 2015

## MANAGEMENT DISCUSSION AND ANALYSIS

Introduction: The Township Supervisor, Clerk, Assessor, Highway Commissioner, Board of Trustees, and employees together present to the users of the Rich Township financial statement this discussion and analysis of the Township's financial activities for the fiscal year ending March 31, 2015. This Management Discussion and Analysis report is to be read in conjunction with the Township's financial statements.

### Financial Highlights

#### Town Fund:

Last year we paid an additional \$50,000 to IMRF in an effort to improve the township's funding position. As of December 31, 2013 the plan was 78.90 percent funded. The Actuarial accrued liability for benefits was \$5,531,148 and the actuarial value of assets was 4,363,865 resulting in an underfunded actuarial accrued liability of \$1,167,283.

As of December 31, 2014 the plan was 76.93 percent funded. The actuarial accrued liability for benefits was \$6,449,819 and the actuarial value of assets was \$4,949,043, resulting in an underfunded actuarial accrued liability of \$1,500,776. Our additional contribution earned 7.5 % interest for 2014. We plan on making an additional contribution in late 2015 to further reduce the township's unfunded liability.

Rich Township's transportation department has implemented its GPS based trip scheduling software, through a Regional Transit Authority grant for Innovation, Coordination and Enhancement (ICE). This software assists in the scheduling and dispatching of the paratransit services using Global Positioning System technology. The Transportation Department also operates a Vanpool senior rides program, and Jolly Trolley, which serves the Village of Park Forest.

Rich Township's transportation department carried 60,621 passengers in 2014-2015 decreased from 62,274 passengers in 2013-2014, a three percent decrease. The transportation department is highly subsidized by Rich Township. Revenues were \$273,378 reflecting a two percent increase, while expenses were \$1,199,568 reflecting a six percent decrease.

During the 2013-2014 fiscal years, the staff of the township Assessor's office met with over 5,200 tax payers which increased from previous year by 30 percent, and fielded more than 1,800 telephone inquiries. This figure also reflects the growing number of senior citizens eligible for exemptions. The Assessor's office filed approximately 2,300 exemption applications for the year 2014. Those exemptions included primes, which are for 1<sup>st</sup> time filers and for Senior Freeze renewals, as well as seniors and homeowners. The Assessor's Office also filed Certificate of Error applications for any taxpayers that missed the original filing dates and filed applications for Disabled Persons and Disabled Veterans.

The Pantry of Rich Township continued its mission to assist needy residents in obtaining nutritious food items and fresh produce. Working with other organizations the Rich Township Food pantry staff and volunteers collected and distributed food each month to an average of 9,143 families, which included about 29,544 individuals. The Pantry augments their services by securing non-tax revenues for its operations. The annual Food Pantry Fashion Show raised approximately \$27,000.

The Mentoring Plus Jobs program has been abolished. It was replaced by the Youth Employment Program (YEP), a component of the Community Violence Prevention Program. The focus of the revised program is the development of the skills, knowledge and behaviors that promote employment opportunities. Youth Employment Program is a state funded program implemented to create jobs and provide job skill training to approximately 40 at risk youth in the south suburban region mentored by approximately 12 adults.

The Township also continued to develop the Congregate Meals program. The Congregate Meals program is a joint venture between the Township, Age Options and Catholic Charities to provide nutritious, balanced meals at the Rich Township Senior Cafe'. Last year the Township served approximately 8,670 meals to 453 seniors at Shirley J. Green Senior Center in Park Forest.

#### General Assistance Fund:

The General Assistance department has programs which act as a safety net to the most vulnerable populations in the township. These programs require the applicant to be a resident of the township, aged 21 or greater and meet the eligibility criteria for Social Security or other state administered programs. Applicants may come to the Township office and bring a driver's license or other form of identification with correct address, and a Social Security card. We also require proof that the applicant has applied for unemployment compensation or disability. To be re-certified each month, clients must participate in workfare one day a week, show evidence of job hunting, and attend job training workshops and seminars sponsored by the Township. Assistance to be used for shelter, utilities, food, transportation and clothing may be provided. We also refer clients to local agencies for assistance with other services including physician and dental services, prescriptions and emergency services. Generally, the number of participants in the General Assistance program is viewed as a representation of the economic hardship in our township.

The total monthly average of General Assistance cases was 170 during FY 2014-2015, reduced from 177 cases during FY 2013-2014, a .04 percent decrease.

Emergency Assistance was provided in 118 cases during FY2014-2015 up from 83 cases during the 2013-2014 fiscal year. Assistance was provided in the form of help with utilities when threatened with shut-off as well as supplemental income to cover food and prescription medicine expenses.

The General Assistance expenditures totaled \$465,914. Given the level of training, work experience and transient nature of employment for many GA clients, they tend to transition on and off General Assistance.

#### Road and Bridge Fund:

The Rich Township Road and Bridge district is responsible for the maintenance of roads, bridges, and swales to assist with drainage of storm water and culverts which prevent flooding. During FY 2014-2015 the Road District continued replacing old culverts and providing asphalt for various road projects, which improved the integrity, safety and load bearing capability of the roads. The Road District also worked on a soil erosion project on the Old Plank Road Trail to maintain the integrity of the trail. Despite significant increases in health care costs and fluctuating gas and oil costs during FY 2014-2015, the Road District reduced overall expenses by \$9887 to \$562,853, which is a two percent decrease from the previous fiscal year.

#### Senior Companion Fund:

Rich Township's Senior Companion Program, which is federally funded by Senior Corps, allows individuals over age 60 to assist infirm or homebound seniors with daily tasks such as shopping or to provide a respite for primary caregivers.

A group of 55 senior volunteers provided over 56,538 hours of interaction with infirm seniors over the course of the past fiscal year. The senior companion program is funded in part by a federal grant that provides the majority of the funding; contributing nearly \$340,233 while, the township provides personnel and related support. In the past year, 134 clients were provided services, and 19 companions were enlisted to be the service providers.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities are collectively referred to as the government-wide financial statements. They provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances.

Fund financial statements start with the Balance Sheet – Governmental Funds on page eight. For governmental activities, these statements tell how the services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the township's most significant funds. An additional part of the basic

financial statements are the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE TOWNSHIP'S MOST SIGNIFICANT FUNDS

### Government-wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private sector business. They are presented on the full accrual basis of accounting. All governmental and business-type activities are consolidated into columns which add to a total for the Township. The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating. This statement combines current financial resources with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type activities) which are supported by the Township's general taxes and other resources.

Governmental Activities reflect the Township's basic services including assistance to the poor and indigent, assistance in assessment of property values, maintenance and improvement of roads and bridges, and administration. Property taxes finance the majority of these services.

Business-type Activities reflect private sector type operations where the fee for service typically covers all or most all of the cost of operations including depreciation.

### Fund Financial Statements:

The Governmental Major Fund presentation is prepared from sources and uses of liquid resources basis. It is presented on the modified accrual basis of accounting. This is the manner in which the Budget and Appropriation Ordinance is typically developed. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance.

The Township of Rich Balance Sheet and the Township of Rich Statement of Revenues, Expenditures, and Changes in Fund Balances provide detailed information about the most significant funds: the Town Fund, the General Assistance Fund, and the Road District Fund. Most of the Township's basic services are reported in these fund and the balances left at year-end are available for spending.

These funds are reported using an accounting method called the "accrual basis" of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

## INFRASTRUCTURE ASSETS

Historically, a government's largest group of assets (buildings, equipment, vehicles, etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. We must also depreciate these assets over their estimated useful lives.

## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found following this report.

## OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary information; Statements of Revenues, Expenditures, and Changes in Fund Balances Compared to Budget for the year ended March 31, 2015 for the Town Fund, Road Fund, and General Assistance Fund. The Schedule of Tax Collections and Taxes Receivable for Year Ended March 31, 2015 is presented, followed by a Schedule of Valuations, Rates and Extensions for Tax Levy Years – 2003 to 2014 and lastly, a Schedule for Retirement Fund Funding Progress is presented.

## FORWARD-LOOKING

During the 2015-2016 fiscal year, Rich Township will continue to provide congregate meals at the Rich Township Senior Center in conjunction with Age Options, a state of Illinois contractor, through September 2015.

We have implemented new computer hardware and software programs in the General Assistance case management area and are installing new computer hardware and software in the Senior Service program. We also plan to continue to invest in the ArcGIS mapping program, primarily in the Assessor's Office and the Transportation Department.

## CONCLUSION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives.

If anyone has any questions about this report or needs additional information, please contact me at Rich Township, 22013 Governors Hwy. Richton Park, IL 60471.

Respectfully Submitted,

Al Riley  
Supervisor

**TOWNSHIP OF RICH**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2015**  
**With Comparative Totals for 2014**

<u>ASSETS</u>	<u>Governmental Activities</u>	
	<u>Total 2015</u>	<u>Total 2014</u>
Cash	\$ 2,012,844	\$ 2,985,103
Taxes Receivable	2,113,279	2,220,950
Prepaid Expenses	8,378	8,378
Security Deposits	5,700	5,700
Capital Assets		
Land	465,522	465,522
Other Capital Assets Net of Depreciation	1,183,390	1,272,954
<b>Total Assets</b>	<u>\$ 5,789,113</u>	<u>\$ 6,958,608</u>
<b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 117,345	\$ 145,929
Replacement Tax Payable	15,578	16,306
Compensated Absences	480,763	512,215
<b>Total Liabilities</b>	<u>613,686</u>	<u>674,450</u>
<b><u>NET ASSETS</u></b>		
Investment in Capital Assets, Net of Related Debt Unrestricted	1,648,912	1,738,476
	3,526,515	4,545,682
<b>Total Net Assets</b>	<u>\$ 5,175,427</u>	<u>\$ 6,284,158</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF RICH, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED MARCH 31, 2015**  
 With Comparative Totals for 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			Net Revenue (Expense)	
	Charges For Services	Operating Grants	Capital Grants	Total 2015	Total 2014
<b>PRIMARY GOVERNMENT</b>					
Town Administration	\$ (966,052)	\$ -		(966,052)	(876,060)
Assessor's Department	(277,389)			(277,389)	(314,368)
Clerk's Department	(123,066)	1,371		(121,695)	(134,784)
Finance Department	(418,511)			(418,511)	(393,211)
Transportation	(1,171,238)	286,723		(884,515)	(998,233)
ESDA	(64,389)			(64,389)	(99,360)
Youth & Family Services	(221,005)	166,919		(54,086)	(133,281)
Senior Services	(1,117,526)	103,287		(706,563)	(599,247)
Pantry/Donations	(466,697)	57,677		(409,021)	(443,972)
Economic Development	(1,400)			(1,400)	(700)
Old Plank Trail	(1,463)			(1,463)	(7,083)
Road Administration	(228,580)			(228,580)	(210,800)
Road Expenses	(335,335)	1,143		(334,192)	(346,267)
General Assistance Admin.	(199,355)			(199,355)	(149,736)
Building Operations	(253,854)			(253,854)	(261,557)
Social Services	(33,438)			(33,438)	(38,161)
Home Relief	(280,520)			(280,520)	(322,055)
Unallocated Depreciation	(128,866)			(128,866)	(126,385)
<b>Total Primary Government</b>	<b>\$ (6,288,685)</b>	<b>\$ 450,199</b>	<b>\$ -</b>	<b>\$ (5,363,890)</b>	<b>\$ (5,455,259)</b>
<b>General Revenues</b>					
Property Taxes				4,194,760	4,351,779
Personal Property Replacement Taxes				56,417	58,151
TIF Rebate				-	-
Interest on Investments				1,680	3,836
Miscellaneous Income				2,301	2,170
<b>Total General Revenues</b>				<b>4,255,158</b>	<b>4,415,936</b>
Change in Net Assets				(1,108,732)	(1,039,322)
<b>Net Assets Beginning</b>				<b>6,284,158</b>	<b>7,323,480</b>
<b>Net Assets Ending</b>				<b>\$ 5,175,427</b>	<b>\$ 6,284,158</b>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF RICH, ILLINOIS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**MARCH 31, 2015**  
**With Comparative Totals for 2014**

<u>ASSETS</u>	Town Fund	Road District Fund	General Assistance Fund	Total 2015	Total 2014
Cash	\$ 1,381,801	\$ 208,786	\$ 422,257	\$ 2,012,844	\$ 2,985,103
Taxes Receivable	1,552,393	298,014	262,872	2,113,279	2,220,950
Prepaid Expenses	4,608	3,770	-	8,378	8,378
Security Deposits	5,700	-	-	5,700	5,700
<b>Total Assets</b>	<b>\$ 2,944,502</b>	<b>\$ 510,570</b>	<b>\$ 685,129</b>	<b>\$ 4,140,201</b>	<b>\$ 5,220,133</b>
<u>LIABILITIES</u>					
Accounts Payable	\$ 97,175	\$ 6,133	\$ 14,037	\$ 117,345	\$ 145,929
Replacement Taxes Payable	-	15,578	-	15,578	16,306
Compensated Absences	450,506	15,549	14,708	480,763	512,215
Custodial Health Insurance Account	-	-	-	-	-
<b>Total Liabilities</b>	<b>547,680</b>	<b>37,260</b>	<b>28,745</b>	<b>613,686</b>	<b>674,450</b>
<u>FUND BALANCES</u>					
General Fund-Unreserved	2,396,822			2,396,822	3,470,086
Special Revenue Fund-Reserved		473,310	656,384	1,129,694	1,075,595
<b>Total Fund Balances</b>	<b>2,396,822</b>	<b>473,310</b>	<b>656,384</b>	<b>3,526,515</b>	<b>4,545,682</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,944,502</b>	<b>\$ 510,570</b>	<b>\$ 685,129</b>	<b>\$ 4,140,201</b>	<b>\$ 5,220,133</b>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF RICH, ILLINOIS  
RECONCILIATION OF TOTAL FUND BALANCE  
OF GOVERNMENT FUNDS TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
MARCH 31, 2015**

Total Fund Balance of Governmental Funds (page 9) \$ 3,526,515

Amounts reported for Governmental Activities  
in the Statement of Net Assets are different  
because of the following:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported  
in governmental funds. These assets consists of:

Capital assets		
Land	465,522	
Buildings	980,940	
Improvements	939,712	
Equipment	1,390,912	
Less accumulated depreciation	<u>(2,128,173)</u>	
Net capital assets		<u>\$ 1,648,913</u>

Net Assets of Governmental Activities (page 7) \$ 5,175,428

The notes to the financial statements are an integral part of this statement

**TOWNSHIP OF RICH, ILLINOIS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED MARCH 31, 2015**  
**With Comparative Totals for 2014**

<u>REVENUES</u>	Town Fund	Road District Fund	General Assistance Fund	Total 2015	Total 2014
Property Taxes	\$ 3,131,167	\$ 561,160	\$ 502,434	\$ 4,194,760	\$ 4,351,779
Personal Property Replacement Taxes	24,533	31,884	-	56,417	58,151
TIF Rebate	-	-	-	-	-
Government Grants	-	-	-	-	30,745
Rental Income	21,140	-	-	21,140	3,390
In Home Services	23,955	-	-	23,955	23,052
Transportation Receipts	286,723	-	-	286,723	267,043
Passport Sales	1,371	-	-	1,371	1,775
Youth & Family Services	166,919	-	-	166,919	91,890
Senior Services	365,868	-	-	365,868	406,096
Donations	57,677	-	-	57,677	83,728
Interest on Investments	1,298	125	257	1,680	3,836
Circuit Court Fees	-	1,143	-	1,143	1,002
Insurance Reimbursement	231	-	-	231	-
Miscellaneous Income	1,182	888	-	2,070	2,170
Total Revenues	4,082,062	595,200	502,691	5,179,953	5,324,658
<u>EXPENDITURES</u>					
Administration	966,052	228,580	199,355	1,393,987	1,244,469
Assessor's Department	277,389	-	-	277,389	314,368
Clerk's Department	123,066	-	-	123,066	136,559
Finance Department	418,511	-	-	418,511	393,211
Transportation	1,171,238	-	-	1,171,238	1,265,276
ESDA	64,389	-	-	64,389	99,360
Youth & Family Services	221,005	-	-	221,005	225,171
Senior Services	1,117,526	-	-	1,117,526	1,069,946
Pantry/Donations	466,697	-	-	466,697	527,700
Economic Development	1,400	-	-	1,400	700
Old Plank Road	1,463	-	-	1,463	7,083
Maintenance	-	335,335	-	335,335	347,270
Home Relief	-	-	280,520	280,520	322,055
Building Operations	253,854	-	-	253,854	261,557
Contingencies	-	-	-	-	-
Social Services	33,438	-	-	33,438	-
Depreciation	106,232	18,967	3,667	128,866	126,385
Total Expenditures	5,222,260	582,883	483,542	6,288,685	6,341,109
Excess Revenues over Expenditures	(1,140,198)	12,317	19,149	(1,108,732)	(1,016,451)
Beginning Fund Balance	3,682,582	400,029	640,902	4,723,513	5,734,368
Ending Fund Balance	\$ 2,542,383	\$ 412,346	\$ 660,050	\$ 3,614,781	\$ 4,717,917

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

**A. Summary of Significant Accounting Policies:**

(1) General Statement

The TOWNSHIP OF RICH, ILLINOIS ("Township"), chartered in 1850, operates under a Supervisor-Trustee form of government. The Township's major operations are assessing and reviewing real estate values, maintenance and construction of Township roads, maintaining emergency service readiness, providing general assistance to the needy, providing services for senior citizens and youth, and general administration.

(2) Financial Reporting Entity

For financial reporting purposes, the Township includes all funds, account groups, agencies, boards and commissions that are controlled or dependent on the Township's legislative or executive branches. Control or dependence on the Township was determined on the basis of budget adoption, taxing authority and operational independence.

The following entities are not included in this report because they are autonomous.

Village of Richton Park – A self supporting municipal government providing a multitude of services to residents of the municipality controlled by an independently elected board.

Rich Township School District 227 – A self supporting school government providing high school education to residents of the area controlled by an independently elected board.

(3) Basis of Presentation

The accounting policies of the Township conform to Generally Accepted Accounting Principles as applicable to governments. The following is a summary of the more significant policies used by the Township.

Government-wide and Fund Financial Statements:

The government-wide financial statements report information on all of the non-fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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 meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into various generic fund types as follows:

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015

(Continued)

**A. Summary of Significant Accounting Policies (Continued):**

Governmental Fund Types:

*Town Fund* - The Town Fund is used to account for all revenue and expenditures of the general operations of the Township and those not accounted for in the other funds of the Township.

*Special Revenue Funds* - Special Revenue Funds are used to account for the revenue derived from specific resources. These resources are utilized to finance expenditures allowable either under local ordinance or state law. These include the Road District Fund and the General Assistance Fund.

(4) Basis of Accounting

The basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statement. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and available for use, defined as reasonably considered collectible within sixty (60) days. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(5) Budgetary Data

The budget is prepared on the modified cash basis of accounting which is the same basis used in financial reporting. This allows for comparability between budget and actual amounts. This is an acceptable method in accordance with the Illinois Revised Statutes. There were no changes to the budget during the year.

(6) Cash and Investments

The Township of Rich held various types of cash deposits at March 31, 2015. Cash deposits, money markets and certificates of deposit are placed with various financial institutions. All deposits are in banks and savings and loans as authorized by the Illinois Revised Statutes, 1991 edition.

(7) Property Taxes

The Township annually establishes a legal right to revenue from property tax assessments upon enactment of a tax levy ordinance by its Township Board. The property tax is levied each year on all taxable real property located in the Township on or before the last Tuesday in December. The taxes attach as an enforceable lien on property on January 1.

The Township adopts its property tax levy by December of each year. The property taxes are billed and collected by the Cook County Treasurer who remits to the Township its share of taxes collected. Taxes levied in one year become payable during the following year in two installments, the first due prior to March 1 and the second due prior to September 1, or 30 days after the tax bills are mailed, whichever is later. The second installment is based on the current levy, assessment and equalization, and reflects any changes from the prior year in those factors. The Township typically receives the property taxes from the County within thirty to sixty days after the due dates.

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015  
(Continued)

**A. Summary of Significant Accounting Policies (Continued):**

(8) Personal Property Replacement Taxes

Pursuant to the 1970 Illinois Constitution, all ad valorem personal property taxes in Illinois were abolished as of January 1, 1979. The constitutionality of this replacement tax was upheld by the Illinois Supreme Court on November 21, 1979.

The Personal Property Replacement Tax represents an additional income tax from corporations (including certain utilities) and trusts: a new income tax invested capital for public utilities providing gas, communication, electrical and water services. Revenues collected under the replacement tax are held in a special fund in the State Treasury called the Property Tax Replacement Fund. The monies are distributed to the Township in eight annual payments.

(9) Prepaid Expenses

Prepaid expenses are amounts paid during the current and deferred for expensing to future periods based on the expiration of time.

(10) Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are recorded at cost. The Township has a capitalization policy with a threshold for capitalization of \$2,500 for individual equipment, \$10,000 for buildings and improvements, and \$50,000 for infrastructure assets (roads, bridges, culverts, curbs, etc). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, buildings, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Life in Years</u>
Equipment	7
Vehicles (under 13,000 pounds)	5
Vehicles (over 13,000 pounds)	7
Other Improvements	20
Buildings	40
Road Improvements	10
New Infrastructure	40

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2015  
(Continued)

**A. Summary of Significant Accounting Policies (Continued):**

(10) Capital Assets (Continued)

Capital asset activity for the year ended March 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Non Depreciable Assets				
Land	\$ 465,522			\$ 465,522
Depreciable Assets				
Buildings	980,940			980,940
Improvements	939,712			939,712
Equipment	<u>1,351,611</u>	<u>39,301</u>		<u>1,390,912</u>
Totals at Historical Cost	3,737,785	39,301	-	3,777,086
Less Accumulated Depreciation				
Buildings	(594,674)	(20,024)		(614,698)
Improvements	(401,232)	(46,986)		(448,218)
Equipment	<u>(1,003,403)</u>	<u>(61,857)</u>		<u>(1,065,260)</u>
Total Accumulated Depreciation	<u>(1,999,309)</u>	<u>(128,867)</u>	-	<u>(2,128,176)</u>
Governmental Activities Capital Assets - net	<u>\$ 1,738,476</u>	<u>\$ (89,565)</u>	<u>\$ -</u>	<u>\$ 1,648,911</u>

Depreciation expense was charged to governmental functions as follows:

ESDA	\$ 6,650
Transportation	8,026
Senior Services	5,392
Pantry/Donations	-
Road Administration	7,595
Road Expense	11,372
Unallocated	23,434
Youth Group	2,873
Congregate Meals	443
General Assistance	3,667
Town Administration	59,414
Total Depreciation Expense	<u>\$ 128,867</u>

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE ENDED MARCH 31, 2015  
(Continued)

(11) Compensated Absences

Township employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

Vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds.

**B. Taxes Receivable**

Taxes receivable as of March 31, 2015 are as follows:

Tax Year	Town Fund	Road District	General Assistance	Total
2014	\$ 1,541,824	\$ 297,583	\$ 261,958	\$ 2,101,365
2013	\$ 10,570	\$ 430	\$ 914	\$ 11,914
	<u>\$ 1,552,394</u>	<u>\$ 298,013</u>	<u>\$ 262,872</u>	<u>\$ 2,113,279</u>

**C. Cash and Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk for cash deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover collateral securities in the possession of an outside party. Neither the State nor the Township has a deposit policy for custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure to the counterparty, the Township will not be able to recover the value of its investments or collateral securities in the possession of an outside party. State law does not require the collateralization of investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

**D. Personal Property Replacement Taxes:**

As required by an amendment to the Personal Property Replacement Tax Act, the Road and Bridge Fund is required to distribute a proportionate share of the Personal Property Replacement Taxes collected to the Villages within the Township. The amount the Township is currently obligated to pay the Villages is estimated to be \$15,578. This amount is shown as "Replacement Tax Payable" on the balance sheet.

**E. Deferred Compensation:**

The employees of the Township have the option to participate in a single-employer Deferred Compensation Plans through payroll deductions

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE ENDED MARCH 31, 2015  
(Continued)

**E. Deferred Compensation Continued:**

Participation in the plans is a voluntary election of the employee. There is no cost or liability to the Township. The Township does not administer the plans.

**F. Pension and Retirement Fund Commitments**

Illinois Municipal Retirement Fund:

Plan Description

The Township of Rich defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. 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 on-line at [www.imrf.org](http://www.imrf.org).

As by the statute, employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The Township of Rich is required to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its employees. The contribution rate for calendar year 2014 was 11.92%. Additionally, the Township of Rich contributes for disability benefits, death benefits and supplemental retirement benefits, all 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 benefit rate is set by statute.

For December 31, 2014 the Township's annual pension cost of \$301,244 was equal to the Township's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% 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 IMRF 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 IMRF unfunded actuarial accrued liability is being amortized at December 31, 2012 is being amortized as a level percentage of projected payrolls on an open 29 year basis.

As of December 31, 2014, the most recent actuarial valuation date, the Regular plan was 76.73 percent funded. The actuarial liability for benefits was \$6,449,819 and the actuarial value of assets was \$4,949,043, resulting in an underfunded actuarial liability (UAAL) of \$1,500,776. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$2,527,214 and the ratio of the UAAL to the covered payroll was 59 percent.

The scheduled of funding progress. Presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE ENDED MARCH 31, 2015

**F. Pension and Retirement Fund Commitments (Continued):**

**Trend Information**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 301,244	100%	\$ -
12/31/13	\$ 291,915	100%	-
12/31/12	\$ 271,366	100%	-

**G. "PACE" Grant**

The Suburban Bus Division of the Regional Transportation Authority awarded a Para transit Grant to the Township of Rich commencing on August 1, 1985. This grant was to subsidize transportation to shopping and medical facilities within the Township and up to 10 miles outside the Township borders to medical facilities. Pace also subsidizes ridership to the CNN site in Park Forest. The grant provides reimbursement of actual costs after fares collected at the lesser of 75% of operating expenses or \$3.00 per one way trip. Total grant receipts from April 1, 2014 to March 31, 2015, were \$44,668 which included adjustments for operating hours. The grant is currently extended to December 2015.

Although the grant did not require a compliance audit we did review provisions of the grant to assure the Township was materially complying with them. The results of our review indicate that for items tested the Township of Rich complied with material terms and conditions of the grant. Furthermore, nothing came to our attention to indicate the Township of Rich had not complied with the significant compliance terms and conditions of this grant

Additional transportation services not funded by PACE includes Saturday services, PADS, Jolly Trolley and transportation of handicapped high school students to different job sites. The Township received \$88,137 in reimbursements from the Village of Park Forest for the Jolly Trolley services.

TOWNSHIP OF RICH, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE ENDED MARCH 31, 2015  
(Continued)

H. Senior Companion Grant

The Corporation for National and Community Service, a Division of the United States Department of Health and Human Services awarded a Senior Companion Program Suburban Cook County Grant to the Township of Rich commencing on July 1, 2005. This grant was to pay administrative and operational costs for a Senior Companion Program. The Township supervises 15 volunteer stations located in seven townships in suburban Cook County. Senior Companion volunteers, people age 55 and older, provide assistance and friendship to frail individuals who are homebound and, generally, living alone. Volunteers assist with socialization, provide transportation to medical appointments, help buy groceries, provide respite care to worn-out caregivers, and offer contact to the outside world, enabling frail older Americans to continue to live in their own homes. Volunteers receive a \$2.65 hourly stipend to defray cost for volunteering, meal and travel reimbursement, supplemental insurance, a physical exam, and recognition.

The federal grant is for a one-year period from July 1, 2014 thru June 30, 2015 in the amount of \$321,183. Total federal grant receipts from July 1, 2014 to June 30, 2015 were \$297,118. During this period approximately 65 volunteers served approximately 134 clients. Senior Companions will provide approximately 68,000 hours of service and assistance annually to frail and elderly residents of Suburban Cook County.

Although the grant did not require a compliance audit we did review provisions of the grant to assure the Township was materially complying with them. The results of a review indicate that for items tested the Township of Rich complied with material terms and conditions of the grant. Furthermore, nothing came to our attentions to indicate the Township of Rich had not complied with significant compliance terms and conditions of this grant.

I. Vacation, Personal, Sick Days and Major Medical Days

The Township has three employee benefit leave plans. Vacation hours are earned in accordance with the number of hours worked per week and the number of years employed by the Township on a calendar year basis. Personal days and sick days are earned on the basis of average hours worked per week with an equivalent of 10 days allowed per employee per year, 6 of which are sick days and 4 are personal days. Any unused personal days are bought back at one-half pay at the end of the calendar year. Unused sick days are carried over year to year. Should employment terminate, the employee will be compensated for accumulated personal and sick days. The Major Medical Days plan allows 4 days per year to each employee's date of employment and may be accumulated with no limitations. These days may be added into years of service if employee retirees while still employed by the Township. Earned and unused benefits at March 31, 2015 are:

	Available		
Vacation Days*	790.46		
Personal and Sick Days*	2,549.16		
Major Medical Days*	1,133.85		
	4,473.47	days	\$ 480,763

\*Maximum cost to the Township assuming all leave time requires continued employment and will be utilized. However, existing employees have always assumed absent employees' responsibilities to date.

**TOWNSHIP OF RICH, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**COMPARED TO BUDGET**  
**TOWN FUND**  
**FOR THE YEAR ENDED MARCH 31, 2015**

<u>REVENUES</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>
Property Taxes	\$ 3,131,167	\$ 3,900,000	\$ 3,900,000
Personal Property Replacement Taxes	24,533	30,000	30,000
Government Grants	-	75,000	75,000
TIF Rebate	-	25,000	25,000
Rental Income	21,140	22,000	22,000
In Home Services	23,955	30,000	30,000
Transportation Receipts	286,723	350,000	350,000
Passport Sales	1,371	3,000	3,000
Youth & Family Services	166,919	3,000	3,000
Senior Services	365,868	700,000	700,000
Donations	57,677	100,000	100,000
Interest on Investments	1,298	8,600	8,600
Insurance Reimbursement	231	1,000	1,000
Miscellaneous Income	1,182	12,000	12,000
Total Revenues	4,082,062	5,259,600	5,259,600
<u>EXPENDITURES</u>			
Administration	966,052	1,394,911	1,395,411
Finance	418,511	500,000	502,500
Assessor's Department	277,389	387,800	387,800
Clerk's Department	123,066	176,200	176,200
Transportation	1,171,238	1,502,000	1,502,000
ESDA	64,389	140,000	140,000
Youth & Family Services	221,005	421,024	421,024
Senior Programs	1,117,526	1,448,900	1,448,900
Building Operations	253,854	394,500	395,500
Food Pantry	466,697	577,000	580,000
Economic Development	1,400	5,000	5,000
Old Plank Road	1,463	30,000	30,000
Contingencies	-	175,000	168,000
Social Services	33,438	50,000	50,000
Depreciation	106,232	-	-
Total Expenditures	5,222,260	7,202,335	7,202,335
Excess Revenues over Expenditures	(1,140,198)	(1,942,735)	(1,942,735)
Beginning Fund Balance	3,682,582	3,701,653	3,701,653
Ending Fund Balance	<u>\$ 2,542,383</u>	<u>\$ 1,758,918</u>	<u>\$ 1,758,918</u>

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF RICH, ILLINOIS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**COMPARED TO BUDGET**  
**ROAD FUND**  
**FOR THE YEAR ENDED MARCH 31, 2015**

<u>REVENUES</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>
Property Taxes	\$ 561,160	\$ 550,000	\$ 550,000
Personal Property Replacement Taxes	31,884	33,000	33,000
TIF Rebate	-	5,000	5,000
Governmental Grants	-	1,000	1,000
Interest on Investments	125	600	600
Circuit Court Fees	1,143	4,000	4,000
Miscellaneous Income	888	1,500	1,500
Total Revenues	595,200	595,100	595,100
<u>EXPENDITURES</u>			
Administration	228,580	325,600	325,100
Maintenance of Road	335,335	454,500	455,000
Depreciation	18,967	-	-
Total Expenditures	582,883	780,100	780,100
Excess Revenues over Expenditures	12,317	(185,000)	(185,000)
Beginning Fund Balance	400,029	400,029	400,029
Ending Fund Balance	\$ 412,346	\$ 215,029	\$ 215,029

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF RICH, ILLINOIS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
COMPARED TO BUDGET  
GENERAL ASSISTANCE FUND  
FOR THE YEAR ENDED MARCH 31, 2015**

<u>REVENUES</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>
Property Taxes	\$ 502,434	\$ 510,000	\$ 510,000
TIF Rebate	-	5,000	5,000
Town Fund Transfer	-	75,000	75,000
Government Reimbursement	-	1,000	1,000
Interest on Investments	257	850	850
Total Revenues	502,691	591,850	591,850
<u>EXPENDITURES</u>			
Administration	199,355	252,300	252,300
Contingencies	-	14,000	14,000
Home Relief	280,520	431,000	431,000
Depreciation	3,667	-	-
Total Expenditures	483,542	697,300	697,300
Excess Revenues over Expenditures	19,149	(105,450)	(105,450)
Beginning Fund Balance	640,902	640,902	640,902
Ending Fund Balance	<u>\$ 660,050</u>	<u>\$ 535,452</u>	<u>\$ 535,452</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF RICH  
 SCHEDULE OF TAX COLLECTIONS AND TAXES RECEIVABLE  
 YEAR ENDED MARCH 31, 2015

TAX YEAR	TAX LEVY	PRIOR COLLECTION	CURRENT COLLECTIONS (REFUNDS)	RESERVES AND WRITE OFFS	TOTAL COLLECTIONS RESERVES & W/O	PERCENT COLLECTED	GROSS RECEIVABLE 3/31/2014
2010	4,495,147	4,240,334	87,094	167,719	4,495,147	96%	-
2011	4,606,975	4,364,821	15,972	226,182	4,606,975	95%	-
2012	4,774,789	4,520,340	(33,425)	287,874	4,774,789	95%	-
2013	4,671,540	2,259,887	2,219,134	180,606	4,659,627	96%	11,913
2014	4,479,852		2,111,299	267,188	2,378,487	55%	2,101,365
			<u>\$ 2,288,775</u>				<u>\$ 2,113,278</u>

Taxes Receivable By Fund

Town	1,552,393
Road and Bridge	298,014
General Assistance	262,871
	<u>\$ 2,113,278</u>

\* Based on history of collections, approximately 95% of levy is ultimately collected. Therefore a 5% reserve for uncollectables established.

TOWNSHIP OF RICH  
 SCHEDULE OF VALUATIONS, RATES AND EXTENSIONS FOR  
 TAX LEVY YEARS - 2002 TO 2014  
 MARCH 31, 2015

<u>Tax Levy Year</u>	<u>Equalized Assessed Valuation</u>	<u>Town Fund (%)</u>	<u>Road and Bridge Fund (%)</u>	<u>General Assistance Fund (%)</u>
2003	\$ 1,183,131,824	0.2190	0.0330	0.0250
2004	\$ 1,251,712,002	0.2190	0.0330	0.0250
2005	\$ 1,458,297,304	0.1930	0.0580	0.0220
2006	\$ 1,527,863,091	0.1990	0.0570	0.0220
2007	\$ 1,634,385,703	0.1960	0.0560	0.0220
2008	\$ 1,784,563,016	0.1910	0.0540	0.0220
2009	\$ 1,798,391,031	0.1920	0.0550	0.0230
2010	\$ 1,793,522,220	0.2020	0.0580	0.0260
2011	\$ 1,754,191,952	0.2580	0.0740	0.0340
2012	\$ 1,409,010,942	0.2920	0.0850	0.0390
2013	\$ 1,176,710,303	0.3040	0.0940	0.0460
2014	\$ 1,118,564,844	0.3020	0.1010	0.0480

The notes to the financial statements are an integral part of this statement

TOWNSHIP OF RICH, ILLINOIS  
SCHEDULE OF RETIREMENT FUND FUNDING PROGRESS  
FOR THE ENDED MARCH 31, 2015

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)
12/31/14	4,949,043	6,449,819	1,500,776	76.73%	2,527,214	59.38%
12/31/13	4,363,865	5,531,148	1,167,283	78.90%	2,342,814	49.82%
12/31/12	3,930,369	5,352,944	1,422,575	73.42%	2,276,564	62.49%

On a market value basis, the actuarial value of assets as of December 31, 2014 is \$5,736,863. On a market basis, the funded ratio would be 88.95%.

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

**EUGENE C. VARNADO, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 478  
South Holland, Illinois 60473

(708) 794-0750  
Fax (708) 362-5660  
evarnado@ecvllc.com

REPORT ON INTERNAL CONTROL STRUCTURE  
BASED SOLELY ON THE UNDERSTANDING OBTAINED AND  
CONTROL ASSESSMENT MADE AS PART OF AN AUDIT  
OF THE FINANCIAL STATEMENTS

The Honorable Township Board of Trustees  
Township of Rich  
22013 Governors Highway  
Richton Park, Illinois 60471

We have audited the general purpose financial statements of the Township of Rich, Illinois (the Township) for the year ended March 31, 2015 and have issued our report thereon dated August 28, 2015. In planning and performing our audit, we considered the Township's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal controls.

The Township's management is **responsible for establishing and maintaining** internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance assets are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any internal controls, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted certain matters involving internal controls and their operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements.

These reportable conditions and other matters for the consideration of the Board and management are described in the accompanying letter.

The first section of this letter contains some required communications that professional standards require us to inform you in connection with our audit.

This report is intended for the information of the Township Board of Trustees, and the cognizant audit agency.

  
August 28, 2015

## REQUIRED COMMUNICATION

### **Our Responsibility under Auditing Standards Generally Accepted in the United States of America**

Under professional standards, our responsibility is to plan and perform our audit to obtain reasonable assurance about whether the financial statements of the Township are free of material misstatement. An audit performed in accordance with auditing standards generally accepted in the United States of America does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that material errors, fraud or other illegal acts, if they exist, will not be detected. Those standards require us to obtain sufficient understanding of the Township's internal controls to plan the audit. However, this understanding is required only for the purpose of determining our audit procedures and not to provide any assurance concerning internal controls.

### **Significant Audit Adjustments**

For the purpose of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that could have a material effect on the financial statements and that may not have been detected except through our auditing procedures.

### **Disagreement with Management**

For the purpose of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that individually or in the aggregate could be significant to the financial statements or audit report. We are pleased to report that there are no such disagreements that arose during our audit.

### **Consultation with Other Accountants**

Management has informed us that it had not consulted with other accountants about significant accounting and auditing matters during 2015.

### **Major Issues Discussed with Management Prior to our Retention**

We did discuss with management any major issues regarding the application of accounting principles of auditing standards in connection with our continued retention to perform the 2015 audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in performing our audit. We appreciate the excellent cooperation from management in providing us documentation, schedules and in answering our questions.

### **Significant Accounting Policies**

No changes in significant accounting policies occurred during 2015.

### **Reportable Conditions**

#### **1. Finding**

Several bank reconciliations for the Township contained various significant items which should have been reviewed and resolved. This is a repeat finding from previous audits.

### Recommendation

Properly prepared monthly bank reconciliations should reconcile all transactions on the appropriate bank statements to the corresponding general ledger account. The client should investigate any outstanding items that remain uncleared and that appear unusual as to length outstanding and unresolved. Any adjustments to the bank reconciliations should be submitted for proper approval. All monthly bank reconciliations should be completed in a timely manner and reviewed periodically by the Township Administrator or Finance Manager.

### Management Response

For finding one concerning bank reconciliation items which should have been reviewed and resolved, in as much as all three Township finance employees here write checks, we plan to hire an outside CPA to review Township bank reconciliations and discuss with finance staff and recommendations and corrections.

## 2. Finding

Each year the client is advised to post the audit adjustments resulting from the years' audit to insure that the client records agree with the audited financial statements. Except for one year, these adjusting journal entries have not been posted or posted incorrectly by the client. When these entries are not posted after each audit, client records will not properly reflect the correct cash and/or available fund balances in the accounts throughout the period. As a result, the auditor must consolidate and roll forward the audit entries each year to arrive at the correct beginning balances, which can add substantially to the audit effort. This is repeat finding from previous audits.

### Recommendation

It is recommended that the year-end audit adjustments be posted in a timely manner to the accounting records of the Township.

### Management Response

Regarding finding two concerning audit adjustments, we will use an outside CPA to review adjusting journal entries and ensure the finance staff makes the correct entries in a timely manner.

**EUGENE C. VARNADO, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 478  
South Holland, Illinois 60473

(708) 232-3ECV (3328)  
Fax (708) 362-5660  
evarnado@ecvllc.com

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH THE  
GOVERNMENT AUDITING STANDARDS ISSUED BY THE GAO

The Honorable Township Board of Trustees  
Township of Rich  
22013 Governors Highway  
Richton, Illinois 60471

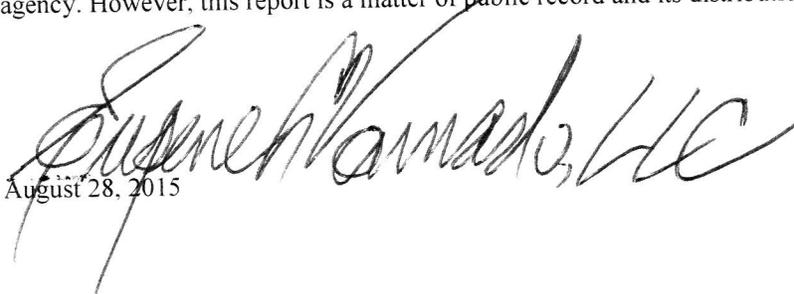
We have audited the financial statements of the Township of Rich, Illinois of and for the year ended March 31, 2015, and have issued our report thereon dated August 28, 2015.

We have conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free to material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Township of Rich, Illinois is the responsibility of the Township's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contract and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Township Board of Trustees, management and the cognizant audit agency. However, this report is a matter of public record and its distribution is not limited.

  
August 28, 2015

