



815.344.1300 mchenry
847.382.3366 barrington
847.336.6455 gurnee
www.edercasella.com

McHENRY TOWNSHIP, ILLINOIS

ANNUAL FINANCIAL REPORT

MARCH 31, 2019

eder, casella & co.

MCHENRY TOWNSHIP
TABLE OF CONTENTS
MARCH 31, 2019

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Statement of Assets, Liabilities, and Fund Balance – Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund – Schedule of Changes in the Employer's Net Pension Liability and Related Ratios	28
Illinois Municipal Retirement Fund – Schedule of Employer Contribution	29
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	30
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Permanent Road Fund	38

MCHENRY TOWNSHIP
TABLE OF CONTENTS
MARCH 31, 2019

	PAGE
REQUIRED SUPPLEMENTARY INFORMATION (Continued)	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Assistance Fund	39
Notes to Required Supplementary Information	40

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
McHenry Township
McHenry, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of

MCHENRY TOWNSHIP

as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise McHenry 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 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and each major fund of McHenry Township as of March 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplemental Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 regarding 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.

Eder, Casella & Co.
EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
July 24, 2019

REQUIRED SUPPLEMENTARY INFORMATION

MCHEMRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of McHenry Township (Township), we offer readers of the Township's statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2019.

FINANCIAL HIGHLIGHTS

- At March 31, 2019, the assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources by \$10,833,735 (net position). Of this amount, \$4,861,441 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The total net position for the Township decreased by \$1,216,392.
- At March 31, 2019, the Township's governmental funds reported combined ending fund balances of \$4,461,109, a decrease of \$1,454,696 in comparison with the prior year. Of this amount, \$95,110 is nonspendable, \$56,011 is restricted, \$905,000 is committed by the Board for future projects, \$2,199,516 is assigned for different funds and projects, and \$1,205,472 is available for spending at the Township's discretion (unassigned fund balance).
- At March 31, 2019, the fund balance for the General Fund was \$2,772,994, of which \$1,205,472 was unassigned. Unassigned fund balance represents 60% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

The Statement of Net Position presents information on all of the Township's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating when comparing year to year results.

The Statement of Activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and other governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include

general government, directly funded community services, community assistance and services, parks and recreation, assessor, and highways and roads. The Township does not conduct any business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Road and Bridge Fund, Permanent Road Fund, and General Assistance Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 27 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in meeting its obligation to provide as fully adequate as possible services to all of its residents.

The Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this appropriation.

Required supplementary information can be found on pages 28 through 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,833,735 at March 31, 2019.

A portion of the Township's net position (55%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, office equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

McHenry Township's Net Position at Year-End

	Governmental Activities	
	FY 2019	FY 2018
ASSETS		
Current and Other Assets	\$ 8,496,520	\$ 9,896,932
Capital Assets	5,916,283	5,754,643
Net Pension Asset	-	871,591
Total Assets	\$ 14,412,803	\$ 16,523,166
DEFERRED OUTFLOWS OF RESOURCES		
Pension Expense/Revenue - IMRF	\$ 743,765	\$ (416,615)
Total Deferred Outflows of Resources	\$ 743,765	\$ (416,615)
LIABILITIES		
Long-Term Liabilities Outstanding	\$ 287,422	\$ 75,297
Other Liabilities	189,382	238,286
Total Liabilities	\$ 476,804	\$ 313,583
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	\$ 3,846,029	\$ 3,742,841
Total Deferred Inflows of Resources	\$ 3,846,029	\$ 3,742,841
NET POSITION		
Net Investment in Capital Assets	\$ 5,916,283	\$ 5,754,643
Restricted	56,011	451,346
Unrestricted	4,861,441	5,844,138
Total Net Position	\$ 10,833,735	\$ 12,050,127

An additional portion of the Township's net position (.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,861,441, may be used to meet the Township's ongoing obligations to citizens and creditors.

At March 31, 2019, the Township is able to report positive balances in all three categories of net position.

The Township's net position decreased by \$1,216,392 during the year ended March 31, 2019.

Governmental activities - Governmental activities decreased the Township's net position by \$1,216,392. Key elements of this decrease are as follows:

McHenry Township's Change in Net Position

	Governmental Activities	
	FY 2019	FY 2018
Revenues:		
Program Revenues		
Charges for Services	\$ 75,745	\$ 66,551
Operating Grants and Contributions	1,559,349	273,614
General Revenues:		
Property Taxes	3,747,789	4,124,116
Other Taxes	181,012	245,594
Unrestricted Investment Earnings	71,247	21,696
Gain/(Loss) on Sale of Capital Assets	(7,412)	(18,843)
Other Income	45,669	132,772
Total Revenues	\$ 5,673,399	\$ 4,845,500
Expenses:		
General Government	\$ 1,200,917	\$ 1,178,648
Directly Funded Community Services	322,544	176,360
Community Assistance and Services	264,123	289,196
Parks and Recreation	449,019	365,226
Assessor	489,991	454,530
Highways and Roads	4,163,197	2,880,114
Total Expenses	\$ 6,889,791	\$ 5,344,074
Change in Net Position	\$ (1,216,392)	\$ (498,574)
Net Position - Beginning	12,050,127	12,548,701
Net Position - Ending	\$ 10,833,735	\$ 12,050,127

The most significant change was the decrease in property tax revenue due to decreased tax levies. Another considerable change was the increase in Operating Grants and Contributions due to a new grant received for the maintenance of non-designated roads, in collaboration with McHenry County. Highways and Roads expenses increase due to repairs of roads that were funded by the McHenry County grant.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

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

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

At March 31, 2019, the Township's governmental funds reported combined ending fund balances of \$4,461,109, a decrease of \$1,454,696 in comparison with the prior year. Of this amount, \$1,205,472 constitutes unassigned fund balance, which is available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. At March 31, 2019, fund balance in the General Fund was \$2,772,994, a decrease of \$709,176 in comparison with the prior year. This decrease was due to a decrease in property taxes, as well as an increase of salaries.

The Road and Bridge Fund is used to account for revenues restricted for road and bridge district expenditures. At March 31, 2019, fund balance in the Road and Bridge Fund was \$998,561, a decrease of \$398,787 in comparison with the prior year. This decrease was due to higher road repairs and upgrade expenses, as well as related engineering fees compared to the prior fiscal year.

The Permanent Road Fund is used to account for revenues restricted for road improvements and maintenance within the road district. At March 31, 2019, fund balance in the Permanent Road Fund was \$339,336, a decrease of \$358,884 in comparison with the prior year. This decrease was due to an increase in road repair and construction which was in part offset by intergovernmental agreement income received for road repairs.

The General Assistance Fund is used to account for revenues restricted for general assistance expenditures. At March 31, 2019, fund balance in the General Assistance Fund was \$350,188, an increase of \$12,151 in comparison with the prior year. The increase was caused by having a significantly lower amount distributed for general assistance compared to the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the budgeted amounts and actual amounts are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$78,118 (unfavorable) and was primarily due to less property taxes received than anticipated.
- The difference between the estimated expenditures and the actual expenditures was \$136,474 (favorable) and was primarily due to less than anticipated salaries throughout the fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of March 31, 2019 amounts to \$5,916,283 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, office equipment and infrastructure. Major capital asset events during the year ended March 31, 2019 included the following:

- Replacement and updating of roofs for \$41,870
- Purchase of a Salt Dome Conveyor System for \$210,480
- Purchase of a trailer for \$22,320
- Purchase of a 2013 Utility Truck for \$105,000
- Purchase of a 2017 Brush Chipper for \$93,809

McHenry Township's Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2019	2018
Land	\$ 111,500	\$ 111,500
Buildings	2,792,648	2,899,052
Improvements	544,940	313,367
Machinery and Equipment	2,108,956	2,070,432
Office Equipment	22,616	24,669
Infrastructure - Rights of Way	335,623	335,623
Total	\$ 5,916,283	\$ 5,754,643

Additional information on the Township's capital assets can be found in note 4 on pages 20 and 21 of this report.

Long-term debt - At March 31, 2019, the Township had no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

McHenry Township does not receive any sales tax revenue such as Municipalities and Villages do. The Majority of the McHenry Township's revenue comes from only one major source, which is property tax revenue. The McHenry Township Road District in addition to property tax revenue also receives Motor Fuel Tax, (MFT), revenue distributed to its budget for the maintenance of roads by the McHenry County Department of Transportation. The amount distributed is based on the number of miles of roads under the McHenry Township Road District's jurisdiction.

McHenry Township has kept the tax levy flat for six consecutive years starting in 2012 through 2017. In 2018-2019, McHenry Township reduced tax levies by 10% through a property tax abatement. All McHenry Township taxpayers, without the need to apply for the abatement, received this abatement. In 2019 -2020 McHenry, Township has approved a 10% property tax levy decrease.

McHenry Township continues to manage its finances with well thought-out budgeting and planning. The Township maintains a balanced budget and has always practiced the financial philosophy that they need to manage taxpayer's monies as resourcefully as possible. As part of this philosophy, the Township does not take out bonds to pay their bills or purchase equipment. The Township believes that they should stay within their income levels as not to further compound their taxpayers' property taxes with additional interest charges to fund operations.

The Township also maintains reserves to manage deferred maintenance on facilities and the replacement of equipment, when its useful life has expired, and to purchase major capital assets as needed.

All fund balance monies are assigned for specific purposes for long-term needs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Office of the Supervisor, McHenry Township, 3703 N. Richmond Road, McHenry, Illinois 60051.

BASIC FINANCIAL STATEMENTS

MCHENRY TOWNSHIP
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
MARCH 31, 2019

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,507,381
Restricted Cash and Cash Equivalents	124,067
Investments, at fair value	1,920,933
Property Taxes Receivable, net of allowance of \$19,327	3,846,029
Inventory	72,479
Security Deposits	3,000
Prepaid Items	22,631
Capital Assets (Note 4):	
Land and Other Non-Depreciable Assets	447,123
Other Capital Assets, Net of Depreciation	5,469,160
Total Assets	<u>\$ 14,412,803</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Expense/Revenue - IMRF	\$ 743,765
Total Deferred Outflows of Resources	<u>\$ 743,765</u>
LIABILITIES	
Accounts Payable	\$ 120,129
Deposits	17,532
Payroll Liabilities	51,421
Performance Bond	300
Non-Current Liabilities	
Due in More Than One Year	287,422
Total Liabilities	<u>\$ 476,804</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	\$ 3,846,029
Total Deferred Inflows of Resources	<u>\$ 3,846,029</u>
NET POSITION	
Net Investment in Capital Assets	\$ 5,916,283
Restricted for:	
Permanent Road	56,011
Unrestricted/(Deficit)	4,861,441
Total Net Position	<u>\$ 10,833,735</u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
 GOVERNMENT-WIDE FINANCIAL STATEMENTS
 STATEMENT OF ACTIVITIES
 YEAR ENDED MARCH 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Functions/Programs				
Primary Government				
Governmental Activities				
General Government	\$ 1,193,442	\$ 52,771	\$ 48,508	\$ (1,092,163)
Directly Funded Community Services	322,544	-	-	(322,544)
Community Assistance and Services	264,123	-	-	(264,123)
Parks and Recreation	449,019	-	-	(449,019)
Assessor	497,466	-	-	(497,466)
Highways and Roads	4,163,197	22,974	1,510,841	(2,629,382)
Total Primary Government	<u>\$ 6,889,791</u>	<u>\$ 75,745</u>	<u>\$ 1,559,349</u>	<u>\$ (5,254,697)</u>
General Revenues				
Taxes				
Property Taxes				\$ 3,747,789
Replacement Tax				72,809
Motor Fuel Tax				108,203
Unrestricted Investment Earnings				71,247
Gain/(Loss) on Sale of Capital Assets				(7,412)
Other Income				45,669
Total General Revenues				<u>\$ 4,038,305</u>
Change in Net Position				\$ (1,216,392)
Net Position - Beginning of Year				<u>12,050,127</u>
Net Position - End of Year				<u>\$ 10,833,735</u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
GOVERNMENTAL FUNDS
MARCH 31, 2019

	General Fund	Road and Bridge Fund	Permanent Road Fund	General Assistance Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 989,186	\$ 862,060	\$ 303,761	\$ 352,374	\$ 2,507,381
Restricted Cash and Cash Equivalents	-	124,067	-	-	124,067
Investments, at fair value	1,859,024	-	61,909	-	1,920,933
Property Taxes Receivable, net of allowance of \$19,327	1,279,471	1,041,315	1,393,000	132,243	3,846,029
Inventory	-	72,479	-	-	72,479
Security Deposits	1,000	2,000	-	-	3,000
Prepaid Items	12,522	9,490	-	619	22,631
Due from Other Funds	1,529	11,046	-	-	12,575
Total Assets	\$ 4,142,732	\$ 2,122,457	\$ 1,758,670	\$ 485,236	\$ 8,509,095
LIABILITIES					
Accounts Payable	\$ 50,949	\$ 68,935	\$ -	\$ 245	\$ 120,129
Deposits	8,232	9,300	-	-	17,532
Payroll Liabilities	30,786	3,565	15,258	1,812	51,421
Performance Bond	300	-	-	-	300
Due to Other Funds	-	781	11,046	748	12,575
Total Liabilities	\$ 90,267	\$ 82,581	\$ 26,304	\$ 2,805	\$ 201,957
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	\$ 1,279,471	\$ 1,041,315	\$ 1,393,000	\$ 132,243	\$ 3,846,029
Total Deferred Inflows of Resources	\$ 1,279,471	\$ 1,041,315	\$ 1,393,000	\$ 132,243	\$ 3,846,029
FUND BALANCES					
Nonspendable					
Prepaid Expenses	\$ 12,522	\$ 9,490	\$ -	\$ 619	\$ 22,631
Inventory	-	72,479	-	-	72,479
Restricted					
Permanent Hard Road	-	-	56,011	-	56,011
Committed					
General Assistance	480,000	-	-	-	480,000
Improvements	425,000	-	-	-	425,000
Assigned					
General Assistance	-	-	-	349,569	349,569
Road and Bridge	-	916,592	-	-	916,592
Permanent Hard Road	-	-	283,355	-	283,355
Deferred Maintenance on Facilities	500,000	-	-	-	500,000
Technology Upgrades and Replacements	150,000	-	-	-	150,000
Unassigned	1,205,472	-	-	-	1,205,472
Total Fund Balances	\$ 2,772,994	\$ 998,561	\$ 339,366	\$ 350,188	\$ 4,461,109
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,142,732	\$ 2,122,457	\$ 1,758,670	\$ 485,236	\$ 8,509,095

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 MARCH 31, 2019

Fund Balances - Total Governmental Funds		\$ 4,461,109
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital Assets	\$ 10,624,941	
Less: Accumulated Depreciation	<u>(4,708,658)</u>	5,916,283
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated Absences	\$ (77,458)	
Net Pension Liability	<u>(209,964)</u>	(287,422)
<p>Deferred pension costs in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Pension Expense/Revenue - IMRF		<u>743,765</u>
Net Position of Governmental Activities		<u><u>\$ 10,833,735</u></u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED MARCH 31, 2019

	General Fund	Road and Bridge Fund	Permanent Road Fund	General Assistance Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,281,068	\$ 1,009,106	\$ 1,325,225	\$ 132,390	\$ 3,747,789
Replacement Tax	11,516	32,103	26,329	2,861	72,809
Motor Fuel Tax	-	108,203	-	-	108,203
Road Fines	-	14,665	-	-	14,665
Interest Income	47,465	13,612	7,045	3,125	71,247
Rental Income	41,712	-	-	-	41,712
Grant Income	48,508	-	-	-	48,508
Senior Transportation Fees	11,059	-	-	-	11,059
Miscellaneous Income	2,054	2,938	3,077	5,750	13,819
Intergovernmental Agreements	-	105,506	1,405,335	-	1,510,841
Fees	-	8,309	-	-	8,309
Reimbursements	-	2,850	-	-	2,850
	<u>\$ 1,443,382</u>	<u>\$ 1,297,292</u>	<u>\$ 2,767,011</u>	<u>\$ 144,126</u>	<u>\$ 5,651,811</u>
EXPENDITURES					
Current					
General Government	\$ 656,632	\$ 383,726	\$ -	\$ -	\$ 1,040,358
Directly Funded Community Services	328,850	-	-	-	328,850
Community Assistance and Services	-	-	-	265,687	265,687
Parks and Recreation	348,778	-	-	-	348,778
Assessor	503,391	-	-	-	503,391
Highways and Roads	-	726,649	3,125,895	-	3,852,544
Capital Outlay	181,195	614,704	-	-	795,899
	<u>\$ 2,018,846</u>	<u>\$ 1,725,079</u>	<u>\$ 3,125,895</u>	<u>\$ 265,687</u>	<u>\$ 7,135,507</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (575,464)</u>	<u>\$ (427,787)</u>	<u>\$ (358,884)</u>	<u>\$ (121,561)</u>	<u>\$ (1,483,696)</u>
OTHER FINANCING SOURCES/(USES)					
Proceeds from Sale of Fixed Assets	\$ -	\$ 29,000	\$ -	\$ -	\$ 29,000
Transfers	(133,712)	-	-	133,712	-
	<u>\$ (133,712)</u>	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 133,712</u>	<u>\$ 29,000</u>
NET CHANGE IN FUND BALANCES	<u>\$ (709,176)</u>	<u>\$ (398,787)</u>	<u>\$ (358,884)</u>	<u>\$ 12,151</u>	<u>\$ (1,454,696)</u>
FUND BALANCES - APRIL 1, 2018	<u>3,482,170</u>	<u>1,397,348</u>	<u>698,250</u>	<u>338,037</u>	<u>5,915,805</u>
FUND BALANCES - MARCH 31, 2019	<u>\$ 2,772,994</u>	<u>\$ 998,561</u>	<u>\$ 339,366</u>	<u>\$ 350,188</u>	<u>\$ 4,461,109</u>

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED MARCH 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (1,454,696)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Capital Outlays	\$ 616,710	
Depreciation Expense	<u>(447,658)</u>	169,052

Some expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	\$ (2,161)	
Pension Expense	<u>(27,164)</u>	(29,325)

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the undepreciated balance of the capital assets sold.

Proceeds from Sale of Fixed Assets	\$ (29,000)	
Gain/(Loss) on Sale of Fixed Assets	<u>21,588</u>	(7,412)

Employer Pension Contributions are expensed in the fund financial statements but treated as a reduction in the Net Pension Liability on the government-wide financial statements.

Employer Pension Contribution		<u>105,989</u>
-------------------------------	--	----------------

Change in Net Position of Governmental Activities \$ (1,216,392)

The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McHenry Township's (Township) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting polices established in GAAP and used by the Township are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB statements, 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.

B. *Basic Financial Statements – Government-Wide Financial 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 all of the primary activities of the Township as governmental activities. The Township does not have any business-type activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities 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, replacement tax, unrestricted investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, directly funded community services, community assistance and services, parks and recreation, assessor, highways and roads). 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 Township had no capital grants for the year ended March 31, 2019.

NOTES TO FINANCIAL STATEMENTS (Continued)

The net costs (by function) are normally covered by general revenue (property taxes, replacement tax, 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 position resulting from the current year's activities.

C. *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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

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

Governmental Funds

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:

1. 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.
2. The Road and Bridge Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for maintenance of the Township's roads.
3. The Permanent Road Fund is used to account for revenues restricted for road improvements and maintenance within the road district.
4. The General Assistance Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for various services provided to lower income residents.

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

D. *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.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property tax revenues are recognized in the period for which levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements are met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met, and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

The Township reports unavailable revenue on its governmental funds Balance Sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. At March 31, 2019, the Township had \$3,846,029 of unavailable revenue from property taxes.

E. *Cash and Cash Equivalents and Investments*

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.

Separate bank accounts are maintained for all Township funds. Occasionally, certain cash accounts may incur overdrafts (deficits) in an account. None of the Township's bank accounts had a cash overdraft at March 31, 2019.

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.

State statutes authorize the Township to invest in obligations of the U.S. Treasury, Certificates of Deposit, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool known as The Illinois Funds.

F. *Receivables*

All receivables are reported net of estimated uncollectible amounts.

G. *Prepaid Expenses*

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

H. *Inventories*

Inventories consist of the cost of salt for the roads. The salt inventory as of March 31, 2019 was \$72,479.

I. *Interfund Activity*

Interfund activity is reported either as 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.

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

J. *Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10 - 50 years
Improvements	7 - 20 years
Machinery and Equipment	7 - 25 years
Office Equipment	5 - 10 years

GASB Statement No. 34 requires the Township to report and depreciate new infrastructure assets effective as of April 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

K. *Deferred Outflows and Inflows of Resources*

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and thereafter will not be recognized as an outflow of resource until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resource until that time.

L. *Compensated Absences*

The Township accrues accumulated unpaid vacation and personal leave time when earned (or estimated to be earned) by the employee. At March 31, 2019, this amount was \$77,458. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide Statement of Net Position and is reported as a reconciling item between the fund and government-wide presentations.

M. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. *Government-Wide Net Position*

Government-wide net position is divided into three components:

NOTES TO FINANCIAL STATEMENTS (Continued)

- Net Investment in Capital Assets – consists of capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – consists of net position that is 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 Net Position – all other net position is reported in this category.

O. *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 which the Board of Trustees has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. The Township has delegated this authority to the Supervisor.

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, capital projects or debt service 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.

- 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. Unassigned fund balance in the General Fund also includes amounts levied and/or borrowed for working cash. This classification is also used to represent negative fund balances in the Road and Bridge Fund, Permanent Road Fund and General Assistance Fund.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

P. *Property Tax Calendar and Revenues*

The Township's property tax is levied each calendar year on all taxable real property located in the Township on or before the last Tuesday in December. The 2018 levies were passed by the Board on December 13, 2018. Property taxes attach as an enforceable lien on property as of January 1 of the calendar year and are payable in two installments early in June and early in September of the following calendar year. The Township receives significant distributions of tax receipts approximately one month after these dates.

Q. *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits with financial institutions are fully insured and collateralized by securities held in the Township's name.

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

Interest Rate Risk. The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific types of investment instruments. See Note 1E for types allowable under state law.

Concentration of Credit Risk. The Township places no limit on the amount the Township may invest in any one investment instrument.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's custodial credit risk policy requires collateral for any deposits in excess of insured amounts. At March 31, 2019, none of the Township's bank balances were exposed to custodial credit risk.

NOTE 3 - RESTRICTED CASH AND CASH EQUIVALENTS

The Road and Bridge Fund reflects a restricted cash and cash equivalents balance in the amount of \$124,067 representing the amount of Motor Fuel Tax funds available at March 31, 2019. This amount is to be expended on road maintenance and improvements approved by the Illinois Department of Transportation.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019 was as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

	Balance April 1, 2018	Increases	Decreases	Balance March 31, 2019
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 111,500	\$ -	\$ -	\$ 111,500
Infrastructure	335,623	-	-	335,623
Total Capital Assets not being depreciated	<u>\$ 447,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447,123</u>
Other Capital Assets				
Buildings	\$ 4,226,650	\$ -	\$ -	\$ 4,226,650
Improvements	742,934	270,626	-	1,013,560
Machinery and Equipment	4,567,959	338,269	53,485	4,852,743
Office Equipment	77,050	7,815	-	84,865
Total Other Capital Assets at historical cost	<u>\$ 9,614,593</u>	<u>\$ 616,710</u>	<u>\$ 53,485</u>	<u>\$ 10,177,818</u>
Less Accumulated Depreciation for				
Buildings	\$ 1,327,598	\$ 106,404	\$ -	\$ 1,434,002
Improvements	429,567	39,053	-	468,620
Machinery and Equipment	2,497,527	292,333	46,073	2,743,787
Office Equipment	52,381	9,868	-	62,249
Total Accumulated Depreciation	<u>\$ 4,307,073</u>	<u>\$ 447,658</u>	<u>\$ 46,073</u>	<u>\$ 4,708,658</u>
Other Capital Assets, Net	<u>\$ 5,307,520</u>	<u>\$ 169,052</u>	<u>\$ 7,412</u>	<u>\$ 5,469,160</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,754,643</u>	<u>\$ 169,052</u>	<u>\$ 7,412</u>	<u>\$ 5,916,283</u>

Upon adoption of GASB 34 financial reporting, the Township elected to use the prospective method of reporting its infrastructure assets. Under the prospective method, no value was assigned to the existing roads, bridges and other infrastructure. Only the rights of way were recorded. Subsequent to the adoption of GASB 34, the cost of new roads, bridges and major improvements thereto are to be capitalized.

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 162,474
Highways and Streets	285,184
Total Governmental Activities Depreciation Expense	<u>\$ 447,658</u>

NOTE 5 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended March 31, 2019 was as follows:

	Balance April 1, 2018	Additions	Retirements	Balance March 31, 2019	Amounts Due Within One Year
Governmental Activities:					
Other Long-Term Obligations					
Compensated Absences	\$ 75,297	\$ 2,161	\$ -	\$ 77,458	\$ -
IMRF Pension Liability	(871,591)	1,081,555	-	209,964	-
Total Long-Term Obligations	<u>\$ (796,294)</u>	<u>\$ 1,083,716</u>	<u>\$ -</u>	<u>\$ 287,422</u>	<u>\$ -</u>

NOTE 6 - INTERFUND BALANCES

Interfund balances at March 31, 2019 consisted of the following:

NOTES TO FINANCIAL STATEMENTS (Continued)

Due from	Due to	Amount
General Assistance Fund	General Fund	\$ 748
Road and Bridge Fund	General Fund	781
Permanent Hard Road	Road and Bridge Fund	11,046

Interfund loans are for payroll liabilities and postage expenses.

NOTE 7 - DEFICIT FUND BALANCE

There were no funds which reflected a deficit fund balance as of March 31, 2019.

NOTE 8 - PROPERTY TAXES

Property taxes recorded in these financial statements are from the 2017 tax levies. A summary of the assessed valuations, rates, and extensions for the years 2018, 2017, and 2016 follows:

TAX YEAR ASSESSED VALUATION	2018		2017		2016	
	Rate	Extension	Rate	Extension	Rate	Extension
	\$1,161,787,500		\$1,096,089,429		\$1,026,115,391	
Corporate	0.1107	\$ 1,285,901	0.1173	\$ 1,285,910	0.1516	\$ 1,555,919
General Assistance	0.0114	132,908	0.0121	132,890	0.0130	132,882
Road and Bridge	0.1377	1,600,002	0.1412	1,547,503	0.1559	1,600,001
Permanent Hard Road	0.1205	1,400,000	0.1213	1,330,006	0.1364	1,400,001
	<u>0.3803</u>	<u>\$ 4,418,811</u>	<u>0.3919</u>	<u>\$ 4,296,309</u>	<u>0.4569</u>	<u>\$ 4,688,803</u>

NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended March 31, 2019, no fund had expenditures that exceeded the budget.

NOTE 10 - RETIREMENT FUND COMMITMENTS

A. *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 managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at

NOTES TO FINANCIAL STATEMENTS (Continued)

full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last ten years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last ten years of service, divided by 96. Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

Employees Covered by Benefit Terms

All appointed employees of a participating employer who are employed in a position normally requiring 600 hours (1,000 hours for certain employees hired after 1981) or more of work in a year are required to participate. As of December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	28
Inactive plan members entitled to but not yet receiving benefits	19
Active plan members	38
Total	<u>85</u>

Contributions

As set by statute, the Township's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Township's annual contribution rate for calendar year 2018 was 6.62%. For the fiscal year ended March 31, 2019, the Township contributed \$105,989 to the plan. The Township also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

The components of the net pension liability of the IMRF as of December 31, 2018, calculated in accordance with GASB Statement No. 68, were as follows:

Total Pension Liability (Asset)	\$ 7,048,512
IMRF Fiduciary Net Position	6,838,548
Township's Net Pension Liability (Asset)	209,964
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	97.02%

NOTES TO FINANCIAL STATEMENTS (Continued)

See the Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios in the Required Supplementary Information following the notes to the financial statements for additional information related to the funded status of the plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial methods and assumptions:

Assumptions	
Inflation	2.50%
Salary Increases	3.39% - 14.25%
Interest Rate	7.50%
Asset Valuation Method	Market Value of Assets
Projected Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2017 valuation pursuant to an experience study of the period 2014-2016.

For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table as of December 31, 2018:

Asset Class	Target Allocation	Projected Return
Equities	37.0%	7.15%
International Equities	18.0%	7.25%
Fixed Income	28.0%	3.75%
Real Estate	9.0%	6.25%
Alternatives	7.0%	
Private Equity		8.50%
Hedge Funds		5.50%
Commodities		3.20%
Cash	1.0%	2.50%
	100.0%	

NOTES TO FINANCIAL STATEMENTS (Continued)

Single Discount Rate

The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

1. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
2. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this discount rate, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.71%; and resulting single discount rate is 7.25%.

Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)
Balances at December 31, 2017	\$ 6,419,476	\$ 7,291,067
Changes for the year:		
Service Cost	\$ 152,320	\$ -
Interest on the Total Pension Liability	474,170	-
Differences Between Expected and Actual Experience of the Total Pension Liability	170,144	-
Changes of Assumptions	179,139	-
Contributions - Employer	-	114,016
Contributions - Employee	-	77,503
Net Investment Income	-	(444,522)
Benefit Payments, including Refunds of Employee Contributions	(346,737)	(346,737)
Other (Net Transfer)	-	147,221
Net Changes	<u>\$ 629,036</u>	<u>\$ (452,519)</u>
Balances at December 31, 2018	<u>\$ 7,048,512</u>	<u>\$ 6,838,548</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single Discount Rate that is 1% lower or 1% higher:

	1% Lower 6.25%	Current Discount Rate 7.25%	1% Higher 8.25%
Net Pension Liability/(Asset)	\$ 1,024,600	\$ 209,964	\$ (461,036)

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

For the year ended March 31, 2019, the Township recognized pension expense of \$27,164. At March 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (Continued)

Expense in Future Periods	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences between expected and actual experience	\$ 205,654	\$ 13,701	\$ 191,953
Changes of assumptions	135,866	110,514	25,352
Net difference between projected and actual earnings on pension plan investments	<u>895,559</u>	<u>389,761</u>	<u>505,798</u>
Total deferred amounts to be recognized in pension expense in future periods	\$ 1,237,079	\$ 513,976	\$ 723,103
Pension contributions made subsequent to the measurement date	20,662	-	20,662
Total deferred amounts related to pensions	<u>\$ 1,257,741</u>	<u>\$ 513,976</u>	<u>\$ 743,765</u>

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

Year Ending December 31	Net Deferred Outflows of Resources
2019	\$ 230,558
2020	141,131
2021	141,415
2022	<u>209,999</u>
	<u>\$ 723,103</u>

B. Social Security

All employees are covered under Social Security. The Township paid the total required contribution for the current fiscal year.

NOTE 11 - INTERFUND TRANSFERS

The interfund transfers made for the year ended March 31, 2019 were as follows:

Transfer from	Transfer to	Amount
General Fund	General Assistance Fund	\$ 133,712

The transfer from the General Fund to the General Assistance Fund was made due to a low balance in the General Assistance Fund.

NOTE 12 - RISK MANAGEMENT

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

The Township is a member of the Township Officials of Illinois Risk Management Association (TOIRMA), a joint risk management pool of townships through which property, general liability, automobile liability, uninsured motorists, underinsured motorists, public officials and employees liability, employee benefits liability, and workers' compensation and employers' liability coverage is provided in excess of specified limits for the members, acting as a single insurable unit.

The relationship between the Township and TOIRMA 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 TOIRMA, to report claims on a timely basis,

NOTES TO FINANCIAL STATEMENTS (Continued)

cooperate with TOIRMA, its claims administrator, and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by TOIRMA. Members have a contractual obligation to fund any deficit of TOIRMA attributable to a membership year during which they were a member.

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

For each of the past three years, the Township has had no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance coverage. 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, 2019, there were no significant adjustments in premiums based on actual experience.

NOTE 13 - LEGAL DEBT LIMITATION

The State of Illinois limits the amount of indebtedness to 2.875% of the most recent available equalized assessed valuation (EAV) of the Township. The Township's legal debt limitation is as follows:

2018 EAV	\$	1,161,787,500
Rate		2.875%
Debt Margin	\$	33,401,391
Current Debt		-
Remaining Debt Margin	\$	<u>33,401,391</u>

NOTE 14 - CONTINGENCIES

The Township is not aware of any litigation which might have a material adverse effect on the Township's financial position.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended March 31, 2019, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. The liability of this accounting change was determined to be zero, which resulted in no liability. No further information will be included in this report.

REQUIRED SUPPLEMENTARY INFORMATION

MCHENRY TOWNSHIP
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION
LIABILITY AND RELATED RATIOS
MARCH 31, 2019

	<u>3/31/2019*</u>	<u>3/31/2018 *</u>	<u>3/31/2017 *</u>	<u>3/31/2016 *</u>
TOTAL PENSION LIABILITY				
Service Cost	\$ 152,320	\$ 167,297	\$ 158,993	\$ 153,080
Interest on the Total Pension Liability	474,170	461,753	431,572	431,659
Differences Between Expected and Actual Experience	170,144	78,532	107,956	(303,025)
Changes of Assumptions	179,139	(202,662)	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(346,737)</u>	<u>(317,005)</u>	<u>(283,516)</u>	<u>(288,147)</u>
Net Change in Total Pension Liability	<u>\$ 629,036</u>	<u>\$ 187,915</u>	<u>\$ 415,005</u>	<u>\$ (6,433)</u>
Total Pension Liability - Beginning	<u>6,419,476</u>	<u>6,231,561</u>	<u>5,816,556</u>	<u>5,822,989</u>
Total Pension Liability - Ending	<u>\$ 7,048,512</u>	<u>\$ 6,419,476</u>	<u>\$ 6,231,561</u>	<u>\$ 5,816,556</u>
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 114,016	\$ 97,994	\$ 94,619	\$ 102,424
Contributions - Member	77,503	67,531	66,702	63,235
Net Investment Income	(444,522)	1,119,650	410,268	32,482
Benefit Payments, Including Refunds of Member Contributions	(346,737)	(317,005)	(283,516)	(288,147)
Other (Net Transfers)	<u>147,221</u>	<u>(40,272)</u>	<u>71,195</u>	<u>(463,651)</u>
Net Change in Plan Fiduciary Net Position	<u>\$ (452,519)</u>	<u>\$ 927,898</u>	<u>\$ 359,268</u>	<u>\$ (553,657)</u>
Plan Net Position - Beginning	<u>7,291,067</u>	<u>6,363,169</u>	<u>6,003,901</u>	<u>6,557,558</u>
Plan Net Position - Ending	<u>\$ 6,838,548</u>	<u>\$ 7,291,067</u>	<u>\$ 6,363,169</u>	<u>\$ 6,003,901</u>
Township's Net Pension Liability (Asset)	<u>\$ 209,964</u>	<u>\$ (871,591)</u>	<u>\$ (131,608)</u>	<u>\$ (187,345)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.02%	113.58%	102.11%	103.22%
Covered-Valuation Payroll	\$ 1,722,293	\$ 1,500,679	\$ 1,473,822	\$ 1,393,510
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	12.19%	-58.08%	-8.93%	-13.44%

* This information presented is based on the actuarial valuation performed as of the December 31 year end prior to the fiscal year end listed above.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

MCHENRY TOWNSHIP
ILLINOIS MUNICIPAL RETIREMENT FUND
SCHEDULE OF EMPLOYER CONTRIBUTION
MARCH 31, 2019

	<u>3/31/2019</u>	<u>3/31/2018 *</u>	<u>3/31/2017 *</u>	<u>3/31/2016</u>
Actuarially-Determined Contribution	\$ 114,016	\$ 97,994	\$ 94,619	\$ 102,423
Contributions in Relation to Actuarially-Determined Contribution	<u>114,016</u>	<u>97,994</u>	<u>94,619</u>	<u>102,424</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>
Covered-Valuation Payroll	\$ 1,809,386	\$ 1,500,679	\$ 1,473,822	\$ 1,393,510
Contributions as a Percentage of Covered-Valuation Payroll	6.30%	6.53%	6.42%	7.35%

Notes to Schedule:

Actuarial Method and Assumptions Used on the Calculation of the 2018 Contribution Rate *

Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Actuarial Cost Method: Aggregate entry age = normal

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 25-year closed period

Asset Valuation Method: 5-year smoothed market; 20% corridor

Wage Growth: 3.5%

Price Inflation: 2.75%, approximate; No explicit price inflation assumption is used in this valuation.

Salary Increases: 3.75% to 14.50%, including inflation

Investment Rate of Return: 7.50%

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition; last updated for the 2014 valuation pursuant to an experience study of the period 2011 to 2013.

Mortality: RP-2014 Blue Collar Healthy Mortality Table, adjusted to match current IMRF experience. For disabled lives, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

*Based on Valuation Assumptions used in the December 31, 2016 actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	<u>ACTUAL</u>
REVENUES		
Property Taxes	\$ 1,418,800	\$ 1,281,068
Replacement Tax	11,000	11,516
Interest Income	8,500	47,465
Rental Income	32,700	41,712
Grant Income	42,500	48,508
Senior Transportation Fees	6,500	11,059
Miscellaneous Income	1,500	2,054
Total Revenues	<u>\$ 1,521,500</u>	<u>\$ 1,443,382</u>
EXPENDITURES		
Current		
General Government		
Personnel		
Salaries	\$ 318,000	\$ 284,747
Health Insurance	95,000	68,185
Health Reimbursement Account	35,000	17,176
Retirement Contribution	22,100	19,067
Social Security/Unemployment	31,350	23,764
	<u>\$ 501,450</u>	<u>\$ 412,939</u>
Contractual Services		
Maintenance Service - Equipment	\$ 2,500	\$ 794
Risk Management Premiums	35,000	29,341
Telephone	2,500	2,233
Dues	2,000	1,941
Travel Expense	1,000	1,453
Postage	3,000	1,187
Printing/Publishing	1,500	1,683
Township Newsletter	9,000	8,825
Accounting Service	12,000	7,303
Nextel/Radio	850	824
Legal Service	35,000	34,481
Website	1,600	1,756
Training	3,000	879
Bank Fees	20	28
Data Processing Support	31,000	35,334
Consultant Services	10,000	5,857
	<u>\$ 149,970</u>	<u>\$ 133,919</u>
Commodities		
Office Supplies	\$ 3,000	\$ 2,740
Operating Supplies	2,500	2,168
Furniture/Equipment/Software	5,500	18,459
	<u>\$ 11,000</u>	<u>\$ 23,367</u>

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	<u>ACTUAL</u>
EXPENDITURES (Continued)		
Current (Continued)		
General Government (Continued)		
Other Expenditures		
Mosquito Abatement	\$ 65,000	\$ 64,000
Senior Citizen Service	9,000	9,621
McHenry County Historical Society	1,000	1,000
NISRA	3,000	619
McHenry County Recycling Education	1,300	650
Special Events	4,000	9,120
Miscellaneous	2,500	1,397
U of I Extension Program	1,000	-
	<u>\$ 86,800</u>	<u>\$ 86,407</u>
Total General Government	<u>\$ 749,220</u>	<u>\$ 656,632</u>
Directly Funded Community Services		
Personnel		
Salaries	\$ 145,000	\$ 142,199
Overtime	-	1,627
Health Insurance	38,200	40,308
Health Reimbursement Account	22,000	3,260
Retirement Contribution	10,000	6,522
Social Security/Unemployment	14,000	12,051
	<u>\$ 229,200</u>	<u>\$ 205,967</u>
Contractual Services		
Vehicle Maintenance	\$ 4,500	\$ 8,615
Nextel/Radio	2,500	2,633
PACE Lease	6,000	5,800
Town Fund Contingencies	-	91,154
	<u>\$ 13,000</u>	<u>\$ 108,202</u>
Commodities		
Operating Supplies	\$ 200	\$ 776
Other Expenditures		
Miscellaneous	\$ 500	\$ 140
Fuel	12,500	12,500
Occupational Health	1,000	1,265
	<u>\$ 14,000</u>	<u>\$ 13,905</u>
Total Directly Funded Community Services	<u>\$ 256,400</u>	<u>\$ 328,850</u>

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS <u>ORIGINAL AND FINAL</u>	<u>ACTUAL</u>
EXPENDITURES (Continued)		
Current (Continued)		
Parks and Recreation		
Personnel		
Salaries	\$ 130,000	\$ 134,972
Overtime	8,000	8,892
Health Insurance	42,000	34,113
Health Reimbursement Account	22,000	1,606
Retirement Contribution	8,500	8,258
Social Security/Unemployment	11,000	11,264
	<u>\$ 221,500</u>	<u>\$ 199,105</u>
Contractual Services		
Maintenance Service - Building	\$ 41,000	\$ 41,908
Maintenance Service - Equipment	6,000	6,046
Maintenance Service - Vehicles	7,000	4,174
Equipment Rental	500	691
Dues and Subscriptions	250	-
Travel	250	135
Training	400	-
Nextel/Radio	2,100	2,048
Utilities - Food Pantry	11,000	12,070
Utilities - Town Hall	14,000	13,429
Utilities - WHCC	2,000	2,704
Utilities - Park Garage	1,900	1,762
Utilities - Ball Fields	1,800	1,005
Utilities - Recreation Center	12,000	11,069
Uniform Services	1,500	1,953
Security	6,000	5,720
Fuel	12,500	12,500
	<u>\$ 120,200</u>	<u>\$ 117,214</u>
Commodities		
Office Supplies	\$ 1,200	\$ 356
Operating Supplies	800	562
Small Tools	1,500	1,612
Grounds Maintenance Supplies	15,000	14,739
Ball Field Maintenance Supplies	16,000	14,935
	<u>\$ 34,500</u>	<u>\$ 32,204</u>
Other Expenditures		
Miscellaneous	\$ 1,000	\$ 255
	<u>\$ 377,200</u>	<u>\$ 348,778</u>
Total Parks and Recreation		

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL
EXPENDITURES (Continued)		
Current (Continued)		
Assessor		
Personnel		
Salaries	\$ 335,000	\$ 315,649
Overtime	5,000	2,506
Health Insurance	92,000	67,599
Health Reimbursement Account	29,000	9,187
Retirement Contribution	21,500	18,139
Social Security/Unemployment	26,400	24,347
	\$ 508,900	\$ 437,427
Contractual Services		
Maintenance Service - Equipment	\$ 3,500	\$ 2,476
Computer Maintenance/Software	40,000	46,509
Telephone	3,000	3,814
Dues and Subscriptions	2,200	1,547
Travel Expense	5,000	3,886
Postage	1,100	1,294
Printing/Publishing	300	258
Training	5,500	1,700
Publications	1,000	-
Professional Services	8,000	-
	\$ 69,600	\$ 61,484
Commodities		
Office Supplies	\$ 2,500	\$ 2,189
Other Expenditures		
Miscellaneous Expenses	\$ 3,000	\$ 2,291
Total Assessor	\$ 584,000	\$ 503,391
Total Current	\$ 1,966,820	\$ 1,837,651
Capital Outlay		
Directly Funded Community Services	\$ -	\$ 7,815
Parks and Recreation	183,500	165,905
Assessor	5,000	7,475
	\$ 188,500	\$ 181,195
Total Expenditures	\$ 2,155,320	\$ 2,018,846

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL
(Continued)		
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (633,820)	\$ (575,464)
OTHER FINANCING SOURCES/(USES) Transfers	-	(133,712)
NET CHANGE IN FUND BALANCE	\$ (633,820)	\$ (709,176)
FUND BALANCE - APRIL 1, 2018		3,482,170
FUND BALANCE - MARCH 31, 2019		\$ 2,772,994

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL AND FINAL		
REVENUES			
Property Taxes	\$ 1,012,843		\$ 1,009,106
Replacement Tax	27,500		32,103
Motor Fuel Tax	-		108,203
Road Fines	10,000		14,665
Interest Income	64,000		13,612
Miscellaneous Income	36,000		2,938
Intergovernmental Agreements	110,000		105,506
Fees	7,000		8,309
Reimbursements	1,500		2,850
Total Revenues	\$ 1,268,843		\$ 1,297,292
EXPENDITURES			
Current			
General Government			
Personnel			
Salaries	\$ 125,800		\$ 138,426
Health Insurance	26,000		21,723
Health Reimbursement Account	9,000		2,574
Retirement Contribution	6,100		5,499
Social Security/Unemployment	9,500		7,394
	\$ 176,400		\$ 175,616
Contractual Services			
Telephone	\$ 16,000		\$ 16,388
Computer Maintenance	17,000		22,379
Dues and Subscriptions	1,300		3,134
Travel	6,500		11,172
Postage	9,000		2,902
Printing/Publishing	15,000		3,711
Accounting Services	11,000		11,313
Legal Services	50,000		29,639
Training	3,300		3,416
Consultant Services	25,000		3,282
Recycling	3,000		-
NDR/MC DOT IGA Contractors	20,000		780
General Insurance	55,000		49,460
	\$ 232,100		\$ 157,576
Commodities			
Office Supplies	\$ 4,500		\$ 4,304
Other Expenditures			
Municipal Replacement Tax	\$ 4,000		\$ 3,328
Bank Fees	200		9
Contingencies	55,000		39,339
Miscellaneous	3,000		3,554
	\$ 62,200		\$ 46,230
Total General Government	\$ 475,200		\$ 383,726

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL
 ROAD AND BRIDGE FUND
 YEAR ENDED MARCH 31, 2019

	<u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>ACTUAL</u>
EXPENDITURES (Continued)		
Current (Continued)		
Highways and Roads		
Contractual Services		
Bridge Repair	\$ 50,000	\$ -
Maintenance Service - Building	12,000	12,738
Maintenance Service - Equipment	24,000	7,132
Maintenance Service - Road	6,000	409
Engineering Services	168,000	72,988
Tree Trimming	5,000	3,528
Street Lighting	55,000	54,214
Utilities	19,000	20,119
Rentals	10,000	805
NDR Sub-Contractors	-	20,325
	<u>\$ 349,000</u>	<u>\$ 192,258</u>
Commodities		
Maintenance Supplies - Building	\$ 8,000	\$ 4,885
Maintenance Supplies - Equipment	60,000	71,210
Maintenance Supplies - Snow	160,000	112,291
Maintenance Supplies - Road	38,000	142,451
Maintenance Supplies - Sand and Gravel	10,000	-
Small Tools	8,800	9,881
Operating Supplies	45,000	50,372
Fuel	85,000	91,395
Sign Replacement Program	45,000	13,486
	<u>\$ 459,800</u>	<u>\$ 495,971</u>
Other Expenditures		
Miscellaneous	\$ 3,300	\$ 1,233
Deferred Maintenance	30,000	-
NDR Subdivisions	50,000	28,254
MCDOT IGA	-	8,933
	<u>\$ 83,300</u>	<u>\$ 38,420</u>
Total Highway and Roads	<u>\$ 892,100</u>	<u>\$ 726,649</u>
Total Current	<u>\$ 1,367,300</u>	<u>\$ 1,110,375</u>
Capital Outlay		
General Government	\$ 5,500	\$ 5,673
Highways and Roads	646,500	609,031
	<u>\$ 652,000</u>	<u>\$ 614,704</u>
Total Expenditures	<u>\$ 2,019,300</u>	<u>\$ 1,725,079</u>

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL
 ROAD AND BRIDGE FUND
 YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL
(Continued)		
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (750,457)	\$ (427,787)
OTHER FINANCING SOURCES/(USES) Proceeds from Sale of Fixed Assets	30,000	29,000
NET CHANGE IN FUND BALANCE	\$ (720,457)	\$ (398,787)
FUND BALANCE - APRIL 1, 2018		1,397,348
FUND BALANCE - MARCH 31, 2019		\$ 998,561

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
PERMANENT ROAD FUND
YEAR ENDED MARCH 31, 2019

	<u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>ACTUAL</u>
REVENUES		
Property Taxes	\$ 1,330,006	\$ 1,325,225
Replacement Tax	28,000	26,329
Intergovernmental Agreements	1,500,000	1,405,335
Interest Income	1,500	7,045
Miscellaneous Income	1,000	3,077
Total Revenues	<u>\$ 2,860,506</u>	<u>\$ 2,767,011</u>
EXPENDITURES		
Current		
Highways and Roads		
Salaries	\$ 755,000	\$ 801,816
IMRF	52,850	45,405
Social Security and Medicare Contribution	67,950	61,734
Employee Insurance	135,900	110,588
HRA	45,300	22,917
Road Repair and Construction	2,390,000	2,083,435
Miscellaneous Expense	1,000	-
Contingencies	50,000	-
Total Highways and Roads	<u>\$ 3,498,000</u>	<u>\$ 3,125,895</u>
Total Expenditures	<u>\$ 3,498,000</u>	<u>\$ 3,125,895</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (637,494)	\$ (358,884)
OTHER FINANCING SOURCES/(USES)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (637,494)</u></u>	<u>\$ (358,884)</u>
FUND BALANCE - APRIL 1, 2018		<u>698,250</u>
FUND BALANCE - MARCH 31, 2019		<u><u>\$ 339,366</u></u>

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
GENERAL ASSISTANCE FUND
YEAR ENDED MARCH 31, 2019

	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL
REVENUES		
Property Taxes	\$ 132,890	\$ 132,390
Replacement Tax	2,700	2,861
Interest Income	425	3,125
Donation Income	100	-
Miscellaneous Income	1,000	5,750
Total Revenues	\$ 137,115	\$ 144,126
EXPENDITURES		
Current		
Community Assistance and Services		
Personnel		
Salaries	\$ 48,000	\$ 47,517
Health Insurance	11,000	8,810
Health Reimbursement Account	6,300	5,472
Retirement Account	3,200	3,142
Social Security/Unemployment	4,100	3,803
	\$ 72,600	\$ 68,744
Contractual and Other		
Software	\$ 1,200	\$ 1,200
Office Supplies	1,000	872
Computer Hardware	1,000	1,403
Catastrophic Insurance	2,360	-
Travel/Training	2,500	947
Postage	550	491
Miscellaneous	1,000	1,085
	\$ 9,610	\$ 5,998
General Assistance	\$ 90,000	\$ 4,762
Emergency Assistance	\$ 135,000	\$ 186,183
Total Community Assistance and Services	\$ 307,210	\$ 265,687
Total Expenditures	\$ 307,210	\$ 265,687
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (170,095)	\$ (121,561)
OTHER FINANCING SOURCES/(USES)		
Transfers	196,404	133,712
NET CHANGE IN FUND BALANCE	\$ 26,309	\$ 12,151
FUND BALANCE - APRIL 1, 2018		338,037
FUND BALANCE - MARCH 31, 2019		\$ 350,188

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2019

NOTE 1 - BUDGETARY PROCESS

- A. The Township Board of Trustees adopts the budgets for all governmental type funds; however, two separate budgets are prepared. The Township budget was passed on June 7, 2018 and the Road District budget was also passed on June 7, 2018.
1. Town Funds (General, General Assistance, etc.)
 - i. The tentative budget is prepared by the Township Supervisor and filed with the Town Clerk.
 - ii. The Town Clerk makes the tentative budget conveniently available for public inspection for a period of at least 30 days prior to final action.
 - iii. At least 30 days prior, notice of the public hearing is published in a newspaper published in the town.
 - iv. The tentative budget is adopted by the Town Board of Trustees prior to April 30.
 2. Road Fund (Road and Bridge, Permanent Hard Road, etc.)
 - i. The tentative budget is prepared by the Highway Commissioner and filed with the Town Clerk
 - ii. The Town Clerk makes the tentative budget conveniently available for public inspection for a period of at least 30 days prior to final action.
 - iii. At least 30 days prior, notice of the public hearing is published in a newspaper published in the town.
 - iv. The tentative budget is adopted by the Town Board of Trustees prior to April 30.
- B. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The budgets are adopted using the modified accrual basis of accounting.

NOTE 2 - EXCESS OF EXPENDITURES OVER BUDGET

For the year ended March 31, 2019, no fund had expenditures that exceeded the budget.