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***McHENRY TOWNSHIP, ILLINOIS***

***ANNUAL FINANCIAL REPORT***

***MARCH 31, 2020***

**eder, casella & co**

MCHENRY TOWNSHIP  
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MARCH 31, 2020

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## 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, 2020, 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 Township'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 Township'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.

eder,  
casella  
&  
co

## ***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, 2020, 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.

## ***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 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.

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

McHenry, Illinois  
July 22, 2020

REQUIRED SUPPLEMENTARY INFORMATION

## **MCHENRY 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, 2020.

### **FINANCIAL HIGHLIGHTS**

- At March 31, 2020, the assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources by \$9,772,245 (net position). Of this amount, \$4,212,914 (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 \$1,061,490.
- At March 31, 2020, the Township's governmental funds reported combined ending fund balances of \$3,837,675, a decrease of \$623,434 in comparison with the prior year. Of this amount, \$185,224 is nonspendable, \$10,176 is restricted, \$580,000 is committed, \$1,725,243 is assigned for different funds and projects, and \$1,337,032 is available for spending at the Township's discretion (unassigned fund balance).
- At March 31, 2020, the fund balance for the General Fund was \$2,199,580, of which \$1,337,032 was unassigned. Unassigned fund balance represents 71% 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 Statement of Assets, Liabilities, and Fund Balance 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 39 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 \$9,772,245 at March 31, 2020.

A portion of the Township's net position (57%) 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 2020	FY 2019
<b>ASSETS</b>		
Current and Other Assets	\$ 8,386,696	\$ 8,496,520
Capital Assets	5,549,155	5,916,283
Total Assets	<u>\$ 13,935,851</u>	<u>\$ 14,412,803</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Expense - IMRF	\$ 27,884	\$ 743,765
Total Deferred Outflows of Resources	<u>\$ 27,884</u>	<u>\$ 743,765</u>
<b>LIABILITIES</b>		
Long-Term Liabilities Outstanding	\$ 80,285	\$ 287,422
Other Liabilities	148,846	189,382
Total Liabilities	<u>\$ 229,131</u>	<u>\$ 476,804</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	\$ 3,847,793	\$ 3,846,029
Pension Revenue - IMRF	114,566	-
Total Deferred Inflows of Resources	<u>\$ 3,962,359</u>	<u>\$ 3,846,029</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 5,549,155	\$ 5,916,283
Restricted	10,176	56,011
Unrestricted	4,212,914	4,861,441
Total Net Position	<u><u>\$ 9,772,245</u></u>	<u><u>\$ 10,833,735</u></u>

An additional portion of the Township's net position (.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,212,914, may be used to meet the Township's ongoing obligations to citizens and creditors.

At March 31, 2020, the Township is able to report positive balances in all three categories of net position.

The Township's net position decreased by \$1,061,490 during the year ended March 31, 2020.

**Governmental activities** - Governmental activities decreased the Township's net position by \$1,061,490. Key elements of this decrease are as follows:

McHenry Township's Change in Net Position

	Governmental Activities	
	FY 2020	FY 2019
Revenues:		
Program Revenues		
Charges for Services	\$ 74,863	\$ 75,745
Operating Grants and Contributions	363,559	1,559,349
General Revenues:		
Property Taxes	3,852,736	3,747,789
Other Taxes	249,647	181,012
Unrestricted Investment Earnings	67,604	71,247
Gain/(Loss) on Sale of Capital Assets	6,671	(7,412)
Other Income	13,122	45,669
Total Revenues	<u>\$ 4,628,202</u>	<u>\$ 5,673,399</u>
Expenses:		
General Government	\$ 1,458,251	\$ 1,200,917
Directly Funded Community Services	294,636	322,544
Community Assistance and Services	182,141	264,123
Parks and Recreation	364,817	449,019
Assessor	506,653	489,991
Highways and Roads	2,883,194	4,163,197
Total Expenses	<u>\$ 5,689,692</u>	<u>\$ 6,889,791</u>
Change in Net Position	\$ (1,061,490)	\$ (1,216,392)
Net Position - Beginning	10,833,735	12,050,127
Net Position - Ending	<u>\$ 9,772,245</u>	<u>\$ 10,833,735</u>

The most significant change was the decrease in Operating Grants and Contributions due to the completion of the collaboration with McHenry County and no longer receiving grant money for this road construction project. This decrease was offset by an increase in Motor Fuel Tax received from McHenry County. During July of 2019, the Motor Fuel Tax law was amended, therefore the Township receives an additional monthly allotment from the Transportation Renewal Fund.

**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, 2020, the Township's governmental funds reported combined ending fund balances of \$3,837,675, a decrease of \$623,434 in comparison with the prior year. Of this amount, \$1,337,032 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, 2020, fund balance in the General Fund was \$2,199,580, a decrease of \$573,414 in comparison with the prior year. This decrease was mainly due to expenses exceeding revenue.

The Road and Bridge Fund is used to account for revenues restricted for road and bridge district expenditures. At March 31, 2020, fund balance in the Road and Bridge Fund was \$862,478, a decrease of \$136,083 in comparison with the prior year. The decrease was mainly due to expenses exceeding revenue. Revenues increased and expenses decreased compared to the prior year, but the expenses were still greater than revenue for the current year.

The Permanent Road Fund is used to account for revenues restricted for road improvements and maintenance within the road district. At March 31, 2020, fund balance in the Permanent Road Fund was \$338,232, a decrease of \$1,134 in comparison with the prior year.

The General Assistance Fund is used to account for revenues restricted for general assistance expenditures. At March 31, 2020, fund balance in the General Assistance Fund was \$437,385, an increase of \$87,197 in comparison with the prior year. The increase was caused by having a significantly lower amount distributed for emergency assistance compared to the prior year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Township amended the budget during the year ended March 31, 2020.

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

- The difference between the estimated revenues and the actual revenues was \$14,188 (favorable) and was primarily due to more interest income received than anticipated.
- The difference between the estimated expenditures and the actual expenditures was \$256,408 (favorable) and was primarily due to less than anticipated health reimbursement, contracted services, and capital outlay 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, 2020 amounts to \$5,549,155 (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, 2020 included the following:

- Purchase of compact truck loader for \$49,400
- Purchase of lawn mower for \$21,979
- Purchase of irrigation system for \$11,764

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

	Governmental Activities	
	2020	2019
Land	\$ 111,500	\$ 111,500
Buildings	2,687,305	2,792,648.17
Improvements	511,551	544,940
Machinery and Equipment	1,890,133	2,108,956
Office Equipment	13,043	22,616
Infrastructure - Rights of Way	335,623	335,623
Total	<u>\$ 5,549,155</u>	<u>\$ 5,916,283</u>

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, 2020, 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 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 continues to be a local government leader in keeping property tax levies low! 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. In 2020-2021 McHenry Township has again approved a flat levy.

The Township maintains reserves to manage deferred maintenance on facilities and the replacement of equipment, when its useful life has expired.

## **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, 2020

	Primary Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,674,165
Restricted Cash and Cash Equivalents	156,396
Accounts Receivable	15,387
Investments, at fair value	952,349
Property Taxes Receivable, net of allowance of \$19,336	3,847,793
Inventory	162,560
Security Deposits	3,000
Prepaid Items	22,664
Net Pension Asset	552,382
Capital Assets:	
Land and Other Non-Depreciable Assets	447,123
Other Capital Assets, Net of Depreciation	5,102,032
<b>Total Assets</b>	<b>\$ 13,935,851</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Expense - IMRF	\$ 27,884
<b>Total Deferred Outflows of Resources</b>	<b>\$ 27,884</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 78,120
Deposits	17,732
Payroll Liabilities	51,965
Performance Bond	300
Accrued Payroll	729
Non-Current Liabilities	
Due in More Than One Year	80,285
<b>Total Liabilities</b>	<b>\$ 229,131</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	\$ 3,847,793
Pension Revenue - IMRF	114,566
<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,962,359</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,549,155
Restricted for:	
Permanent Road	10,176
Unrestricted/(Deficit)	4,212,914
<b>Total Net Position</b>	<b>\$ 9,772,245</b>

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, 2020

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Primary Government				
Governmental Activities				
General Government	\$ 1,458,251	\$ 52,764	\$ 41,266	\$ (1,364,221)
Directly Funded Community Services	294,636	-	-	(294,636)
Community Assistance and Services	182,141	-	-	(182,141)
Parks and Recreation	364,817	-	-	(364,817)
Assessor	506,653	-	-	(506,653)
Highways and Roads	2,883,194	22,099	322,293	(2,538,802)
Total Primary Government	\$ 5,689,692	\$ 74,863	\$ 363,559	\$ (5,251,270)
General Revenues				
Taxes				
Property Taxes				\$ 3,852,736
Replacement Tax				90,528
Motor Fuel Tax				159,119
Unrestricted Investment Earnings				67,604
Gain/(Loss) on Sale of Capital Assets				6,671
Other Income				13,122
Total General Revenues				\$ 4,189,780
Change in Net Position				\$ (1,061,490)
Net Position - Beginning of Year				10,833,735
Net Position - End of Year				\$ 9,772,245

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, 2020

	General Fund	Road and Bridge Fund	Permanent Road Fund	General Assistance Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,345,402	\$ 581,040	\$ 307,177	\$ 440,546	\$ 2,674,165
Restricted Cash and Cash Equivalents	-	156,396	-	-	156,396
Investments, at fair value	889,370	-	62,979	-	952,349
Property Taxes Receivable, net of allowance of \$19,336	1,279,472	1,043,084	1,393,001	132,236	3,847,793
Inventory	-	162,560	-	-	162,560
Security Deposits	1,000	2,000	-	-	3,000
Prepaid Items	12,548	9,497	-	619	22,664
Accounts Receivable	15,387	-	-	-	15,387
Due from Other Funds	1,110	-	-	-	1,110
<b>Total Assets</b>	<b>\$ 3,544,289</b>	<b>\$ 1,954,577</b>	<b>\$ 1,763,157</b>	<b>\$ 573,401</b>	<b>\$ 7,835,424</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 33,205	\$ 26,563	\$ 18,107	\$ 245	\$ 78,120
Deposits	5,432	12,300	-	-	17,732
Payroll Liabilities	26,300	10,152	13,817	1,696	51,965
Performance Bond	300	-	-	-	300
Accrued Payroll	-	-	-	729	729
Due to Other Funds	-	-	-	1,110	1,110
<b>Total Liabilities</b>	<b>\$ 65,237</b>	<b>\$ 49,015</b>	<b>\$ 31,924</b>	<b>\$ 3,780</b>	<b>\$ 149,956</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	\$ 1,279,472	\$ 1,043,084	\$ 1,393,001	\$ 132,236	\$ 3,847,793
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,279,472</b>	<b>\$ 1,043,084</b>	<b>\$ 1,393,001</b>	<b>\$ 132,236</b>	<b>\$ 3,847,793</b>
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Prepaid Expenses	\$ 12,548	\$ 9,497	\$ -	\$ 619	\$ 22,664
Inventory	-	162,560	-	-	162,560
<b>Restricted</b>					
Permanent Hard Road	-	-	10,176	-	10,176
<b>Committed</b>					
General Assistance	300,000	-	-	-	300,000
Improvements	250,000	30,000	-	-	280,000
<b>Assigned</b>					
General Assistance	-	-	-	436,766	436,766
Road and Bridge	-	660,421	-	-	660,421
Permanent Hard Road	-	-	328,056	-	328,056
Deferred Maintenance on Facilities	250,000	-	-	-	250,000
Technology Upgrades and Replacements	50,000	-	-	-	50,000
Unassigned	1,337,032	-	-	-	1,337,032
<b>Total Fund Balances</b>	<b>\$ 2,199,580</b>	<b>\$ 862,478</b>	<b>\$ 338,232</b>	<b>\$ 437,385</b>	<b>\$ 3,837,675</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,544,289</b>	<b>\$ 1,954,577</b>	<b>\$ 1,763,157</b>	<b>\$ 573,401</b>	<b>\$ 7,835,424</b>

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

MCHENRY TOWNSHIP  
 FUND FINANCIAL STATEMENTS  
 RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES,  
 AND FUND BALANCE TO THE STATEMENT OF NET POSITION  
 MARCH 31, 2020

Fund Balances - Total Governmental Funds \$ 3,837,675

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds.

Capital Assets	\$ 10,671,282	
Less: Accumulated Depreciation	<u>(5,122,127)</u>	
		5,549,155

Some assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds.

Net Pension Asset		552,382
-------------------	--	---------

Some liabilities are not due and payable in the current period and  
 therefore are not reported in the funds.

Compensated Absences		(80,285)
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Deferred pension costs in governmental activities are not financial  
 resources and therefore are not reported in the funds.

Deferred Inflows/Outflows - IMRF		<u>(86,682)</u>
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Net Position of Governmental Activities		<u><u>\$ 9,772,245</u></u>
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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, 2020

	General Fund	Road and Bridge Fund	Permanent Road Fund	General Assistance Fund	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 1,281,595	\$ 1,043,259	\$ 1,395,419	\$ 132,463	\$ 3,852,736
Replacement Tax	13,755	35,342	35,769	5,662	90,528
Motor Fuel Tax	-	159,119	-	-	159,119
Road Fines	-	12,103	-	-	12,103
Interest Income	45,551	12,048	6,110	3,895	67,604
Rental Income	38,799	-	-	-	38,799
Grant Income	30,466	-	10,800	-	41,266
Senior Transportation Fees	13,965	-	-	-	13,965
Donation Income	-	-	-	5	5
Miscellaneous Income	175	10,125	2,822	-	13,122
Intergovernmental Agreements	-	158,495	163,798	-	322,293
Fees	-	9,996	-	-	9,996
	<u>\$ 1,424,306</u>	<u>\$ 1,440,487</u>	<u>\$ 1,614,718</u>	<u>\$ 142,025</u>	<u>\$ 4,621,536</u>
<b>EXPENDITURES</b>					
Current					
General Government	\$ 674,265	\$ 609,082	\$ -	\$ -	\$ 1,283,347
Directly Funded Community Services	289,188	-	-	-	289,188
Community Assistance and Services	-	-	-	181,098	181,098
Parks and Recreation	330,763	-	-	-	330,763
Assessor	490,276	-	-	-	490,276
Highways and Roads	-	921,283	1,615,852	-	2,537,135
Capital Outlay	86,958	53,542	-	-	140,500
	<u>\$ 1,871,450</u>	<u>\$ 1,583,907</u>	<u>\$ 1,615,852</u>	<u>\$ 181,098</u>	<u>\$ 5,252,307</u>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (447,144)</u>	<u>\$ (143,420)</u>	<u>\$ (1,134)</u>	<u>\$ (39,073)</u>	<u>\$ (630,771)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Proceeds from Sale of Fixed Assets	\$ -	\$ 7,337	\$ -	\$ -	\$ 7,337
Transfers	(126,270)	-	-	126,270	-
	<u>\$ (126,270)</u>	<u>\$ 7,337</u>	<u>\$ -</u>	<u>\$ 126,270</u>	<u>\$ 7,337</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (573,414)	\$ (136,083)	\$ (1,134)	\$ 87,197	\$ (623,434)
<b>FUND BALANCES - APRIL 1, 2019</b>	<u>2,772,994</u>	<u>998,561</u>	<u>339,366</u>	<u>350,188</u>	<u>4,461,109</u>
<b>FUND BALANCES - MARCH 31, 2020</b>	<u>\$ 2,199,580</u>	<u>\$ 862,478</u>	<u>\$ 338,232</u>	<u>\$ 437,385</u>	<u>\$ 3,837,675</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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (623,434)

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	\$ 102,952	
Depreciation Expense	<u>(469,414)</u>	(366,462)

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	\$ (2,827)	
Pension Expense	<u>(149,151)</u>	(151,978)

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	\$ (7,337)	
Gain/(Loss) on Sale of Fixed Assets	<u>6,671</u>	(666)

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>81,050</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (1,061,490)</u></u>
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The Notes to Financial Statements are an integral part of this statement.

MCHENRY TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**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 policies 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, 2020.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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.

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.,

## NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2020, the Township had \$3,847,793 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, 2020.

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, 2020 was \$162,560.

### 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, 2020, this amount was \$80,285. 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 2019 levies were passed by the Board on November 20, 2019. 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, 2020, 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 \$156,396 representing the amount of Motor Fuel Tax funds available at March 31, 2020. 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, 2020 was as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

	Balance April 1, 2019	Increases	Decreases	Balance March 31, 2020
<b>Governmental Activities</b>				
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	1,013,560	15,360	-	1,028,920
Machinery and Equipment	4,852,743	87,592	56,611	4,883,724
Office Equipment	84,865	-	-	84,865
Total Other Capital Assets at historical cost	<u>\$ 10,177,818</u>	<u>\$ 102,952</u>	<u>\$ 56,611</u>	<u>\$ 10,224,159</u>
Less Accumulated Depreciation for				
Buildings	\$ 1,434,002	\$ 105,343	\$ -	\$ 1,539,345
Improvements	468,620	48,749	-	517,369
Machinery and Equipment	2,743,787	305,749	55,945	2,993,591
Office Equipment	62,249	9,573	-	71,822
Total Accumulated Depreciation	<u>\$ 4,708,658</u>	<u>\$ 469,414</u>	<u>\$ 55,945</u>	<u>\$ 5,122,127</u>
Other Capital Assets, Net	<u>\$ 5,469,160</u>	<u>\$ (366,462)</u>	<u>\$ 666</u>	<u>\$ 5,102,032</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 5,916,283</u></u>	<u><u>\$ (366,462)</u></u>	<u><u>\$ 666</u></u>	<u><u>\$ 5,549,155</u></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:

<b>Governmental Activities</b>	
General Government	\$ 164,053
Highways and Streets	305,361
Total Governmental Activities Depreciation Expense	<u><u>\$ 469,414</u></u>

**NOTE 5 - LONG-TERM LIABILITY ACTIVITY**

Long-term liability activity for the year ended March 31, 2020 was as follows:

	Balance April 1, 2019	Additions	Retirements	Balance March 31, 2020	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Other Long-Term Obligations					
Compensated Absences	\$ 77,458	\$ 2,827	\$ -	\$ 80,285	\$ -
IMRF Pension Liability	209,964	-	209,964	-	-
Total Long-Term Obligations	<u>\$ 287,422</u>	<u>\$ 2,827</u>	<u>\$ 209,964</u>	<u>\$ 80,285</u>	<u>\$ -</u>

**NOTE 6 - INTERFUND BALANCES**

Interfund balances at March 31, 2020 consisted of the following:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

Due from	Due to	Amount
General Assistance Fund	General Fund	\$ 1,110

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, 2020.

**NOTE 8 - PROPERTY TAXES**

Property taxes recorded in these financial statements are from the 2018 tax levies. A summary of the assessed valuations, rates, and extensions for the years 2019, 2018, and 2017 follows:

TAX YEAR ASSESSED VALUATION	2019		2018		2017	
	Rate	Extension	Rate	Extension	Rate	Extension
Corporate	0.1050	\$ 1,285,902	0.1107	\$ 1,285,901	0.1173	\$ 1,285,910
General Assistance	0.0109	132,902	0.0114	132,908	0.0121	132,890
Road and Bridge	0.1306	1,600,004	0.1377	1,600,002	0.1412	1,547,503
Permanent Hard Road	0.1143	1,400,002	0.1205	1,400,000	0.1213	1,330,006
	<u>0.3607</u>	<u>\$ 4,418,810</u>	<u>0.3803</u>	<u>\$ 4,418,811</u>	<u>0.3919</u>	<u>\$ 4,296,309</u>

**NOTE 9 - EXCESS OF EXPENDITURES OVER BUDGET**

For the year ended March 31, 2020, 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](http://www.imrf.org).

Benefits Provided

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

All three IMRF benefit plans have two tiers. Employees hired **before** January 1, 2011 are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	30
Inactive plan members entitled to but not yet receiving benefits	21
Active plan members	39
Total	<u>90</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 2019 was 3.97%. For the fiscal year ended March 31, 2020, the Township contributed \$81,050 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 actuarial valuation performed as of December 31, 2019, and a measurement date as of December 31, 2019, calculated in accordance with GASB Statement No. 68, were as follows

Total Pension Liability (Asset)	\$ 7,439,459
IMRF Fiduciary Net Position	7,991,841
Township's Net Pension Liability (Asset)	(552,382)
IMRF Fiduciary Net Position as a Percentage of the Total Pension Liability	107.43%

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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial methods and assumptions:

Assumptions	
Inflation	2.50%
Salary Increases	3.35% - 14.25% including inflation
Interest Rate	7.25%
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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Projected Return</u>
Equities	37.0%	5.75%
International Equities	18.0%	6.50%
Fixed Income	28.0%	3.25%
Real Estate	9.0%	5.20%
Alternatives	7.0%	
Private Equity		7.60%
Hedge Funds		N/A
Commodities		3.60%
Cash	1.0%	1.85%
	<u>100.0%</u>	

### 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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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 2.75%; and resulting single discount rate is 7.25%.

### Changes in the Net Pension Liability

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A)-(B)
Balances at December 31, 2018	\$ 7,048,512	\$ 6,838,548	\$ 209,964
Changes for the year:			
Service Cost	\$ 182,361	\$ -	\$ 182,361
Interest on the Total Pension Liability	503,856	-	503,856
Differences Between Expected and Actual Experience of the Total Pension Liability	84,629	-	84,629
Contributions - Employer	-	73,828	(73,828)
Contributions - Employee	-	84,004	(84,004)
Net Investment Income	-	1,327,784	(1,327,784)
Benefit Payments, including Refunds of Employee Contributions	(379,899)	(379,899)	-
Other (Net Transfer)	-	47,576	(47,576)
Net Changes	\$ 390,947	\$ 1,153,293	\$ (762,346)
Balances at December 31, 2019	\$ 7,439,459	\$ 7,991,841	\$ (552,382)

### 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)	\$ 290,892	\$ (552,382)	\$ (1,243,263)

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

For the year ended March 31, 2020, the Township recognized pension expense of \$149,151. At March 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
<b>Expense in Future Periods</b>			
Differences between expected and actual experience	\$ 185,517	\$ -	\$ 185,517
Changes of assumptions	92,593	64,440	28,153
Net difference between projected and actual earnings on pension plan investments	602,256	930,492	(328,236)
Total deferred amounts to be recognized in pension expense in future periods	\$ 880,366	\$ 994,932	\$ (114,566)
Pension contributions made subsequent to the measurement date	27,884	-	27,884
Total deferred amounts related to pensions	\$ 908,250	\$ 994,932	\$ (86,682)

**NOTES TO FINANCIAL STATEMENTS (Continued)**

\$27,884 reported as deferred outflows of resources related to pensions resulting from the Township's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended March 31, 2021. Other 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	\$ (5,444)
2020	(5,160)
2021	63,424
2022	(167,386)
	<u>\$ (114,566)</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, 2020 were as follows:

Transfer from	Transfer to	Amount
General Fund	General Assistance Fund	\$ 126,270

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, 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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, 2020, 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	\$	1,224,902,073
Rate		<u>2.875%</u>
Debt Margin	\$	35,215,935
Current Debt		-
Remaining Debt Margin	\$	<u>35,215,935</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 - SUBSEQUENT EVENTS**

Prior to the date of this report, the COVID-19 outbreak in the United States had created disruptions in various business/non-profits and will continue to impact these organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of time. The extent of the impact on the Township is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

MCHENRY TOWNSHIP  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION  
LIABILITY AND RELATED RATIOS  
MARCH 31, 2020

	<u>3/31/2020*</u>	<u>3/31/2019*</u>	<u>3/31/2018 *</u>	<u>3/31/2017 *</u>	<u>3/31/2016 *</u>
<b>TOTAL PENSION LIABILITY</b>					
Service Cost	\$ 182,361	\$ 152,320	\$ 167,297	\$ 158,993	\$ 153,080
Interest on the Total Pension Liability	503,856	474,170	461,753	431,572	431,659
Differences Between Expected and Actual Experience	84,629	170,144	78,532	107,956	(303,025)
Changes of Assumptions	-	179,139	(202,662)	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(379,899)</u>	<u>(346,737)</u>	<u>(317,005)</u>	<u>(283,516)</u>	<u>(288,147)</u>
Net Change in Total Pension Liability	<u>\$ 390,947</u>	<u>\$ 629,036</u>	<u>\$ 187,915</u>	<u>\$ 415,005</u>	<u>\$ (6,433)</u>
Total Pension Liability - Beginning	<u>7,048,512</u>	<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>\$ 7,439,459</u>	<u>\$ 7,048,512</u>	<u>\$ 6,419,476</u>	<u>\$ 6,231,561</u>	<u>\$ 5,816,556</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - Employer	\$ 73,828	\$ 114,016	\$ 97,994	\$ 94,619	\$ 102,424
Contributions - Member	84,004	77,503	67,531	66,702	63,235
Net Investment Income	1,327,784	(444,522)	1,119,650	410,268	32,482
Benefit Payments, Including Refunds of Member Contributions	(379,899)	(346,737)	(317,005)	(283,516)	(288,147)
Other (Net Transfers)	<u>47,576</u>	<u>147,221</u>	<u>(40,272)</u>	<u>71,195</u>	<u>(463,651)</u>
Net Change in Plan Fiduciary Net Position	<u>\$ 1,153,293</u>	<u>\$ (452,519)</u>	<u>\$ 927,898</u>	<u>\$ 359,268</u>	<u>\$ (553,657)</u>
Plan Net Position - Beginning	<u>6,838,548</u>	<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>\$ 7,991,841</u>	<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>\$ (552,382)</u>	<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	107.43%	97.02%	113.58%	102.11%	103.22%
Covered-Valuation Payroll	\$ 1,859,638	\$ 1,722,293	\$ 1,500,679	\$ 1,473,822	\$ 1,393,510
Employer's Net Pension Liability as a Percentage of Covered-Valuation Payroll	-29.70%	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.

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP  
ILLINOIS MUNICIPAL RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTION  
MARCH 31, 2020

	<u>3/31/2020*</u>	<u>3/31/2019*</u>	<u>3/31/2018 *</u>	<u>3/31/2017 *</u>	<u>3/31/2016*</u>
Actuarially-Determined Contribution	\$ 73,828	\$ 114,016	\$ 97,994	\$ 94,619	\$ 102,423
Contributions in Relation to Actuarially-Determined Contribution	<u>73,828</u>	<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>\$ -</u>	<u>\$ (1)</u>
Covered-Valuation Payroll	\$ 1,788,169	\$ 1,809,386	\$ 1,500,679	\$ 1,473,822	\$ 1,393,510
Contributions as a Percentage of Covered-Valuation Payroll	4.13%	6.30%	6.53%	6.42%	7.35%

**Notes to Schedule:**

**Actuarial Method and Assumptions Used on the Calculation of the 2019 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:** 24-year closed period

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

**Wage Growth:** 3.5%

**Price Inflation:** 2.50%, approximate; No explicit price inflation assumption is used in this valuation.

**Salary Increases:** 3.35% to 14.25%, 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 2017 valuation pursuant to an experience study of the period 2014 to 2016.

**Mortality:** 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-2017 Employee Mortality Table with adjustments to match current IMRF experience.

\*Based on Valuation Assumptions used in the December 31, 2017 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.

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, 2020

	BUDGETED		ACTUAL
	ORIGINAL	FINAL	
<b>REVENUES</b>			
Property Taxes	\$ 1,281,068	\$ 1,281,068	\$ 1,281,595
Replacement Tax	10,000	10,000	13,755
Interest Income	25,000	25,000	45,551
Rental Income	38,950	38,250	38,799
Grant Income	42,800	42,800	30,466
Senior Transportation Fees	10,800	10,800	13,965
Miscellaneous Income	1,500	1,500	175
<b>Total Revenues</b>	<b>\$ 1,410,118</b>	<b>\$ 1,409,418</b>	<b>\$ 1,424,306</b>
<b>EXPENDITURES</b>			
Current			
General Government			
Personnel			
Salaries	\$ 308,533	\$ 308,533	\$ 308,466
Health Insurance	64,000	64,000	68,573
Health Reimbursement Account	40,318	40,318	26,649
Retirement Contribution	14,000	14,000	1,512
Social Security/Unemployment	27,000	27,000	25,642
	<b>\$ 453,851</b>	<b>\$ 453,851</b>	<b>\$ 430,842</b>
Contractual Services			
Maintenance Service - Equipment	\$ 8,950	\$ 8,950	\$ 9,726
Risk Management Premiums	41,000	41,000	27,398
Telephone	2,500	2,500	2,689
Dues	2,000	2,000	1,523
Travel Expense	2,500	2,500	2,094
Postage	3,000	3,000	715
Printing/Publishing	1,500	1,500	1,607
Township Newsletter	9,000	9,000	-
Accounting Service	12,000	12,000	8,873
Nextel/Radio	2,100	2,100	1,987
Legal Service	40,000	40,000	54,439
Website	1,000	1,000	663
Training	4,000	4,000	1,787
Bank Fees	20	20	90
Data Processing Support	31,000	31,000	32,175
Consultant Services	8,000	8,000	4,754
	<b>\$ 168,570</b>	<b>\$ 168,570</b>	<b>\$ 150,520</b>
Commodities			
Office Supplies	\$ 4,000	\$ 4,000	\$ 3,272
Operating Supplies	3,000	3,000	2,220
Furniture/Equipment/Software	5,500	5,500	5,075
	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 10,567</b>
Other Expenditures			
Mosquito Abatement	\$ 64,000	\$ 64,000	\$ 64,000
Senior Citizen Service	9,000	9,000	4,925
NISRA	800	800	582
McHenry County Recycling Education	650	650	650
Special Events	2,500	2,500	564
Nuisance Ordinance Enforcement	2,100	2,100	1,755
McHenry DOT/McRide	7,600	7,600	7,560
Miscellaneous	2,500	2,500	2,300
	<b>\$ 89,150</b>	<b>\$ 89,150</b>	<b>\$ 82,336</b>
<b>Total General Government</b>	<b>\$ 724,071</b>	<b>\$ 724,071</b>	<b>\$ 674,265</b>

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, 2020

	BUDGETED		ACTUAL
	ORIGINAL	FINAL	
EXPENDITURES (Continued)			
Current (Continued)			
Directly Funded Community Services			
Personnel			
Salaries	\$ 178,393	\$ 121,393	\$ 153,825
Overtime	1,500	1,500	3,018
Health Insurance	40,000	40,000	39,755
Health Reimbursement Account	28,000	28,000	5,207
Retirement Contribution	6,000	6,000	18,081
Social Security/Unemployment	13,000	13,000	12,751
	<u>\$ 266,893</u>	<u>\$ 209,893</u>	<u>\$ 232,637</u>
Contractual Services			
Vehicle Maintenance	\$ 4,500	\$ 4,500	\$ 4,355
Nextel/Radio	2,500	2,500	2,532
PACE Lease	6,000	6,000	6,014
Town Fund Contingencies	50,000	50,000	23,303
	<u>\$ 63,000</u>	<u>\$ 63,000</u>	<u>\$ 36,204</u>
Commodities			
Operating Supplies	\$ 300	\$ 300	\$ 247
Other Expenditures			
Office Supplies	\$ 500	\$ 500	\$ 19
Miscellaneous	400	400	31
Fuel	21,000	21,000	19,000
Occupational Health	1,250	1,250	1,050
	<u>\$ 23,150</u>	<u>\$ 23,150</u>	<u>\$ 20,100</u>
Total Directly Funded Community Services	<u>\$ 353,343</u>	<u>\$ 296,343</u>	<u>\$ 289,188</u>
Parks and Recreation			
Personnel			
Salaries	\$ 154,200	\$ 154,200	\$ 139,922
Overtime	8,000	8,000	8,082
Health Insurance	32,000	32,000	34,219
Health Reimbursement Account	22,000	22,000	390
Retirement Contribution	5,900	5,900	6,820
Social Security/Unemployment	12,000	12,000	11,332
	<u>\$ 234,100</u>	<u>\$ 234,100</u>	<u>\$ 200,765</u>
Contractual Services			
Maintenance Service - Building	\$ 40,000	\$ 40,000	\$ 35,790
Maintenance Service - Equipment	6,000	6,000	4,969
Maintenance Service - Vehicles	6,000	6,000	3,327
Equipment Rental	400	400	-
Dues and Subscriptions	250	250	-
Travel	250	250	-
Training	300	300	-
Nextel/Radio	1,800	1,800	1,676
Utilities - Food Pantry	11,000	11,000	12,520
Utilities - Town Hall	14,000	14,000	14,185
Utilities - WHCC	2,500	2,500	3,999
Utilities - Park Garage	1,800	1,800	1,683
Utilities - Ball Fields	2,200	2,200	1,686
Utilities - Recreation Center	12,650	12,650	10,127
Uniform Services	1,800	1,800	1,479
Security	8,000	8,000	4,640
Fuel	4,800	4,800	4,800
	<u>\$ 113,750</u>	<u>\$ 113,750</u>	<u>\$ 100,881</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, 2020

	BUDGETED		ACTUAL
	ORIGINAL	FINAL	
EXPENDITURES (Continued)			
Current (Continued)			
Parks and Recreation (Continued)			
Commodities			
Office Supplies	\$ 250	\$ 250	\$ 30
Operating Supplies	700	700	377
Small Tools	1,500	1,500	1,074
Grounds Maintenance Supplies	15,000	15,000	12,976
Ball Field Maintenance Supplies	15,000	15,000	14,601
	<u>\$ 32,450</u>	<u>\$ 32,450</u>	<u>\$ 29,058</u>
Other Expenditures			
Miscellaneous	\$ 500	\$ 500	\$ 59
	<u>\$ 380,800</u>	<u>\$ 380,800</u>	<u>\$ 330,763</u>
Assessor			
Personnel			
Salaries	\$ 347,594	\$ 347,594	\$ 323,226
Overtime	4,000	4,000	129
Health Insurance	74,000	74,000	61,258
Health Reimbursement Account	44,000	44,000	14,637
Retirement Contribution	14,000	14,000	15,436
Social Security/Unemployment	28,000	28,000	24,784
	<u>\$ 511,594</u>	<u>\$ 511,594</u>	<u>\$ 439,470</u>
Contractual Services			
Maintenance Service - Equipment	\$ 3,000	\$ 3,000	\$ 734
Maintenance Vehicle	500.00	500	245
Computer Maintenance/Software	25,000	25,000	21,406
Computer License/Software	15,000	15,000	14,310
Telephone	4,000	4,000	3,921
Dues and Subscriptions	1,500	1,600	1,290
Travel Expense	3,500	3,500	2,392
Postage	1,000	1,000	400
Printing/Publishing	300	300	-
Training	3,000	3,000	2,160
Publications	100	-	-
Professional Services	6,000	6,000	-
Fuel IGA Road	1,200.00	1,200	1,200
	<u>\$ 64,100</u>	<u>\$ 64,100</u>	<u>\$ 48,058</u>
Commodities			
Office Supplies	\$ 2,000	\$ 2,000	\$ 1,849
Clothing	750	750	512
Office Supplies	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 2,361</u>
Other Expenditures			
Miscellaneous Expenses	\$ 1,500	\$ 1,500	\$ 387
	<u>\$ 579,944</u>	<u>\$ 579,944</u>	<u>\$ 490,276</u>
Total Current	<u>\$ 2,038,158</u>	<u>\$ 1,981,158</u>	<u>\$ 1,784,492</u>
Capital Outlay			
Directly Funded Community Services	\$ 30,000	\$ 30,000	\$ -
Parks and Recreation	111,700	111,700	82,158
Assessor	5,000	5,000	4,800
	<u>\$ 146,700</u>	<u>\$ 146,700</u>	<u>\$ 86,958</u>
Total Expenditures	<u>\$ 2,184,858</u>	<u>\$ 2,127,858</u>	<u>\$ 1,871,450</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, 2020

	BUDGETED		ACTUAL
	ORIGINAL	FINAL	
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (774,740)	\$ (718,440)	\$ (447,144)
OTHER FINANCING SOURCES/(USES)			
Transfers	774,740	717,740	(126,270)
NET CHANGE IN FUND BALANCE	\$ -	\$ (700)	\$ (573,414)
FUND BALANCE - APRIL 1, 2019			2,772,994
FUND BALANCE - MARCH 31, 2020			\$ 2,199,580

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, 2020

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL
<b>REVENUES</b>		
Property Taxes	\$ 1,046,550	\$ 1,043,259
Replacement Tax	30,000	35,342
Motor Fuel Tax	-	159,119
Road Fines	13,500	12,103
Interest Income	8,500	12,048
Miscellaneous Income	24,000	10,125
Intergovernmental Agreements	40,000	158,495
Fees	8,000	9,996
Reimbursements	2,500	-
<b>Total Revenues</b>	<b>\$ 1,173,050</b>	<b>\$ 1,440,487</b>
<b>EXPENDITURES</b>		
Current		
General Government		
Personnel		
Salaries	\$ 421,387	\$ 344,151
Health Insurance	51,000	34,690
Health Reimbursement Account	26,000	12,834
Retirement Contribution	17,146	13,174
Social Security/Unemployment	28,971	22,325
	<b>\$ 544,504</b>	<b>\$ 427,174</b>
Contractual Services		
Telephone	\$ 16,500	\$ 17,631
Computer Maintenance	20,000	20,173
Dues and Subscriptions	1,300	5,768
Travel	10,000	6,126
Postage	5,000	-
Printing/Publishing	7,500	1,342
Accounting Services	12,000	11,072
Legal Services	20,000	23,280
Training	3,300	6,828
Consultant Services	30,000	8,609
Recycling	2,500	1,527
General Insurance	55,000	44,483
	<b>\$ 183,100</b>	<b>\$ 146,839</b>
Commodities		
Office Supplies	\$ 4,500	\$ 3,937
Other Expenditures		
Municipal Replacement Tax	\$ 4,000	\$ 3,344
Bank Fees	200	-
Contingencies	25,000	26,757
Miscellaneous	3,000	1,031
	<b>\$ 32,200</b>	<b>\$ 31,132</b>
<b>Total General Government</b>	<b>\$ 764,304</b>	<b>\$ 609,082</b>

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, 2020

	BUDGETED AMOUNTS	
	ORIGINAL AND FINAL	ACTUAL
EXPENDITURES (Continued)		
Current (Continued)		
Highways and Roads		
Contractual Services		
Bridge Repair	\$ 10,000	\$ -
Maintenance Service - Building	13,000	6,286
Maintenance Service - Equipment	20,000	20,107
Maintenance Service - Road	4,000	1,007
Wash Bay Recycle System	4,000	103
Engineering Services	390,000	252,167
Tree Trimming	5,000	9,000
Street Lighting	53,000	62,187
Utilities	19,000	18,951
Rentals	2,000	2,265
	\$ 520,000	\$ 372,073
Commodities		
Maintenance Supplies - Building	\$ 8,000	\$ 1,219
Maintenance Supplies - Equipment	72,000	74,000
Maintenance Supplies - Snow	260,000	101,703
Maintenance Supplies - Road	85,000	211,465
Maintenance Supplies - Sand and Gravel	5,000	945
Small Tools	10,000	8,339
Operating Supplies	45,000	20,563
Fuel	110,000	97,462
Sign Replacement Program	20,000	16,555
	\$ 615,000	\$ 532,251
Other Expenditures		
Miscellaneous	\$ 3,000	\$ 749
NDR Subdivisions	34,000	16,210
	\$ 37,000	\$ 16,959
Total Highway and Roads	\$ 1,172,000	\$ 921,283
Total Current	\$ 1,936,304	\$ 1,530,365
Capital Outlay		
General Government	\$ 4,000	\$ -
Highways and Roads	45,000	53,542
	\$ 49,000	\$ 53,542
Total Expenditures	\$ 1,985,304	\$ 1,583,907
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (812,254)	\$ (143,420)
OTHER FINANCING SOURCES/(USES)		
Proceeds from Sale of Fixed Assets	-	7,337

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MCHENRY TOWNSHIP  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL  
 ROAD AND BRIDGE FUND  
 YEAR ENDED MARCH 31, 2020

	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL AND FINAL		
(Continued)			
NET CHANGE IN FUND BALANCE	\$ (812,254)		\$ (136,083)
FUND BALANCE - APRIL 1, 2019			998,561
FUND BALANCE - MARCH 31, 2020			\$ 862,478

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, 2020

	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL AND FINAL		
<b>REVENUES</b>			
Property Taxes	\$ 1,400,000		\$ 1,395,419
Replacement Tax	25,000		35,769
Grants	135,000		-
MCDOT IGA - Indian Ridge	116,000		56,237
Interest Income	5,500		6,110
NSR Road Reconstruction	1,063,800		107,561
Community Foundation Grant	10,800		10,800
Miscellaneous Income	1,000		2,822
<b>Total Revenues</b>	<b>\$ 2,757,100</b>		<b>\$ 1,614,718</b>
<b>EXPENDITURES</b>			
Current			
Highways and Roads			
Salaries	\$ 581,330		\$ 535,886
IMRF	26,320		23,928
Social Security and Medicare Contribution	44,472		41,434
Employee Insurance	68,000		82,867
HRA	47,000		4,238
Road Repair and Construction	2,050,000		927,499
Contingencies	25,000		-
<b>Total Highways and Roads</b>	<b>\$ 2,842,122</b>		<b>\$ 1,615,852</b>
<b>Total Expenditures</b>	<b>\$ 2,842,122</b>		<b>\$ 1,615,852</b>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (85,022)</b>		<b>\$ (1,134)</b>
<b>OTHER FINANCING SOURCES/(USES)</b>	<b>-</b>		<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (85,022)</b>		<b>\$ (1,134)</b>
<b>FUND BALANCE - APRIL 1, 2019</b>			<b>339,366</b>
<b>FUND BALANCE - MARCH 31, 2020</b>			<b>\$ 338,232</b>

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MCHENRY TOWNSHIP  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
GENERAL ASSISTANCE FUND  
YEAR ENDED MARCH 31, 2020

	BUDGETED AMOUNTS		ACTUAL
	ORIGINAL AND FINAL		
<b>REVENUES</b>			
Property Taxes	\$ 132,390		\$ 132,463
Replacement Tax	2,500		5,662
Donation	100		5
Interest Income	1,600		3,895
Miscellaneous Income	1,500		-
Total Revenues	\$ 138,090		\$ 142,025
<b>EXPENDITURES</b>			
Current			
Community Assistance and Services			
Personnel			
Salaries	\$ 49,000		\$ 51,554
Health Insurance	8,200		8,707
Health Reimbursement Account	6,000		1,417
Retirement Account	2,000		2,099
Social Security/Unemployment	4,000		4,030
	\$ 69,200		\$ 67,807
Contractual and Other			
Office Supplies	\$ 700		\$ 616
GA Software	1,200		1,200
Data Processing/Computer Equipment	1,000		1,054
Catastrophic Insurance	2,360		2,360
Travel/Training	2,500		1,399
Postage	400		300
Miscellaneous	1,000		924
	\$ 9,160		\$ 7,853
General Assistance	\$ 90,000		\$ 23,025
Emergency Assistance	\$ 96,000		\$ 82,413
Total Community Assistance and Services	\$ 264,360		\$ 181,098
Total Expenditures	\$ 264,360		\$ 181,098
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (126,270)		\$ (39,073)
<b>OTHER FINANCING SOURCES/(USES)</b>			
Transfers	126,270		126,270
NET CHANGE IN FUND BALANCE	\$ -		\$ 87,197
FUND BALANCE - APRIL 1, 2019			350,188
FUND BALANCE - MARCH 31, 2020			\$ 437,385

See Accompanying Independent Auditor's Report

MCHENRY TOWNSHIP  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
MARCH 31, 2020

**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 originally passed on June 18, 2019 and amended on November 20, 2019. The Road District budget was passed on June 18, 2019.
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, 2020, no fund had expenditures that exceeded the budget.