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**GRAFTON TOWNSHIP  
McHENRY COUNTY, ILLINOIS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED MARCH 31, 2009**

GRAFTON TOWNSHIP

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MARCH 31, 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Grafton Township  
Huntley, Illinois

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

### GRAFTON TOWNSHIP

as of and for the year ended March 31, 2009, which collectively comprise Grafton Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grafton Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Grafton Township prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and each major fund of Grafton Township as of March 31, 2009, and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 6 and 24 through 30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
January 14, 2010

REQUIRED SUPPLEMENTARY INFORMATION



# **GRAFTON TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Grafton Township (Township), we offer readers of the Township's statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities at March 31, 2009 by \$1,812,752 (net assets).
- The Township's total net assets increased by \$13,795, including a net asset adjustment of \$(14,114).
- At March 31, 2009, the Township's governmental funds reported combined ending fund balances of \$4,984,021, an increase of \$4,062,978 in comparison with the prior year, including a fund balance adjustment of \$(2,785).
- At March 31, 2009, the unreserved fund balance for the General Fund was \$796,720, or 77 percent of total General Fund expenditures.
- The Township's total long-term debt increased by \$4,270,519 during the year ended March 31, 2009. The key factors in this increase were the issuance of debt certificates and a new capital lease for the purchase of a road and bridge tractor.

### **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 Assets – Modified Cash Basis presents information on all of the Township's assets and liabilities arising from cash transactions, with the difference between the two reported as net assets. Increases or decreases in net assets 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 – Modified Cash Basis presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported on the cash basis as soon as cash is received or disbursed, regardless of when the underlying event giving rise to the change occurs.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities). The governmental activities of the Township include general government, assessor, road and bridge, and community assistance and services. The Township does not conduct any business-type activities.

The government-wide financial statements can be found on pages 7 and 8 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 – Modified Cash Basis and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund Balance Sheet – Modified Cash Basis and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis for the General Fund, Road and Bridge 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 9 through 12 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 13 through 23 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 fund to demonstrate compliance with this budget.

The budgetary comparison statements and related notes can be found on pages 24 through 30 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,812,752 at March 31, 2009.



A portion of the Township's net assets (18 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and vehicles); 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.

Grafton Township's Statement of Net Assets

	Governmental Activities	
	3/31/2009	3/31/2008
Current and Other Assets	\$ 4,992,361	\$ 921,043
Capital Assets	1,099,250	889,031
Total Assets	<u>\$ 6,091,611</u>	<u>\$ 1,810,074</u>
Current Liabilities	\$ 8,340	\$ 11,117
Long-Term Liabilities	4,270,519	-
Total Liabilities	<u>\$ 4,278,859</u>	<u>\$ 11,117</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 328,730	\$ 889,031
Restricted	3,627,052	102,548
Unrestricted	(2,143,030)	807,378
Total Net Assets	<u>\$ 1,812,752</u>	<u>\$ 1,798,957</u>

An additional portion, \$3,627,052, of the Township's net assets represents resources that are subject to external restrictions on how they may be used.

**Governmental Activities** - Governmental activities increased the Township's net assets by \$27,909. Key elements of this increase are as follows:

Grafton Township's Change in Net Assets

	Governmental Activities	
	FY 2009	FY 2008
Revenues		
Program Revenues		
Charges for Services	\$ 10,395	\$ 72,357
Operating Grants and Contributions	9,046	-
Capital Grants and Contributions	99,400	-
General Revenues		
Property Taxes	1,470,447	1,472,410
Other Taxes	73,083	73,171
Unrestricted Investment Earnings	52,988	47,688
Other	8,857	12,210
Total Revenues	<u>\$ 1,724,216</u>	<u>\$ 1,677,836</u>
Expenses		
General Government	\$ 819,156	\$ 494,942
Assessor	340,062	355,368
Road and Bridge	486,126	541,966
Community Assistance and Services	25,920	90,725
Interest and Fees on Long-Term Debt	25,043	-
Total Expenses	<u>\$ 1,696,307</u>	<u>\$ 1,483,001</u>
Increase/(Decrease) in Net Assets	\$ 27,909	\$ 194,835
Net Assets - Beginning	1,798,957	1,604,122
Net Assets Adjustment	(14,114)	-
Net Assets - Ending	<u>\$ 1,812,752</u>	<u>\$ 1,798,957</u>

- Capital Grants and Contributions increased primarily due to a \$75,000 grant received from the Department of Commerce and Economic Opportunity for architectural and engineering fees associated with a new Township building.

- General Government expenses increased primarily due to costs associated with the proposed construction of a new Township building.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

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

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

At March 31, 2009, the Township's governmental funds reported combined ending fund balances of \$4,984,021. This is an increase of \$4,062,978 in comparison with the prior year. Approximately 27 percent of this amount, \$1,356,969, constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The General Fund is the chief operating fund of the Township. The focus of the Township's General Fund is to provide information on the revenues and expenditures of the funds that the Township receives from its general town tax levies and from other unrestricted sources such as state replacement tax, fees, interest on bank deposits, and associated expenditures.

At March 31, 2009, unreserved fund balance of the General Fund was \$796,720. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 77 percent of total General Fund expenditures.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Township amended the General Fund budget during the year ended March 31, 2009. Significant differences between the original and final budget are summarized as follows:

- In the final budget, the Township budgeted an additional \$3,350,000 in capital outlay for the construction of a new township building.
- The Township also budgeted for the issuance of debt certificates for the construction in the amount of \$3,500,000 which was not included in the original budget.

Significant differences between the budget and actual revenues and expenditures are summarized as follows:

- The difference between the estimated revenues and the actual revenues was \$95,429 (favorable), and was primarily attributable to more than expected property tax, interest, and grant revenues.
- The difference between the estimated expenditures and the actual expenditures was \$4,194,982 (favorable), and was primarily attributable to less than expected capital outlays as the Township did not construct the new Township building that was included in the budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets** – The Township's investment in capital assets for its governmental activities as of March 31, 2009 amounts to \$1,099,250 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total increase in the Township's investment in capital assets for the year ended March 31, 2009 was \$210,219.

Major capital asset events during the year ended March 31, 2009 included the following:

- Purchase of land for \$103,918
- Purchase of a tractor for \$96,621
- Purchase of a salt shed for \$80,153

Grafton Township's Capital Assets  
(net of depreciation)

	Governmental Activities	
	3/31/2009	3/31/2008
Land	\$ 412,886	\$ 308,968
Building and Improvements	230,329	154,296
Machinery and Equipment	309,118	251,871
Vehicles	146,917	173,896
Total	<u>\$ 1,099,250</u>	<u>\$ 889,031</u>

Additional information on the Township's capital assets can be found in note 3 on pages 17 and 18 of this report.

**Long-term debt** - The Township's total debt increased by \$4,270,519 during the year ended March 31, 2009. The key factors in this increase were the issuance of debt certificates and a new capital lease for the purchase of a road and bridge tractor.

Grafton Township's Outstanding Debt  
Long-Term Debt

	Governmental Activities	
	FY 2009	FY 2008
Capital Leases	\$ 70,519	\$ -
Debt Certificates	4,200,000	-
Total	<u>\$ 4,270,519</u>	<u>\$ -</u>

Additional information on the Township's long-term debt can be found in note 4 on pages 18 and 19 of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

There are no known significant factors that will have an impact on next year's budget.

## 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 Grafton Township, 10109 Vine Street, Huntley, IL 60142.



## BASIC FINANCIAL STATEMENTS

GRAFTON TOWNSHIP  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
MARCH 31, 2009

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,992,361
Capital Assets	
Land	412,886
Other Capital Assets, Net of Depreciation	<u>686,364</u>
Total Assets	<u>\$ 6,091,611</u>
<b>LIABILITIES</b>	
Current Liabilities	
Payroll Withholdings	\$ 8,340
Non-Current Liabilities	
Due Within One Year	3,523,486
Due in More Than One Year	<u>747,033</u>
Total Liabilities	<u>\$ 4,278,859</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 328,730
Restricted for:	
Illinois Municipal Retirement Fund	76,349
Liability Insurance	18,466
Social Security	32,237
Capital Projects	3,500,000
Unrestricted / (Deficit)	<u>(2,143,030)</u>
Total Net Assets	<u>\$ 1,812,752</u>

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

GRAFTON TOWNSHIP  
GOVERNMENT-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED MARCH 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 819,156	\$ 3,700	\$ -	\$ 75,000	\$ (740,456)
Assessor	340,062	-	-	-	(340,062)
Road and Bridge	486,126	6,695	9,046	24,400	(445,985)
Community Assistance and Services	25,920	-	-	-	(25,920)
Interest and Fees on Long-Term Debt	25,043	-	-	-	(25,043)
Total Governmental Activities	<u>\$ 1,696,307</u>	<u>\$ 10,395</u>	<u>\$ 9,046</u>	<u>\$ 99,400</u>	<u>\$ (1,577,466)</u>
General Revenues					
Taxes					
Property Taxes					
					\$ 1,470,447
State Replacement Tax					73,083
Unrestricted Investment Earnings					52,988
Other Income					8,857
Total General Revenues					<u>\$ 1,605,375</u>
Change in Net Assets					\$ 27,909
Net Assets - Beginning of Year					1,798,957
Net Assets Adjustment (Note 14)					<u>(14,114)</u>
Net Assets - End of Year					<u>\$ 1,812,752</u>

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

GRAFTON TOWNSHIP  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF MARCH 31, 2009

	General Fund	Road and Bridge Fund	General Assistance Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,407,415	\$ 480,766	\$ 104,180	\$ 4,992,361
Total Assets	<u>\$ 4,407,415</u>	<u>\$ 480,766</u>	<u>\$ 104,180</u>	<u>\$ 4,992,361</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Payroll Withholdings	\$ 6,597	\$ 1,743	\$ -	\$ 8,340
Total Liabilities	<u>\$ 6,597</u>	<u>\$ 1,743</u>	<u>\$ -</u>	<u>\$ 8,340</u>
Fund Balances				
Reserved for:				
Illinois Municipal Retirement Fund	\$ 59,622	\$ 16,727	\$ -	\$ 76,349
Liability Insurance	12,239	6,227	-	18,466
Social Security	32,237	-	-	32,237
Capital Projects	3,500,000	-	-	3,500,000
Unreserved				
Undesignated	796,720	456,069	104,180	1,356,969
Total Fund Balances	<u>\$ 4,400,818</u>	<u>\$ 479,023</u>	<u>\$ 104,180</u>	<u>\$ 4,984,021</u>
Total Liabilities and Fund Balances	<u>\$ 4,407,415</u>	<u>\$ 480,766</u>	<u>\$ 104,180</u>	<u>\$ 4,992,361</u>

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

GRAFTON TOWNSHIP  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS  
TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
MARCH 31, 2009

Total Fund Balances - Governmental Funds	\$ 4,984,021
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Amounts reported for governmental activities in the Statement of Net Assets -  
Modified Cash Basis are different because:

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

Capital Assets, net of accumulated depreciation	1,099,250
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Some liabilities are not due and payable in the current period and therefore  
are not reported in the funds.

Capital Leases	\$ (70,519)	
Debt Certificates	<u>(4,200,000)</u>	
		<u>(4,270,519)</u>

Net Assets of Governmental Activities	<u>\$ 1,812,752</u>
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The Notes to Financial Statements are an integral part of this statement.



GRAFTON TOWNSHIP  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2009

	General Fund	Road and Bridge Fund	General Assistance Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Taxes				
Property Tax	\$ 873,584	\$ 537,006	\$ 59,857	\$ 1,470,447
Intergovernmental				
State Replacement Tax	27,062	46,021	-	73,083
Other Grants	75,000	9,046	-	84,046
Other Local Sources				
Other Licenses and Permits	-	3,080	-	3,080
Fines and Forfeitures	-	3,615	-	3,615
Impact Fees	-	24,400	-	24,400
Transportation Income	3,700	-	-	3,700
Interest	41,921	9,231	1,836	52,988
Miscellaneous				
Other	3,183	5,674	-	8,857
	<u>\$ 1,024,450</u>	<u>\$ 638,073</u>	<u>\$ 61,693</u>	<u>\$ 1,724,216</u>
<b>EXPENDITURES</b>				
CURRENT				
General Government	\$ 479,135	\$ 92,385	\$ 65,521	\$ 637,041
Assessor	328,162	-	-	328,162
Road and Bridge	-	448,330	-	448,330
Community Assistance and Services	-	-	25,920	25,920
CAPITAL OUTLAY	213,441	787,917	-	1,001,358
DEBT SERVICE				
Principal	2,352	-	-	2,352
Interest	415	-	-	415
Debt Issuance Costs	17,828	6,800	-	24,628
	<u>\$ 1,041,333</u>	<u>\$ 1,335,432</u>	<u>\$ 91,441</u>	<u>\$ 2,468,206</u>
<b>EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (16,883)</u>	<u>\$ (697,359)</u>	<u>\$ (29,748)</u>	<u>\$ (743,990)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Fixed Assets	\$ 543,132	\$ -	\$ -	\$ 543,132
Proceeds from Issuance of Debt Certificates	3,500,000	700,000	-	4,200,000
Proceeds from Capital Lease	-	66,621	-	66,621
Interfund Transfers	(20,000)	-	20,000	-
	<u>\$ 4,023,132</u>	<u>\$ 766,621</u>	<u>\$ 20,000</u>	<u>\$ 4,809,753</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 4,006,249	\$ 69,262	\$ (9,748)	\$ 4,065,763
<b>FUND BALANCES - APRIL 1, 2008</b>	395,567	411,548	113,928	921,043
<b>FUND BALANCE ADJUSTMENT (NOTE 14)</b>	(998)	(1,787)	-	(2,785)
<b>FUND BALANCES - MARCH 31, 2009</b>	<u>\$ 4,400,818</u>	<u>\$ 479,023</u>	<u>\$ 104,180</u>	<u>\$ 4,984,021</u>

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

GRAFTON TOWNSHIP  
FUND FINANCIAL STATEMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - MODIFIED CASH BASIS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
YEAR ENDED MARCH 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 4,065,763

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

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

Depreciation Expense	\$ (54,277)	
Capital Outlays	<u>280,692</u>	
		226,415

Long-term debt proceeds provide current financial resources to governmental  
funds and are therefore shown as a revenue in the Statement of Revenues,  
Expenditures, and Changes in Fund Balances - Modified Cash Basis, but issuing  
debt increases long-term liabilities in the Statement of Net Assets and is therefore  
not reported in the Statement of Activities.

Proceeds from Long-Term Debt	(4,266,621)
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Some expenses in the Statement of Activities - Modified Cash Basis do not  
require the use of current financial resources and therefore are not reported as  
expenditures in governmental funds.

Principal paid on Long-Term Debt	<u>2,352</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 27,909</u></u>
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The Notes to Financial Statements are an integral part of this statement.

GRAFTON TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grafton Township's (Township) financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Township follows all Governmental Accounting Standards Board (GASB) pronouncements and pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements, to the extent they are applicable to the modified cash basis of accounting. The more significant accounting policies used by the Township are discussed below.

A. *Reporting Entity*

The accompanying financial statements comply with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions that comprise the Township. Component units are legally separate entities for which the Township (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the Township's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the Township. Using these criteria, the Township has no components 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 Statements*

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund (reporting the Township's major funds) financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities. The Township's general government, assessor, road and bridge, and community assistance and services are classified as governmental activities. The Township does not have any business-type activities.

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

The government-wide Statement of Activities – Modified Cash Basis reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, state replacement taxes, unrestricted investment earnings, etc.). The Statement of Activities – Modified Cash Basis reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, assessor, road and bridge and community assistance and services). Program revenues include charges to customers or applicants who



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. *Basic Financial Statements – Government-wide Statements (Continued)*

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

The Township does not allocate indirect costs.

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

#### 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/expenses.

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

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 special revenue fund accounts for grants and bond proceeds restricted to the redevelopment of the Township's roads and highways.
3. The General Assistance special revenue fund accounts for services and programs provided to citizens.

The activities reported in these funds are reported in the 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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. *Basis of Accounting* (Continued)

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

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

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

#### E. *Cash and Cash Equivalents and Investments*

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

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

No Township fund had a cash overdraft at March 31, 2009.

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

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

#### F. *Inventories*

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

#### G. *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/expenses.



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### G. *Interfund Activity* (Continued)

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.

#### H. *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 half-year basis over the following estimated useful lives:

Building and Improvements	50 - 95 years
Machinery and Equipment	5 - 15 years
Vehicles	10 - 15 years

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

#### I. *Compensated Absences*

Vacation benefits are granted to employees in varying amounts to specified maximums depending on tenure with the Township. Vacation and sick time accumulate and carryover dependent upon which department the employee is employed in. The Township had no material compensated absences balance as of June 30, 2009.

#### J. *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 Assets – Modified Cash Basis. Bond premiums and discounts, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

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.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### K. *Government-Wide Net Assets*

Government-wide net assets are divided into three components:

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

#### L. *Governmental Fund Balances*

Governmental fund balances are reported as "reserved" when the balances are not available for appropriation or expenditure (for example, because they represent supplies inventories) or because they are legally segregated for a specific future use (for example, because the Township has encumbered assets pending vendor completion of supplies orders). The remaining balances are "unreserved" fund balances. From time to time, the Board of Trustees agrees to set aside or "designate" resources for future uses – such as for specific capital projects. These unreserved, designated balances are based on management's tentative plans and can be changed.

#### M. *Property Tax Calendar*

Property taxes are levied each calendar year on all taxable real property located in the Township's district on or before the last Tuesday in December. The 2008 levy was passed by the Board on December 11, 2008. 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.

#### N. *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

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

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2009 was as follows:



# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 3 - CAPITAL ASSETS (Continued)

	Balance April 1, 2008	Prior Period Adjustments	Increases	Decreases	Balance March 31, 2009
<b>Governmental Activities:</b>					
Capital Assets not being depreciated:					
Land	\$ 308,968	\$ -	\$ 103,918	\$ -	\$ 412,886
Other Capital Assets:					
Building and Improvements	\$ 218,424	\$ -	\$ 80,153	\$ -	\$ 298,577
Machinery and Equipment	384,492	(28,432)	96,621	-	452,681
Vehicles	360,650	(30,784)	-	-	329,866
Total Other Capital Assets at Historical Cost	\$ 963,566	\$ (59,216)	\$ 176,774	\$ -	\$ 1,081,124
Less Accumulated Depreciation for:					
Building and Improvements	\$ 64,128	\$ -	\$ 4,120	\$ -	\$ 68,248
Machinery and Equipment	132,621	(17,159)	28,101	-	143,563
Vehicles	186,754	(25,861)	22,056	-	182,949
Total Accumulated Depreciation	\$ 383,503	\$ (43,020)	\$ 54,277	\$ -	\$ 394,760
Other Capital Assets, Net	\$ 580,063	\$ (16,196)	\$ 122,497	\$ -	\$ 686,364
Governmental Activities Capital Assets, Net	\$ 889,031	\$ (16,196)	\$ 226,415	\$ -	\$ 1,099,250

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 12,604
Assessor	4,020
Road and Bridge	37,653
	<u>\$ 54,277</u>

## NOTE 4 - LONG-TERM LIABILITY ACTIVITY

Long-term liability activity for the year ended March 31, 2009 was as follows:

	Balance April 1, 2008	Prior Period Adjustments	Increases	Decreases	Balance March 31, 2009	Amounts Due Within One Year
<b>Governmental Activities</b>						
Long-Term Debt						
Capital Leases						
Copier	\$ -	\$ 6,250	\$ -	\$ 2,352	\$ 3,898	\$ 2,547
Tractor	-	-	66,621	-	66,621	20,939
Debt Certificates						
Town Fund	-	-	3,500,000	-	3,500,000	3,500,000
Road and Bridge	-	-	700,000	-	700,000	-
	<u>\$ -</u>	<u>\$ 6,250</u>	<u>\$ 4,266,621</u>	<u>\$ 2,352</u>	<u>\$ 4,270,519</u>	<u>\$ 3,523,486</u>

On September 20, 2007 the Township entered into a capital lease agreement for \$7,358 at a rate of 8% for the purchase of a copier. Principal and interest payments of \$231 are due monthly beginning October 20, 2007. The balance due on this lease at March 31, 2009 is \$3,898. At March 31, 2009 the annual debt service requirements to cover this capital lease are:

Year Ending March 31	Principal	Interest	Total
2010	\$ 2,547	\$ 220	\$ 2,767
2011	1,351	32	1,383
	<u>\$ 3,898</u>	<u>\$ 252</u>	<u>\$ 4,150</u>

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 4 - LONG-TERM LIABILITY ACTIVITY (Continued)

On October 15, 2008 the Township entered into a capital lease agreement for \$66,621 at a rate of 5.782% for the purchase of a tractor. Principal and interest payments of \$24,895 are due annually beginning October 15, 2009. The balance due on this lease at March 31, 2009 is \$66,621. At March 31, 2009 the annual debt service requirements to cover this capital lease are:

Year Ending March 31	Principal	Interest	Total
2010	\$ 20,939	\$ 3,955	\$ 24,894
2011	22,182	2,712	24,894
2012	23,500	1,395	24,895
	<u>\$ 66,621</u>	<u>\$ 8,062</u>	<u>\$ 74,683</u>

On August 1, 2008 the Township issued debt certificates in the amount of \$3,500,000 in order to construct a new township building. Principal payments were scheduled to be due on each January 1 beginning in 2010 and continuing until 2028. Interest payments at rates ranging from 4.10% to 5.00% were scheduled to be paid each July 1 and January 1 through 2028. Subsequent to the end of the year, an injunction was brought against the Township to stop construction of the new township building and the debt certificates have been repaid in full. The balance due on the debt certificates at March 31, 2009 of \$3,500,000 has been reported as due within one year.

On August 1, 2008 the Township's Road and Bridge Fund issued debt certificates in the amount of \$700,000 in order to purchase the existing township building. Principal payments are due on each January 1 beginning in 2011 and continuing until 2028. Interest at rates ranging from 4.10% to 5.00% is to be paid each July 1 and January 1 through 2028. The balance due on these debt certificates at March 31, 2009 is \$700,000. At March 31, 2009 the annual debt service requirements to cover these debt certificates are:

Year Ending March 31	Principal	Interest	Total
2010	\$ -	\$ 45,387	\$ 45,387
2011	15,000	31,483	46,483
2012	20,000	30,732	50,732
2013	20,000	29,733	49,733
2014	20,000	28,732	48,732
2015	25,000	27,733	52,733
2016	25,000	26,482	51,482
2017	30,000	25,233	55,233
2018	35,000	23,733	58,733
2019	35,000	21,983	56,983
2020	40,000	20,233	60,233
2021	40,000	18,593	58,593
2022	45,000	16,933	61,933
2023	50,000	15,042	65,042
2024	50,000	12,942	62,942
2025	55,000	10,817	65,817
2026	60,000	8,452	68,452
2027	65,000	5,872	70,872
2028	70,000	3,045	73,045
	<u>\$ 700,000</u>	<u>\$ 403,160</u>	<u>\$ 1,103,160</u>

## NOTE 5 - SPECIAL TAX LEVIES AND RESERVED EQUITIES

### A. IMRF Tax Levy

Revenues and the related expenditures of this reserved tax levy are accounted for in the General and Road and Bridge Funds. A portion, \$76,349, of these funds' equity represents the excess of cumulative receipts over cumulative disbursements which is reserved for future Illinois Municipal Retirement Fund disbursements.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 5 - SPECIAL TAX LEVIES AND RESERVED EQUITIES (Continued)

### B. *Liability Insurance Tax Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the General and Road and Bridge Funds. A portion, \$18,466, of these funds' equity represents the excess of cumulative receipts over cumulative disbursements which is reserved for future liability insurance disbursements.

### C. *Social Security Tax Levy*

Revenues and the related expenditures of this reserved tax levy are accounted for in the General Fund. A portion, \$32,237, of this fund's equity represents the excess of cumulative receipts over cumulative disbursements which is reserved for future social security disbursements.

### D. *Capital Projects*

The amount restricted for capital projects reflects the \$3,500,000 proceeds of the debt certificates issued for the new township building which were required to be spent on that building. Subsequent to year end, the entire balance of the debt certificates was repaid due to an injunction filed against the Township to prevent the construction of the new township building.

## NOTE 6 - DEFICIT FUND BALANCE

No Township fund had a deficit fund balance at March 31, 2009.

## NOTE 7 - PROPERTY TAXES

Taxes recorded in these financial statements are from the 2007 levy. A summary of the assessed valuations and extensions for tax years 2007, 2006, and 2005 is as follows:

Tax Year	2007		2006		2005	
Assessed Valuation	\$1,619,908,124		\$1,483,615,561		\$1,299,492,665	
	Rate	Extension	Rate	Extension	Rate	Extension
Corporate	0.0455	\$ 737,058	0.0479	\$ 710,652	0.0486	\$ 631,553
IMRF	0.0039	63,176	0.0036	53,410	0.0044	57,178
Social Security	0.0039	63,176	0.0042	62,312	0.0044	57,178
General Assistance	0.0037	59,937	0.0039	57,861	0.0040	51,980
Liability Insurance	0.0007	11,339	-	-	-	-
IMRF - Road and Bridge	0.0008	12,959	0.0009	13,353	0.0015	19,494
*Road and Bridge	0.0155	129,507	0.0160	123,352	0.0172	116,409
Permanent Road	0.0235	380,678	0.0243	360,519	0.0230	298,883
Liability Insurance - Road and Bridge	0.0009	14,579	0.0008	11,869	0.0015	19,492
	0.0984	\$ 1,472,409	0.1016	\$ 1,393,328	0.1046	\$ 1,252,167

\*Extensions for Road and Bridge are shown net, after deducting the portion of the taxes extended which are allocable to the underlying municipalities within the Township.

## NOTE 8 - EXCESS OF EXPENDITURES OVER BUDGET

No Township fund had expenditures that exceeded the budget.



# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND

### *Plan Description*

The Township's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Township's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

### *Funding Policy*

As set by statute, the Township's Regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Township's contribution rate for calendar year 2008 was 8.33% of annual covered payroll. The Township also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

### *Annual Pension Cost*

For 2008, the Township's annual pension cost of \$57,950 for the Regular plan was equal to the Township's required and actual contributions.

Three Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2008	\$ 57,950	100%	\$ -
12/31/2007	57,101	100%	-
12/31/2006	58,225	100%	-

The required contribution for 2008 was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Township's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Township's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 valuation was 24 years.

### *Funded Status and Funding Progress*

As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 93.67% funded. The actuarial accrued liability for benefits was \$881,919 and the actuarial value of assets was \$826,102, resulting in an underfunded actuarial accrued liability (UAAL) of \$55,817. The covered payroll (annual payroll of active employees covered by the plan) was \$695,676 and the ratio of the UAAL to the covered payroll was 8%.

# NOTES TO FINANCIAL STATEMENTS (Continued)

## NOTE 9 - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

### *Funded Status and Funding Progress (Continued)*

This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 826,102	\$ 881,919	\$ 55,817	93.67%	\$ 695,676	8.02%
12/31/2007	888,354	832,759	(55,595)	106.68%	663,968	0.00%
12/31/2006	742,304	719,396	(22,908)	103.18%	613,539	0.00%

## NOTE 10 - INTERFUND TRANSFERS

The following funds were transfers for the year ended March 31, 2009:

Transfer from	Transfer to	Amount
General Fund	General Assistance Fund	\$ 20,000

The transfer was made to help cover operating expenses of the General Assistance Fund.

## NOTE 11 - 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 bylaws 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.

During the year ended March 31, 2009, there were no significant reductions in insurance coverage. Also, there have been no settlement amounts that have exceeded insurance



## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 11 - RISK MANAGEMENT (Continued)

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, 2009, there were no significant adjustments in premiums based on actual experience.

### NOTE 12 - SUBSEQUENT EVENTS

Subsequent to March 31, 2009, an injunction was filed against the Township to prevent it from constructing the new township building that was to be paid with funds received from \$3,500,000 of debt certificates that were issued on August 1, 2008. Due to the inability to construct the building, on July 6, 2009 the Township approved the repayment of the debt certificates plus interest.

### NOTE 13 - CONTINGENCIES

The Township received a \$75,000 grant from the State of Illinois Department of Commerce and Economic Opportunity (DCEO) for architectural and engineering fees associated with the construction of the new township building. Because the project has been stopped, the Township may be required to refund the grant. The Township has not received final authority from DCEO on whether they will be required to return the funds.

The existing township building was sold by the Township to the Road District on August 7, 2008. There is a concern that the deed of conveyance does not comply with state statutes and the legality of the issuance of \$700,000 of debt certificates by the Road District has also been questioned. To date there is no litigation, but there is a possibility that the transaction could be corrected or unwound.

### NOTE 14 - FUND BALANCE/NET ASSETS ADJUSTMENTS

The Township had the following fund balance/net assets adjustments:

	Fund Balance Adjustments	Net Assets Adjustments
Correct payroll withholdings payable at 3/31/08		
General Fund	\$ (5,966)	\$ 885
Road and Bridge Fund	(1,787)	22
Correct understated cash balance at 3/31/08		
General Fund	4,968	4,968
Correct fixed asset balances as of 3/31/08	-	(16,196)
Reverse accrual balances recorded on cash basis financial statements at 3/31/08	-	2,457
Record balance of capital lease payable as of 3/31/08	-	(6,250)
	<u>\$ (2,785)</u>	<u>\$ (14,114)</u>

REQUIRED SUPPLEMENTARY INFORMATION



GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
TOWN FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Local Taxes			
Property Tax	\$ 859,000	\$ 859,000	\$ 873,584
Intergovernmental			
State Replacement Tax	27,000	27,000	27,062
Other Grants	10	10	75,000
Other Local Sources			
Transportation Income	14,000	14,000	3,700
Rental Income	1	1	-
Interest	13,500	13,500	41,921
Miscellaneous			
Other	15,510	15,510	3,183
Total Revenues	<u>\$ 929,021</u>	<u>\$ 929,021</u>	<u>\$ 1,024,450</u>
EXPENDITURES			
CURRENT			
General Government			
Personnel Salaries	\$ 302,000	\$ 302,000	\$ 250,864
Health Insurance	58,000	72,000	57,340
Illinois Municipal Retirement Contribution	53,800	53,800	40,736
Medicare Contribution	10,000	10,000	8,050
Social Security Contribution	39,000	39,000	34,786
Unemployment Insurance	3,000	3,000	1,669
Maintenance Service - Building	1,500	1,500	445
Maintenance Service - Equipment	3,000	3,000	2,808
Accounting Service	5,000	5,000	2,830
Legal/Data Processing Services	10,000	10,000	13,187
Postage	8,500	8,500	8,456
Telephone	10,000	10,000	6,077
Publishing	2,200	2,200	1,496
Printing	5,100	5,100	8,756
Dues	3,000	3,000	2,513
Travel	2,000	2,000	65
Training	2,000	2,000	58
Office	3,750	3,750	3,016
Insurance	22,000	22,000	13,564
Supplies	3,500	3,500	2,450
Utilities	7,000	7,000	3,189
Fuel	12,000	12,000	9,779
Other Professional Services	5,000	5,000	4,934
Community Event Fees	8,000	8,000	1,058
Uniforms	1,200	1,200	695
Other	1,000	1,000	314
Contingency	23,000	23,000	-
	<u>\$ 604,550</u>	<u>\$ 618,550</u>	<u>\$ 479,135</u>

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GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL FUND  
TOWN FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
CURRENT (Continued)			
Assessor			
Personnel Salaries	\$ 341,000	\$ 341,000	\$ 301,318
Maintenance Service	9,000	9,000	8,924
Postage	440	440	174
Publishing	110	110	-
Printing	250	250	-
Dues	125	125	-
Travel	1,900	1,900	880
Training	2,800	2,800	2,425
Office	8,500	8,500	5,962
Publications/Subscriptions	2,800	2,800	2,279
Outside Appraiser	6,000	6,000	6,000
Uniforms	300	300	200
	<u>\$ 373,225</u>	<u>\$ 373,225</u>	<u>\$ 328,162</u>
CAPITAL OUTLAY			
General Government	\$ 636,000	\$ 3,986,000	\$ 205,561
Assessor	8,540	8,540	7,880
	<u>\$ 644,540</u>	<u>\$ 3,994,540</u>	<u>\$ 213,441</u>
DEBT SERVICE			
Principal	\$ 100,000	\$ 250,000	\$ 2,352
Interest	-	-	415
Debt Issuance Costs	-	-	17,828
	<u>\$ 100,000</u>	<u>\$ 250,000</u>	<u>\$ 20,595</u>
Total Expenditures	<u>\$ 1,722,315</u>	<u>\$ 5,236,315</u>	<u>\$ 1,041,333</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (793,294)</u>	<u>\$ (4,307,294)</u>	<u>\$ (16,883)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Fixed Assets	\$ 611,000	\$ 611,000	\$ 543,132
Proceeds from Issuance of Debt Certificates	-	3,500,000	3,500,000
Interfund Transfers	(20,000)	(20,000)	(20,000)
	<u>\$ 591,000</u>	<u>\$ 4,091,000</u>	<u>\$ 4,023,132</u>
NET CHANGE IN FUND BALANCE	<u>\$ (202,294)</u>	<u>\$ (216,294)</u>	<u>\$ 4,006,249</u>
FUND BALANCE - APRIL 1, 2008	389,798	389,798	395,567
FUND BALANCE ADJUSTMENT (NOTE 14)	-	-	(998)
FUND BALANCE - MARCH 31, 2009	<u>\$ 187,504</u>	<u>\$ 173,504</u>	<u>\$ 4,400,818</u>

See Accompanying Independent Auditor's Report

GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
ROAD AND BRIDGE FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Local Taxes			
Property Tax	\$ 537,723	\$ 537,723	\$ 537,006
Intergovernmental			
State Replacement Tax	50,000	50,000	46,021
Other Grants	9,000	9,000	9,046
Other Local Sources			
Other Licenses and Permits	5,000	5,000	3,080
Fines and Forfeitures	3,000	3,000	3,615
Impact Fees	-	-	24,400
Interest	19,000	19,000	9,231
Miscellaneous			
Other	4,200	4,200	5,674
Total Revenues	<u>\$ 627,923</u>	<u>\$ 627,923</u>	<u>\$ 638,073</u>
EXPENDITURES			
CURRENT			
General Government			
Personnel Salaries	\$ 5,500	\$ 5,500	\$ 5,120
Health Insurance	25,000	25,000	15,719
Medicare Contribution	12,000	12,000	2,511
Social Security Contribution	3,000	3,000	10,736
Illinois Municipal Retirement Contribution	25,000	25,000	14,304
Unemployment Insurance	2,250	2,250	393
Accounting Service	2,800	2,800	2,575
Dues	500	500	175
Insurance	30,000	30,000	19,518
Legal/Data Processing Services	8,000	8,000	4,957
Maintenance Service - Equipment	1,000	1,000	38
Miscellaneous	8,000	8,000	1,166
Municipal Replacement Tax	9,900	9,900	9,853
Office	400	400	38
Postage	50	50	-
Printing	200	200	23
Publishing	1,500	1,500	514
Telephone	3,000	3,000	2,114
Training	500	500	-
Travel	2,500	2,500	1,801
Uniforms	1,500	1,500	830
	<u>\$ 142,600</u>	<u>\$ 142,600</u>	<u>\$ 92,385</u>
Road and Bridge			
Personnel Salaries	\$ 186,500	\$ 186,500	\$ 168,040
Engineering Service	16,000	16,000	3,184
Fuel	35,000	35,000	17,096
Garbage Disposal	2,500	2,500	1,386

See Accompanying Independent Auditor's Report



GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
ROAD AND BRIDGE FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
CURRENT (Continued)			
Road and Bridge (Continued)			
Maintenance Service - Bridge	\$ 500	\$ 500	\$ -
Maintenance Service - Building	5,000	5,000	1,978
Maintenance Service - Equipment	8,000	8,000	3,272
Maintenance Service - Road	200,100	200,100	134,797
Maintenance Service - Snow Removal	100	100	-
Maintenance Service - Vehicles	8,500	8,500	3,208
Maintenance Supplies	62,700	62,700	24,638
Operating Supplies	22,500	22,500	2,392
Other	26,177	26,177	2,880
Rentals	3,300	3,300	997
Road Signs and Materials	15,000	15,000	3,711
Road Stripping	16,500	16,500	8,701
Salt, Calcium, and Ice Control	65,000	65,000	62,680
Small Tools	3,000	3,000	190
Street Lights	6,000	6,000	5,075
Utilities	8,000	8,000	4,105
Contingency	32,000	32,000	-
	<u>\$ 722,377</u>	<u>\$ 722,377</u>	<u>\$ 448,330</u>
CAPITAL OUTLAY			
Road and Bridge	<u>\$ 82,500</u>	<u>\$ 782,500</u>	<u>\$ 787,917</u>
DEBT SERVICE			
Principal	\$ 80,000	\$ 80,000	\$ -
Debt Issuance Costs	-	-	6,800
	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 6,800</u>
Total Expenditures	<u>\$ 1,027,477</u>	<u>\$ 1,727,477</u>	<u>\$ 1,335,432</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (399,554)</u>	<u>\$ (1,099,554)</u>	<u>\$ (697,359)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt Certificates	\$ -	\$ 700,000	\$ 700,000
Proceeds from Capital Lease	-	-	66,621
	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 766,621</u>
NET CHANGE IN FUND BALANCE	\$ (399,554)	\$ (399,554)	\$ 69,262
FUND BALANCE - APRIL 1, 2008	411,651	411,651	411,548
FUND BALANCE ADJUSTMENT (NOTE 14)	-	-	(1,787)
FUND BALANCE - MARCH 31, 2009	<u>\$ 12,097</u>	<u>\$ 12,097</u>	<u>\$ 479,023</u>

See Accompanying Independent Auditor's Report

GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL ASSISTANCE FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Local Taxes			
Property Tax	\$ 58,733	\$ 58,733	\$ 59,857
Other Local Sources			
Interest	3,200	3,200	1,836
Miscellaneous			
Other	10	10	-
Total Revenues	\$ 61,943	\$ 61,943	\$ 61,693
EXPENDITURES			
CURRENT			
General Government			
Personnel Salaries	\$ 49,000	\$ 49,000	\$ 46,944
Health Insurance	5,000	6,000	5,218
Illinois Municipal Retirement Contribution	-	-	3,153
Social Security/Medicare Contribution	-	-	3,591
Unemployment Insurance	500	500	-
Fuel	1,000	1,000	91
Legal and Professional Services	4,200	4,200	2,700
Maintenance Service - Building	3,000	3,000	176
Maintenance Service - Equipment	1,000	1,000	403
Office	1,700	1,700	173
Other	500	500	-
Postage	2,000	2,000	2,000
Printing	3,000	3,000	-
Publishing	500	500	-
Telephone	1,200	1,200	1,062
Training	1,500	1,500	10
Travel	2,000	2,000	-
Utilities	1,500	1,500	-
Contingency	7,500	7,500	-
	\$ 85,100	\$ 86,100	\$ 65,521
Community Assistance and Services			
Ambulance	\$ 1,000	\$ 1,000	\$ -
Dental Service	3,000	3,000	-
Eye Care	2,000	2,000	-
Funeral and Burial Service	10,000	10,000	-
Hospital Service	12,500	12,500	-
Other Medical Services	5,000	5,000	2,610
Physician Service	12,500	12,500	250
Shelter	12,500	12,500	4,888
Transportation Assistance	1,000	1,000	850
Utilities	17,500	17,500	16,384
Drugs	2,000	2,000	-
Flat Grant	5,000	5,000	938
Food	500	500	-

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GRAFTON TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL  
GENERAL ASSISTANCE FUND  
YEAR ENDED MARCH 31, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
EXPENDITURES (Continued)			
CURRENT (Continued)			
Community Assistance and Services (Continued)			
Fuel	\$ 500	\$ 500	\$ -
Household Incidentals	1,000	1,000	-
Other	150	150	-
Personal Incidentals	1,000	1,000	-
	<u>\$ 87,150</u>	<u>\$ 87,150</u>	<u>\$ 25,920</u>
CAPITAL OUTLAY			
Community Assistance and Services	\$ 10,000	\$ 10,000	\$ -
Total Expenditures	<u>\$ 182,250</u>	<u>\$ 183,250</u>	<u>\$ 91,441</u>
EXCESS OR (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (120,307)	\$ (121,307)	\$ (29,748)
OTHER FINANCING SOURCES (USES)			
Interfund Transfers	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	\$ (100,307)	\$ (101,307)	\$ (9,748)
FUND BALANCE - APRIL 1, 2008	<u>119,153</u>	<u>119,153</u>	<u>113,928</u>
FUND BALANCE - MARCH 31, 2009	<u><u>\$ 18,846</u></u>	<u><u>\$ 17,846</u></u>	<u><u>\$ 104,180</u></u>

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GRAFTON TOWNSHIP  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
MARCH 31, 2009

NOTE 1 - BUDGET

The budget for all governmental fund types is prepared on the modified cash basis of accounting which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. All annual appropriations lapse at fiscal year end.

Budget expenditures are controlled at the departmental level. All transfers and any revision that change the total expenditures of any fund must be approved by the Township board. All budget amendments must be approved by the Township board.

The budget was approved on May 8, 2008 and amended on July 28, 2008.

NOTE 2 - OVEREXPENDITURE OF BUDGET

No fund had expenditures that exceeded the budget.