

TOWNSHIP OF ST. CLAIR, ILLINOIS

UNIT CODE 088/170/01

ANNUAL FINANCIAL REPORT

March 31, 2012

INTRODUCTORY SECTION

TOWNSHIP OF ST. CLAIR, ILLINOIS

ANNUAL FINANCIAL REPORT
MARCH 31, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents i

FINANCIAL SECTION

Independent Auditors' Report 1-2

Basic Financial Statements

 Government-Wide Financial Statements

 Statement of Net Assets 3

 Statement of Activities 4

 Fund Financial Statements

 Balance Sheet - Governmental Funds 5

 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets 6

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 7

 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities 8

 Statement of Net Assets - Proprietary Fund 9

 Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund 10

 Statement of Cash Flows - Proprietary Fund 11

 Notes to Financial Statements 12-30

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

 Defined Benefit Pension Plan and Other Post Employment Benefit Plan 31

General Fund

 Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual 32-33

Road and Bridge Fund

 Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual 34

Permanent Road Fund

 Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual 35

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Supervisor and the Members
of the Board of Trustees
Township of St. Clair, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of St. Clair, Illinois as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of St. Clair, Illinois as of March 31, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted Management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on pages 32-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

Supervisor and the Members
of the Board of Trustees
Township of St. Clair, Illinois

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.

J.W. Boyle & Co., Ltd.

J.W. BOYLE & CO., LTD.

August 15, 2012

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Net Assets
March 31, 2012**

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 1,848,758	\$ 3,079,062	\$ 4,927,820
Receivables (net of allowance for doubtful accounts):			
Taxes	1,586,076	-	1,586,076
Accounts	-	725,094	725,094
Due from St. Clair County	54,811	-	54,811
Inventory	<u>22,426</u>	<u>-</u>	<u>22,426</u>
Total current assets	3,512,071	3,804,156	7,316,227
Noncurrent assets			
Capital assets			
Land	40,146	98,550	138,696
Construction in progress	35,141	382,764	417,905
Other capital assets, net of accumulated depreciation	<u>2,177,587</u>	<u>8,123,171</u>	<u>10,300,758</u>
Total noncurrent assets	2,252,874	8,604,485	10,857,359
Total assets	5,764,945	12,408,641	18,173,586
 LIABILITIES			
Current liabilities			
Accounts payable	186,619	423,264	609,883
Compensated absences	11,387	15,389	26,776
Deferred real estate tax revenue	<u>1,570,387</u>	<u>-</u>	<u>1,570,387</u>
Total current liabilities	1,768,393	438,653	2,207,046
Noncurrent liabilities			
Other post employment benefit obligation	<u>11,008</u>	<u>75,325</u>	<u>86,333</u>
Total noncurrent liabilities	11,008	75,325	86,333
Total liabilities	1,779,401	513,978	2,293,379
 NET ASSETS			
Invested in capital assets, net of related debt	2,252,874	8,604,485	10,857,359
Unrestricted	<u>1,732,670</u>	<u>3,290,178</u>	<u>5,022,848</u>
Total net assets	\$ 3,985,544	\$ 11,894,663	\$ 15,880,207

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Activities

Year Ended March 31, 2012

Functions/programs	Program Revenues				Net Revenues, (Expenses), and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 168,081	\$ -	\$ -	\$ -	\$ (168,081)	\$ -	\$ (168,081)
Highways and streets	958,359	-	11,000	-	(947,359)	-	(947,359)
Development services	11,750	-	-	-	(11,750)	-	(11,750)
General assistance	53,036	-	-	-	(53,036)	-	(53,036)
Culture and recreation	70,352	-	-	-	(70,352)	-	(70,352)
Total governmental activities	1,261,578	-	11,000	-	(1,250,578)	-	(1,250,578)
Business-type activities							
Sewer	2,359,783	2,871,591	-	-	-	511,808	511,808
Total business-type activities	2,359,783	2,871,591	-	-	-	511,808	511,808
Total	\$ 3,621,361	\$ 2,871,591	\$ 11,000	\$ -	(1,250,578)	511,808	(738,770)
General revenues							
Taxes							
Real Estate					1,573,542	-	1,573,542
Personal property replacement					70,890	-	70,890
Motor fuel					85,304	-	85,304
Miscellaneous					1,980	-	1,980
Interest income					8,395	15,688	24,083
(Loss) on sale of capital assets					(544)	(1,143)	(1,687)
Employee sharing revenue					37,736	86,570	124,306
Total general revenues					1,777,303	101,115	1,878,418
Change in net assets					526,725	612,923	1,139,648
Net assets, beginning of year					3,458,819	11,281,740	14,740,559
Net assets, end of year					\$ 3,985,544	\$ 11,894,663	\$ 15,880,207

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Balance Sheet
Governmental Funds
March 31, 2012**

ASSETS	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 355,145	\$ 522,748	\$ 904,386	\$ 66,479	\$ 1,848,758
Taxes receivable	216,128	321,226	895,476	153,246	1,586,076
Due from other governments	-	54,811	-	-	54,811
Inventory	-	22,426	-	-	22,426
Total assets	<u>\$ 571,273</u>	<u>\$ 921,211</u>	<u>\$ 1,799,862</u>	<u>\$ 219,725</u>	<u>\$ 3,512,071</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 225	\$ 162,744	\$ 22,843	\$ 807	\$ 186,619
Deferred revenue	211,099	310,566	895,476	153,246	1,570,387
Total liabilities	211,324	473,310	918,319	154,053	1,757,006
Fund balances					
Nonspendable:					
Inventories	-	22,426	-	-	22,426
Assigned:					
Special revenue funds	-	425,475	881,543	65,672	1,372,690
Unassigned:					
General fund	359,949	-	-	-	359,949
Total fund balances	<u>359,949</u>	<u>447,901</u>	<u>881,543</u>	<u>65,672</u>	<u>1,755,065</u>
Total liabilities and fund balances	<u>\$ 571,273</u>	<u>\$ 921,211</u>	<u>\$ 1,799,862</u>	<u>\$ 219,725</u>	<u>\$ 3,512,071</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2012

Total fund balance - total governmental funds	\$ 1,755,065
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, \$3,430,324 net of accumulated depreciation of \$1,177,450.	2,252,874
Certain liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Accrued compensated absences	(11,387)
Other post employment benefit obligation	<u>(11,008)</u>
Net assets of governmental activities	<u>\$ 3,985,544</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2012**

	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Revenues					
Taxes					
Property	\$211,173	\$ 313,958	\$ 944,728	\$ 103,683	\$ 1,573,542
Personal property replacement	22,724	48,166	-	-	70,890
Motor fuel	-	85,304	-	-	85,304
Contributions	-	11,000	-	-	11,000
Employee sharing revenue	37,736	-	-	-	37,736
Interest	1,325	2,482	4,248	340	8,395
Miscellaneous	1,506	441	33	-	1,980
Total revenues	<u>274,464</u>	<u>461,351</u>	<u>949,009</u>	<u>104,023</u>	<u>1,788,847</u>
Expenditures					
Current					
General government	169,033	-	-	-	169,033
Highways and streets	47,962	453,130	335,485	-	836,577
Development services	11,750	-	-	-	11,750
General assistance	-	-	-	53,036	53,036
Culture and recreation	-	-	-	61,082	61,082
Capital outlay	-	300,444	619,222	-	919,666
Total expenditures	<u>228,745</u>	<u>753,574</u>	<u>954,707</u>	<u>114,118</u>	<u>2,051,144</u>
Excess (deficiency) of revenues over expenditures	45,719	(292,223)	(5,698)	(10,095)	(262,297)
Other financing sources					
Sale of capital assets	14,322	18,978	-	2,011	35,311
Transfer in	-	10,000	-	30,000	40,000
Transfer out	(30,000)	-	-	(10,000)	(40,000)
Total other financing sources	<u>(15,678)</u>	<u>28,978</u>	<u>-</u>	<u>22,011</u>	<u>35,311</u>
Net change in fund balances	30,041	(263,245)	(5,698)	11,916	(226,986)
Fund balances, beginning of year	<u>329,908</u>	<u>711,146</u>	<u>887,241</u>	<u>53,756</u>	<u>1,982,051</u>
Fund balances, end of year	<u>\$359,949</u>	<u>\$ 447,901</u>	<u>\$ 881,543</u>	<u>\$ 65,672</u>	<u>\$ 1,755,065</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended March 31, 2012

Net change in fund balances - total governmental funds \$ (226,986)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,004,897
Depreciation expense	<u>(214,954)</u>
	789,943

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain or loss on the sale of disposal of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold or disposed. (35,855)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	(4,061)
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Other post employment benefit obligation	<u>3,684</u>
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Change in net assets of governmental activities	<u>\$ 526,725</u>
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See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Net Assets
Proprietary Fund
March 31, 2012

ASSETS

	<u>Sewerage Enterprise Fund</u>
Current assets	
Cash and cash equivalents	\$ 3,079,062
Receivables (net where applicable of allowance for doubtful accounts)	
Accounts	<u>725,094</u>
Total current assets	3,804,156
Noncurrent assets	
Capital assets	
Property, plant and equipment, (net)	<u>8,604,485</u>
Total noncurrent assets	<u>8,604,485</u>
Total assets	<u>12,408,641</u>

LIABILITIES

Current liabilities	
Accounts payable	423,264
Compensated absences	<u>15,389</u>
Total current liabilities	438,653
Noncurrent liabilities	
Other post employment benefit obligation	<u>75,325</u>
Total noncurrent liabilities	<u>75,325</u>
Total liabilities	<u>513,978</u>

NET ASSETS

Invested in capital assets, net of related debt	8,604,485
Unrestricted	<u>3,290,178</u>
Total net assets	<u>\$ 11,894,663</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
March 31, 2012**

	<u>Sewerage Enterprise Fund</u>
Operating revenues	
Sewer fees	\$ 2,871,591
Employee sharing revenue	86,570
Total operating revenue	<u>2,958,161</u>
Operating expenses	
Salaries and wages	338,026
Bad debt expense	11,632
Depreciation	433,893
Employee sharing expense	37,736
Engineering	26,539
Equipment rental	550
IMRF	43,896
Insurance	165,137
Legal and accounting	46,359
Maintenance supplies	23,994
Office expense	31,861
Other post employment benefits	23,833
Payroll taxes	34,092
Postage	14,213
Property damage	3,066
Repairs and maintenance	99,907
Sanitation service	889,079
Uniform rental	4,466
Utilities	131,504
Total operating expenses	<u>2,359,783</u>
Operating income	598,378
Non-operating revenues (expense)	
Interest income	15,688
Loss on sale of capital assets	(1,143)
Total non-operating revenues (expense)	<u>14,545</u>
Change in net assets	612,923
Net assets, beginning of year	<u>11,281,740</u>
Net assets, end of year	<u>\$ 11,894,663</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Cash Flows
Proprietary Fund
March 31, 2012**

	<u>Sewerage Enterprise Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 2,867,171
Receipts from interfund services provided	86,570
Payments to suppliers	(1,203,557)
Payments to employees	(347,349)
Payments for interfund services used	(37,736)
Net cash provided by operating activities	<u>1,365,099</u>
Cash flows from capital and related activities:	
Purchases of capital assets	<u>(335,651)</u>
Net cash (used) by capital and related financing activities	<u>(335,651)</u>
Cash flows from investing activities:	
Proceeds from maturities of certificates of deposit	1,750,000
Interest on certificates of deposit and demand deposits	17,045
Net cash provided by investing activities	<u>1,767,045</u>
Net increase in cash and cash equivalents	2,796,493
Balances - beginning of the year	<u>282,569</u>
Balances - end of the year	<u>\$ 3,079,062</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 598,378
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	433,893
Changes in assets and liabilities	
(Increase) in accounts receivable	(4,420)
Increase in accounts payable	322,738
(Decrease) in liability for compensated absences	(9,323)
Increase in other post employment benefit obligation	23,833
Net cash provided by operating activities	<u>\$ 1,365,099</u>

Non-cash investing capital and financial activities

During this past year, the Sewer fund received no non-cash capital contributions from developers consisting of sewer infrastructure.

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

March 31, 2012

1. Summary of significant accounting policies

A. General statement

The Township of St. Clair, Illinois (the "Township") provides the following services: general government, general assistance, recreation, road maintenance and sewerage.

The accounting and reporting policies of the Township relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Township has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Township are described below.

B. Financial reporting entity

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations as component units within the Township reporting entity, as set forth in Section 2100 of GASB's – Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Township holds the corporate powers of the organization
- the Township appoints a voting majority of the organization's board
- the Township is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Township
- there is fiscal dependency by the organization on the Township

Based on the aforementioned criteria, the St. Clair Road District is a blended component unit. The St. Clair Road District is responsible for the maintenance and construction of all the roads within the Township.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. The Township does not allocate indirect expenses to functions in the statement of activities. *Program revenue*, include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are reported only when payment is due.

Sales taxes, other taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General fund

General fund is the main operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General fund.

Road and bridge fund

Road and bridge fund is used to account for funds received and expended for the payment of road maintenance, supplies, and improvements.

Permanent road fund

Permanent road fund is used to account for funds received and expended for the construction, renovation, expansion and major improvement of various roads and bridges.

The Township reports the following proprietary funds:

Sewerage fund

Sewerage fund is used to account for the provision of sewer service to the residents of the Township. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services provided. Operating expenses for the enterprise funds and integral service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

E. Budgetary control

The Board of Trustees is required to adopt an annual budget and appropriation ordinance for the Township and Road District. The budgets are prepared utilizing the cash basis of accounting. The Township follows these procedures in establishing budgetary data reflected in the financial statements.

1. The Township Supervisor prepares a tentative budget and appropriation ordinance for the Township and the Highway Commissioner prepares a tentative budget and appropriation ordinance for the Township Road District.
2. A public notice of the tentative budget and appropriation ordinances is given at least 30 days prior to the public hearing and final action.
3. A public hearing is held to receive taxpayer comments.
4. The budget and appropriation ordinances are legally adopted by the Board of Trustees.
5. The budget is incorporated into the accounting records of the Township.

The Board of Trustees is allowed to make transfers between the various expenditure items up to ten percent (10 percent) of the total amount appropriated. The annual appropriations lapse at the end of the fiscal year.

The Township and Road District budgets were adopted on June 28, 2011.

The Board of Trustees did amend the Township and Road District budgets by approving transfers between expenditure items for the year ended March 31, 2012, on March 13, 2012.

F. Cash and cash equivalents

The Township considers all investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

The Township pools cash resources to improve cash management. A cash pool is maintained for the Township governmental funds and a cash pool is maintained for the Road District governmental funds. Each pool consists of a checking account and an interest bearing sweep account. Individual fund integrity is maintained through the accounting records. Interest earned from the pooled cash is allocated monthly to each fund based on the ending cash balance.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

Total cash and cash equivalents as of March 31, 2012 are summarized as follows:

	Governmental Funds	Proprietary Fund	Total
Cash on hand	\$ -	\$ 200	\$ 200
Pooled demand deposits with local bank	1,848,758	-	1,848,758
Demand deposits with local bank	-	3,024,947	3,024,947
Illinois Funds external investment pool	-	53,915	53,915
	<u>\$1,848,758</u>	<u>\$ 3,079,062</u>	<u>\$ 4,927,820</u>

G. Allowance for doubtful accounts

At March 31, 2012, the allowance for doubtful accounts was \$60,000 for the Sewerage enterprise fund accounts receivable.

H. Inventories

Inventory is valued at cost using the first-in/first-out (FIFO) method.

Inventory in governmental funds consist of expendable supplies held for future consumption. The cost is recorded as an expense as inventory items are consumed (consumption method). Inventory for the Proprietary fund is considered immaterial and is therefore expensed when purchased.

I. Capital assets and depreciation

The Township's property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired after April 1, 2004), with useful lives of more than one year are reported in the government-wide financial statements. Purchased or constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is included in net income.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

The estimated useful lives and capitalization threshold for depreciable assets are as follows:

	<u>Useful Life (Years)</u>	<u>Capitalization Threshold</u>
Land improvements	15-20	\$ 10,000
Buildings and improvements	20-40	10,000
Furniture, fixtures, and equipment	5-10	2,500
Infrastructure	10	50,000
Sewerage system	25-50	50,000

J. Capitalized interest

Interest costs are capitalized when incurred by Proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. There were no financed construction activities for the year ended March 31, 2012.

K. Long-term debt, deferred debt expense, and bond discounts/premiums

In the government-wide and business-type activities proprietary funds, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental funds financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

L. Compensated absences

The Township's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded in the statement of net assets.

M. Fund equity

Beginning with fiscal year 2012, the Township implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purpose by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used by any other purpose unless the Township takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund. Negative unassigned fund balances may be reported in all funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assigned actions.

Net assets

As noted previously, equity for government-wide and propriety fund financial statements is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provision or enabling legislation. Net assets are reported as restricted using the same definition as used by restricted fund balance as described in the section above.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

1. Summary of significant accounting policies (continued)

The Township applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Internal and interfund balances and activities

In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund financial statements

Interfund activity, if any, within and among the governmental fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government - wide financial statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental activities columns of the statement of net assets, except for the residual amounts due between governmental activities, which are reported as internal balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

2. Cash, cash equivalents and certificates of deposit

Illinois law states that investments of cash funds may be made in bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest. The Township may also invest in interest bearing savings accounts, certificates of deposit or time deposits which are insured by federal insurance. Also, the Township may invest with Public Treasurer's Investment Pool administered by the Illinois State Treasurer.

The Township has adopted a formal written investment policy in accordance with the Public Funds Investment Act of the State of Illinois.

The Township's cash and cash equivalents at March 31, 2012 consist of the following:

	<u>Carrying Amount</u>	<u>Bank Value</u>
Cash on hand	\$ 200	\$ 200
Demand deposits with local bank:		
Bank of Edwardsville	4,633,128	4,720,826
Bank of Springfield	<u>240,577</u>	<u>240,555</u>
Sub-total - deposits with banks	4,873,905	4,961,581
External investment pool:		
The Illinois Funds - Money Market Fund	<u>53,915</u>	<u>52,979</u>
	<u>\$ 4,927,820</u>	<u>\$ 5,014,560</u>

The Illinois Funds is an external investment pool administered by the Illinois State Treasurer. U.S. Bank, N.A. serves as custodian for The Illinois Funds. The fair value of the Township's investment in The Illinois Funds is the same as the value of the pool shares. Although not subject to direct regulatory oversight, The Illinois Funds is administered in accordance with the provisions of Illinois statute 30 ILCS 235 "Public Funds Investment Act".

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township's investment policy requires deposits with banks that exceed the amount insured by FDIC insurance protection be collateralized. Also, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs. The Illinois Funds - Money Market Fund is rated AAA by Standard & Poor's. The rating signifies an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks.

Custodial credit risk (deposits with banks) - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At March 31, 2012, the reported amount on the Township's deposits was \$4,873,705 and the bank balance was \$4,961,381. Of the bank balance, \$740,555 was covered by federal depository insurance and \$4,220,826 was covered by collateral held by the pledging financial institution.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

2. Cash, cash equivalents and certificates of deposit (continued)

Custodial credit risk (other investments) - Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, the Township will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township's investment policy places no limit on the amount they may invest in any one issuer.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. Capital assets

Capital asset activity for the year ended March 31, 2012, was as follows:

	Balance at Beginning of Fiscal Year	Additions	Retirements	Balance at End of Fiscal Year
Governmental activities				
Capital assets not being depreciated				
Land	\$ 40,146	\$ -	\$ -	\$ 40,146
Construction in progress	40,110	35,141	(40,110)	35,141
Total capital assets not being depreciated	80,256	35,141	(40,110)	75,287
Capital assets, being depreciated				
Land improvements	84,036	-	-	84,036
Buildings and improvements	62,132	100,296	(62,132)	100,296
Equipment	799,897	66,322	(5,902)	860,317
Infrastructure	1,467,140	843,248	-	2,310,388
Total capital assets being depreciated	2,413,205	1,009,866	(68,034)	3,355,037
Less accumulated depreciation for				
Land improvements	(25,561)	(4,202)	-	(29,763)
Buildings and improvements	(25,888)	(806)	26,277	(417)
Equipment	(587,109)	(58,626)	5,902	(639,833)
Infrastructure	(356,117)	(151,320)	-	(507,437)
Total accumulated depreciation	(994,675)	(214,954)	32,179	(1,177,450)
Total capital assets, being depreciated, net	1,418,530	794,912	(35,855)	2,177,587
Governmental activities capital assets, net	<u>\$ 1,498,786</u>	<u>\$ 830,053</u>	<u>\$ (75,965)</u>	<u>\$ 2,252,874</u>

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

3. Capital assets (continued)

	Balance at Beginning of Fiscal Year	Additions	Retirements	Balance at End of Fiscal Year
Business-type activities				
Capital assets not being depreciated				
Land	\$ 98,550	\$ -	\$ -	\$ 98,550
Construction in progress	55,806	326,958	-	382,764
Total capital assets not being depreciated	154,356	326,958	-	481,314
Capital assets being depreciated				
Land improvements	79,086	-	-	79,086
Buildings and improvements	1,232,677	-	-	1,232,677
Equipment	1,310,354	8,693	(314,889)	1,004,158
Sewerage system	15,694,784	-	-	15,694,784
Total capital assets being depreciated	18,316,901	8,693	(314,889)	18,010,705
Less accumulated depreciation for:				
Land and improvements	(37,346)	(5,272)	-	(42,618)
Buildings and improvements	(231,085)	(42,637)	-	(273,722)
Equipment	(1,117,803)	(67,716)	313,746	(871,773)
Sewerage system	(8,381,153)	(318,268)	-	(8,699,421)
Total accumulated depreciation	(9,767,387)	(433,893)	313,746	(9,887,534)
Total capital assets being depreciated, net	8,549,514	(425,200)	(1,143)	8,123,171
Business-type activities capital assets, net	\$ 8,703,870	\$ (98,242)	\$ (1,143)	\$ 8,604,485

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities	
General government and administration	\$ 48
Highways and streets	205,636
Culture and recreation	9,270
Total depreciation expense - Governmental activities	<u>\$ 214,954</u>
Business-type activities	
Sewer	<u>\$ 433,893</u>
Total depreciation expense - Business-type activities	<u>\$ 433,893</u>

4. Noncurrent liabilities

The following is a summary of the change in noncurrent liabilities for the year ended March 31, 2012:

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

4. Noncurrent liabilities (continued)

	Balance at Beginning of Fiscal Year	Increase	Decrease	Balance at End of Fiscal Year	Due within One Year
<u>Governmental activities</u>					
OPEB obligation	\$ 14,692	\$ 23,238	\$ 26,922	\$ 11,008	\$ -
<u>Business-type activities</u>					
OPEB obligation	<u>51,492</u>	<u>35,572</u>	<u>11,739</u>	<u>75,325</u>	<u>-</u>
	<u>\$ 66,184</u>	<u>\$ 58,810</u>	<u>\$ 38,661</u>	<u>\$ 86,333</u>	<u>\$ -</u>

5. Property tax

Property taxes attach as an enforceable lien on property as of January 1. The Township and the Road district levied for 2010 property taxes on December 27, 2010. Billing and collection of property taxes is performed by the St. Clair County government. Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Property tax revenue is recorded when it is collected. This includes property taxes collected within 60 days after year end. No allowance for delinquent taxes has been provided as property taxes recognized are considered to be fully collectible. 2010 property taxes were payable in two installments; September 14, 2011 and November 9, 2011.

6. Defined benefit pension plan

Plan description - The Township's defined benefit pension plan for 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.

Funding policy - As set by statute, the Township's plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires the Township to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Township's annual required contribution rate for calendar year 2011 was 12.52 percent. 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 - The required contribution for fiscal year ending March 31, 2012 was \$76,685.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

6. Defined benefit pension plan (continued)

THREE-YEAR TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
3/31/2012	\$ 76,685	100 %	\$ 0
3/31/2011	78,051	100	0
3/31/2010	76,384	100	0

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3.0 percent annually. The actuarial value of the Township's 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 20.0 percent corridor between the actuarial and market value of assets. The Township's plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded status and funding progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was 47.11 percent funded. The actuarial accrued liability for benefits was \$1,326,425 and the actuarial value of assets was \$624,945, resulting in an underfunded actuarial accrued liability (UAAL) of \$701,480. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$610,008 and the ratio of the UAAL to the covered payroll was 115 percent.

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

7. Other post employment benefit plan

Plan Description. In September 2005, the Board of Trustees for the Township approved a resolution establishing a post employment benefit plan (the Plan). The Plan is a single-employer defined benefit healthcare plan administered by the Township which provides medical insurance benefits to eligible retirees. The Plan has also been included in the general insurance provisions of the collective bargaining agreements with the Township employees. The Plan does not issue a publicly available financial report.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Other post employment benefit plan (continued)

Funding Policy. The Plan makes available to all employees who retire after at least eight (8) years of employment with the Township, medical insurance benefits through its group medical insurance carrier. The Township will pay for one (1) year of said medical insurance benefit for each four (4) years of employment, not to exceed a total of five (5) years of medical insurance benefits. The benefit shall cease to be available on the date the employee becomes eligible for Medicare. The Township pays 100 percent of the applicable premium for the employee on a pay-as-you-go basis. Total contributions were \$38,661 for the year ended March 31, 2012.

As of March 31, 2012, the Plan has four retirees receiving benefits and ten active participants, of which seven are not yet eligible to receive benefits.

Annual OPEB Cost and Net OPEB Obligation. The Township's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year ended March 31, 2012, the actual amount contributed to the Plan, and changes in the Township's net OPEB obligation to the Plan:

Annual required contribution	\$ 61,001
Interest on OPEB obligation	200
Adjustment to annual required contribution	<u>(2,391)</u>
Annual OPEB cost (expense)	58,810
Contributions made	<u>(38,661)</u>
Increase in net OPEB obligation	20,149
Net OPEB obligation - 04/01/2011	<u>66,184</u>
Net OPEB obligation - 03/31/2012	<u><u>\$ 86,333</u></u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended March 31, 2012 and the two preceding years are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
03/31/12	\$ 58,810	65.74%	\$ 86,333
03/31/11	48,126	38.56%	66,184
03/31/10	51,428	28.80%	36,616

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Other post employment benefit plan (continued)

Funded Status and Funding Progress. The funded status of the Plan based on the most recent actuarial valuation of March 31, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 377,913
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 377,913</u>
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 486,015
UAAL as a percentage of covered payroll	77.76%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the Township are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the Township and employees) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs to the Township to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Active plan members were assumed to retire at age 60 if the employee has earned 5 years of benefits. If an employee would not yet qualify for 5 years of benefits, then the employee is assumed to work until he/she has accumulated enough years of vested service to obtain benefits until they reach Medicare eligibility (age 65).

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2007 United States Life Tables for Males and Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

7. Other post employment benefit plan (continued)

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services for the years 2005-2020. Varying rates of 9.4 percent to 4.2 percent were used.

Health insurance premiums - Health insurance premiums for retirees for the year ended March 31, 2013 were used as the basis for calculation of the present value of total benefits to be paid.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of .3 percent was used. In addition, a simplified version of the unit credit cost method was used. The unfunded actuarial accrued liability (UAAL) is being amortized over 25 years for Road fund and 30 years for Sewer fund as a level dollar amount.

8. Collective bargaining agreements

The Township's clerical and sewer department employees and the Road District's employees are covered under collective bargaining agreements with the International Union of Operating Engineers Local No. 148. These agreements are effective to December 31, 2013.

9. Commitments

Wastewater treatment contracts

Village of Swansea

The Township and the Village of Swansea entered into a sewerage contract on March 21, 1995. The contract is for fifteen years and shall continue for successive five-year periods unless either party serves the other with the written notice five years prior to the end of the initial lease period or on the successive five-year anniversary dates thereafter.

The Township agrees to pay the minimum monthly payment of \$8.00 per month per user. In addition, the Township pays the Village of Swansea a monthly debt service payment of \$11,793. These amounts can be adjusted after the Village of Swansea has their annual audit to determine the actual metered flows and costs for the previous year. If the Township has underpaid the Village of Swansea, the Township shall remit to the Village of Swansea any balance due within ninety days after written notice. If the Township has overpaid the Village of Swansea the Township shall deduct the amount overpaid from the next billing. For the year ended March 31, 2012, management expects no material overpayment or balance due. See Note 13 for additional disclosures. The Township's annual expense for the year ended March 31, 2012 was \$435,943.

City of Belleville

The Township and the City of Belleville entered into a sewerage contract on November 19, 1973. The contract is for forty years and shall continue for successive ten-year periods, unless

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

9. Commitments (continued)

either party serves the other with written notice five years prior to their intended termination. The residential and commercial rates established by the contract to be paid by the Township to the City of Belleville are subject to modification at the end of each three-year period from the effective date of the contract. The current residential monthly rate in effect is \$14.72 per single family living unit. The current commercial monthly rate in effect is \$2.25 per 1,000 gallons of water as metered through the commercial establishment's water meter. The Township's annual expense for the year ended March 31, 2012 was \$313,271.

Construction and related contracts

The Township has entered into multiple construction and related contracts for road improvements and sewer system improvements. The following is a summary of the construction projects as of March 31, 2012:

	Road	Sewer
Contracts approved	\$ 8,800	\$ 613,513
Payments made	-	(18,637)
Unpaid accounts payable recorded	(4,105)	(296,932)
Remaining commitment	\$ 4,695	\$ 297,944

Subsequent to March 31, 2012, the Township entered into additional construction related contracts for road improvements of approximately \$391,000 and for sewer system improvements of approximately \$28,000.

10. Legal confines of budget

The Township operated within the legal confines of the budget during the year ended March 31, 2012.

11. Interfund transfers

The following is a summary of transfers during the year ended March 31, 2012:

Transfers from	Transfers to	Amount
General fund	General assistance fund	\$ 10,000
General fund	Park maintenance fund	20,000
Park maintenance fund	Road and bridge fund	10,000

The general fund transfer was used to cover the expenses in the general assistance fund due to an increase in general assistance participants.

The general fund transfer was used to cover the employee sharing expenses in the parks maintenance.

**TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

11. Interfund transfers (continued)

The park maintenance fund transfer was used to reimburse the road and bridge fund for equipment.

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 participates in the Illinois Counties Risk Management Trust, a public entity risk pool, currently operating as a common risk management and insurance program. Whenever the fund determines that the assets of the fund are less than the reserves which would be required to be maintained by the fund, then the fund shall assess each public agency member the amount necessary to correct the deficiency. Each assessment will be prorata based upon the agency's annual contributions, provided that, in no event shall the annual total of any assessment exceed 10 percent of the gross annual premium or contributions to the fund during the most recent fiscal year. The Township's gross annual premium for March 31, 2012 was \$129,777. In the opinion of Township officials, no additional liability will be incurred.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. There were no significant reductions in insurance coverage from the prior year.

13. Contingencies

Grants

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to grantors. Although this is a possibility, the Township deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the Township to the provision of the grant.

Village of Swansea

On July 27, 2010 the Village of Swansea submitted a \$1,043,495 claim to the Township in conjunction with the sewerage contract entered into on March 21, 1995. The Township has consulted with its legal counsel regarding this claim. The Township's position is that it does not owe the amount demanded and is in negotiations with the Village of Swansea.

14. Subsequent events

State of Illinois Loan, pursuant to the Environmental Protection act

On June 28, 2011, the Township entered into a loan agreement with the Illinois Environmental Protection Agency (IEPA) for the construction of an ultraviolet disinfection system with an expected cost of \$411,079. The loan agreement provides for a maximum loan of \$410,079 at an interest rate of 1.25 percent. Of the \$410,079 the Township will receive, \$102,520 will be

TOWNSHIP OF ST. CLAIR, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Subsequent events (continued)

forgiven. The loan agreement requires semi-annual principal and interest payments over a twenty year term with the first payment due July 27, 2012. Subsequent to year end the Township has received \$394,275.

On June 6, 2012, the Township entered into a loan agreement with the Illinois Department of Transportation (IDOT) for the relocation of a sewer system with an expected cost of \$300,000. The loan agreement, which is noninterest bearing, provides for a maximum loan of \$300,000. The loan agreement requires annual payments over a three year term with the first payment due May 1, 2013.

On June 12, 2012, the Township approved the purchase of a vactor truck costing approximately \$265,000.

15. New pronouncements

In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement will require the Township to specify where deferred outflows of resources and deferred inflows of resources - as well as assets and liabilities - should be displayed. Furthermore, it will also show how net position - no longer net assets - should be displayed. The provision of this statement must be implemented by the Township no later than the fiscal year beginning April 1, 2012. The Township has not yet determined the effect this statement will have on its financial statement.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWNSHIP OF ST. CLAIR, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Defined Benefit Pension Plan						
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)
12/31/2011	\$ 624,945	\$ 1,326,425	\$ 701,480	47.11 %	\$ 610,008	115.00 %
12/31/2010	1,505,744	2,095,141	589,397	71.87	692,618	85.10
12/31/2009	1,345,049	1,898,496	553,447	70.85	751,346	73.66
12/31/2008	1,830,861	2,245,477	414,616	81.54	773,373	53.61

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$535,382. On a market basis, the funded ratio would be 77.60 percent.

Other Post Employment Benefit Plan						
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)
3/31/2012	\$ -	\$ 377,913	\$ 377,913	-	\$ 486,015	77.76 %
3/31/2011	-	349,108	349,108	-	547,855	63.72
3/31/2010	-	337,651	337,651	-	620,328	54.43

TOWNSHIP OF ST. CLAIR, ILLINOIS

**General Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2012**

	Budgeted Amounts		Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 211,000	\$ 211,000	\$ 210,621	\$ (379)
Personal property replacement taxes	23,000	23,000	22,470	(530)
Delinquent taxes	100	100	-	(100)
Property tax increment financing	200	200	41	(159)
Mobile home tax	600	600	511	(89)
Newsletter revenue	500	500	-	(500)
Sale of assets	14,322	14,322	14,322	-
Reimbursement (election etc.)	1,160	1,160	1,200	40
Employee sharing revenue	39,000	39,000	37,736	(1,264)
Interest	800	800	1,325	525
Miscellaneous	-	-	306	306
Total revenues	290,682	290,682	288,532	(2,150)
Expenditures - general government				
Administration				
Personnel	201,000	201,000	194,442	6,558
Contractual services	25,500	26,600	17,085	9,515
Commodities	500	500	417	83
Other services and charges	1,800	2,500	1,611	889
Capital outlay	5,000	5,000	2,532	2,468
Total administration	233,800	235,600	216,087	19,513
Assessor				
Contractual services	1,000	1,000	-	1,000
Senior citizens				
Contractual services	19,500	19,500	19,500	-
Contingencies	10,000	8,200	-	8,200
Total expenditures	264,300	264,300	235,587	28,713
Sub-total (carried forward)	\$ 26,382	\$ 26,382	\$ 52,945	\$ 26,563

TOWNSHIP OF ST. CLAIR, ILLINOIS

**General Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2012**

	Budgeted Amounts		Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Sub-total (carried forward)	\$ 26,382	\$ 26,382	\$ 52,945	\$ 26,563
Other financing sources				
Loan principal received	-	-	-	-
Transfer out	(30,000)	(30,000)	(30,000)	-
Total financing sources	(30,000)	(30,000)	(30,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures - budgetary basis	<u>\$ (3,618)</u>	<u>\$ (3,618)</u>	22,945	<u>\$ 26,563</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/11			8,364	
Less: Replacement taxes receivable at 4/1/11			(4,775)	
End of year accruals				
Add: Replacement taxes receivable 3/31/12			5,029	
Less: Accounts payable at 3/31/12			(225)	
Other liabilities adjustment at 3/31/12			<u>(1,297)</u>	
Excess of revenues and other financing sources over expenditures - modified accrual basis			<u>\$ 30,041</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

Road and Bridge Fund
 Schedule of Revenues and Expenditures - Budgetary Basis
 Budget and Actual
 Year Ended March 31, 2012

	Budgeted Amounts		Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 327,000	\$ 327,000	\$ 312,749	\$ (14,251)
Personal property replacement taxes	52,000	52,000	47,628	(4,372)
Property tax increment financing	-	-	76	76
Mobile home tax	1,000	1,000	1,133	133
Newsletter revenue	500	500	-	(500)
Sale of assets	28,228	28,228	28,978	750
Motor fuel tax	-	-	-	-
Contributions	-	-	11,000	11,000
Interest	2,200	2,200	1,930	(270)
Miscellaneous	-	-	441	441
Grant	-	-	-	-
Total revenues	<u>410,928</u>	<u>410,928</u>	<u>403,935</u>	<u>(6,993)</u>
Expenditures - highways and streets				
Administration				
Personnel	183,500	183,500	162,159	21,341
Contractual services	73,380	75,380	60,570	14,810
Commodities	500	500	456	44
Capital outlay	-	-	-	-
Total administration	<u>257,380</u>	<u>259,380</u>	<u>223,185</u>	<u>36,195</u>
Maintenance				
Contractual services	198,000	198,000	26,014	171,986
Commodities	41,500	41,500	33,879	7,621
Other services and charges	11,900	7,900	1,144	6,756
Capital outlay	85,000	87,000	81,892	5,108
Total maintenance	<u>336,400</u>	<u>334,400</u>	<u>142,929</u>	<u>191,471</u>
Total expenditures	<u>593,780</u>	<u>593,780</u>	<u>366,114</u>	<u>227,666</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (182,852)</u>	<u>\$ (182,852)</u>	37,821	<u>\$ 220,673</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/11			9,417	
Less: Inventory 4/1/11			(36,088)	
Replacement taxes receivable 4/1/11			(10,121)	
End of year accruals				
Add: Replacement taxes receivable at 3/31/12			10,660	
Inventory at 3/31/12			22,426	
Less: Accounts payable at 3/31/12			(162,744)	
Non-budget revenue				
Add: Motor fuel tax revenue			85,304	
Motor fuel tax interest			552	
Non-budget expenditures				
Less: Motor fuel tax expenditures			(220,472)	
(Deficiency) of revenues over expenditures - modified accrual basis			<u>\$ (263,245)</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Permanent Road Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2012**

	Budgeted Amounts		Budget Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 935,000	\$ 935,000	\$ 942,251	\$ 7,251
Property tax increment financing	-	-	176	176
Mobile home tax	2,400	2,400	2,301	(99)
Interest	7,200	7,200	4,337	(2,863)
Miscellaneous income	-	-	33	33
	944,600	944,600	949,098	4,498
Expenditures - highways and streets				
Personnel	251,000	257,000	209,918	47,082
Contractual services	181,000	181,000	96,229	84,771
Commodities	105,000	105,000	33,517	71,483
Other services and charges	26,000	20,000	505	19,495
Road improvements	700,000	700,000	624,770	75,230
	1,263,000	1,263,000	964,939	298,061
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (318,400)</u>	<u>\$ (318,400)</u>	(15,841)	<u>\$ 302,559</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/11			33,129	
Less: Accrued interest receivable at 4/1/11			(89)	
End of year accruals				
Less: Accounts payable at 3/31/12			(22,843)	
Other liabilities adjustment at 3/31/12			(54)	
(Deficiency) of revenues over expenditures - modified accrual basis			<u>\$ (5,698)</u>	