

TOWNSHIP OF ST. CLAIR, ILLINOIS

UNIT CODE 088/170/01

ANNUAL FINANCIAL REPORT

March 31, 2013

INTRODUCTORY SECTION

TOWNSHIP OF ST. CLAIR, ILLINOIS

ANNUAL FINANCIAL REPORT

MARCH 31, 2013

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INTRODUCTORY SECTION

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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, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

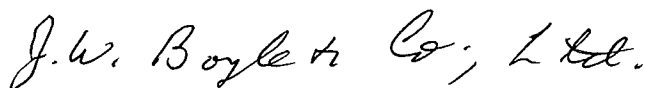
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of St. Clair, Illinois as of March 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management 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 schedule of funding progress on page 32 and the budgetary comparison information on pages 33-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



J.W. BOYLE & CO., LTD.

September 13, 2013

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Net Position
March 31, 2013**

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 1,428,775	\$ 4,060,407	\$ 5,489,182
Receivables (net of allowance for doubtful accounts)			
Taxes	1,540,902	-	1,540,902
Accounts	-	619,901	619,901
Due from St. Clair County	81,722	-	81,722
Inventory	20,191	-	20,191
Total current assets	<u>3,071,590</u>	<u>4,680,308</u>	<u>7,751,898</u>
Noncurrent assets			
Capital assets			
Land	40,146	98,550	138,696
Construction in progress	-	196,358	196,358
Other capital assets, net of accumulated depreciation	2,570,908	8,387,937	10,958,845
Total noncurrent assets	<u>2,611,054</u>	<u>8,682,845</u>	<u>11,293,899</u>
 Total assets	 <u>5,682,644</u>	 <u>13,363,153</u>	 <u>19,045,797</u>
LIABILITIES			
Current liabilities			
Accounts payable	148,490	172,409	320,899
Notes payable, current	-	106,963	106,963
Utility deposit	-	1,150	1,150
Unearned real estate tax revenue	1,524,292	-	1,524,292
Total current liabilities	<u>1,672,782</u>	<u>280,522</u>	<u>1,953,304</u>
Noncurrent liabilities			
Notes payable, non-current	-	311,271	311,271
Compensated absences	10,457	17,526	27,983
Other post employment benefit obligation	17,310	100,152	117,462
Total noncurrent liabilities	<u>27,767</u>	<u>428,949</u>	<u>456,716</u>
 Total liabilities	 <u>1,700,549</u>	 <u>709,471</u>	 <u>2,410,020</u>
NET POSITION			
Net investment in capital assets	2,611,054	8,264,611	10,875,665
Restricted net position	1,038,027	-	1,038,027
Unrestricted net position	333,014	4,389,071	4,722,085
 Total net position	 <u>\$ 3,982,095</u>	 <u>\$ 12,653,682</u>	 <u>\$ 16,635,777</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Activities
Year Ended March 31, 2013

Functions/programs	Program Revenues				Net Revenues, (Expenses), and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 170,876	\$ -	\$ -	\$ -	\$ (170,876)	\$ -	\$ (170,876)
Highways and streets	1,473,969	-	-	-	(1,473,969)	-	(1,473,969)
Development services	11,750	-	-	-	(11,750)	-	(11,750)
General assistance	51,791	-	-	-	(51,791)	-	(51,791)
Culture and recreation	64,722	-	-	-	(64,722)	-	(64,722)
Total governmental activities	1,773,108	-	-	-	(1,773,108)	-	(1,773,108)
Business-type activities							
Sewer	2,415,856	2,841,189	-	232,015	-	657,348	657,348
Total business-type activities	2,415,856	2,841,189	-	232,015	-	657,348	657,348
Total	\$ 4,188,964	\$ 2,841,189	\$ -	\$ 232,015	(1,773,108)	657,348	(1,115,760)
General revenues							
Taxes							
Real Estate					1,568,535	-	1,568,535
Personal property replacement					70,284	-	70,284
Motor fuel					82,471	-	82,471
Miscellaneous					4,842	825	5,667
Interest income					6,082	10,842	16,924
Gain on sale of capital assets					3,000	6,000	9,000
Employee sharing revenue					34,445	84,004	118,449
Total general revenues					1,769,659	101,671	1,871,330
Change in net position					(3,449)	759,019	755,570
Net position, beginning of year					3,985,544	11,894,663	15,880,207
Net position, end of year					\$ 3,982,095	\$ 12,653,682	\$ 16,635,777

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Balance Sheet
Governmental Funds
March 31, 2013**

ASSETS	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 356,164	\$ 315,556	\$ 613,619	\$ 143,436	\$ 1,428,775
Taxes receivable	196,503	320,648	850,274	173,477	1,540,902
Due from other governments	-	81,722	-	-	81,722
Inventory	-	20,191	-	-	20,191
Total assets	<u>\$ 552,667</u>	<u>\$ 738,117</u>	<u>\$ 1,463,893</u>	<u>\$ 316,913</u>	<u>\$ 3,071,590</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 707	\$ 144,253	\$ 2,400	\$ 1,130	\$ 148,490
Unearned revenue	191,179	309,362	850,274	173,477	1,524,292
Total liabilities	191,886	453,615	852,674	174,607	1,672,782
Fund balances					
Nonspendable					
Inventories	-	20,191	-	-	20,191
Restricted					
Special revenue funds	-	264,311	611,219	142,306	1,017,836
Unassigned					
General fund	360,781	-	-	-	360,781
Total fund balances	<u>360,781</u>	<u>284,502</u>	<u>611,219</u>	<u>142,306</u>	<u>1,398,808</u>
Total liabilities and fund balances	<u>\$ 552,667</u>	<u>\$ 738,117</u>	<u>\$ 1,463,893</u>	<u>\$ 316,913</u>	<u>\$ 3,071,590</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
March 31, 2013

Total fund balance - total governmental funds	\$ 1,398,808
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, \$4,077,347 net of accumulated depreciation of \$1,466,293.	2,611,054
Certain liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Accrued compensated absences	(10,457)
Other post employment benefit obligation	<u>(17,310)</u>
Net position of governmental activities	<u>\$ 3,982,095</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, 2013**

	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Revenues					
Taxes					
Property	\$210,680	\$ 310,657	\$ 894,238	\$152,960	\$ 1,568,535
Personal property replacement	22,530	47,754	-	-	70,284
Motor fuel	-	82,471	-	-	82,471
Employee sharing revenue	34,445	-	-	-	34,445
Interest	1,190	1,765	2,710	417	6,082
Miscellaneous	3,132	1,511	-	199	4,842
Total revenues	<u>271,977</u>	<u>444,158</u>	<u>896,948</u>	<u>153,576</u>	<u>1,766,659</u>
Expenditures					
Current					
General government	170,733	-	-	-	170,733
Highways and streets	48,662	554,496	568,430	-	1,171,588
Development services	11,750	-	-	-	11,750
General assistance	-	-	-	51,791	51,791
Culture and recreation	-	-	-	65,151	65,151
Capital outlay	-	56,061	598,842	-	654,903
Total expenditures	<u>231,145</u>	<u>610,557</u>	<u>1,167,272</u>	<u>116,942</u>	<u>2,125,916</u>
Excess (deficiency) of revenues over expenditures	40,832	(166,399)	(270,324)	36,634	(359,257)
Other financing sources					
Sale of capital assets	-	3,000	-	-	3,000
Transfer in	-	-	-	40,000	40,000
Transfer out	(40,000)	-	-	-	(40,000)
Total other financing sources	<u>(40,000)</u>	<u>3,000</u>	<u>-</u>	<u>40,000</u>	<u>3,000</u>
Net change in fund balances	832	(163,399)	(270,324)	76,634	(356,257)
Fund balances, beginning of year	<u>359,949</u>	<u>447,901</u>	<u>881,543</u>	<u>65,672</u>	<u>1,755,065</u>
Fund balances, end of year	<u>\$360,781</u>	<u>\$ 284,502</u>	<u>\$ 611,219</u>	<u>\$142,306</u>	<u>\$ 1,398,808</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, 2013

Net change in fund balances - total governmental funds \$ (356,257)

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	679,411
Depreciation expense	<u>(321,231)</u>
	358,180

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	930
Other post employment benefit obligation	<u>(6,302)</u>

Change in net position of governmental activities \$ (3,449)

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Net Position
Proprietary Fund
March 31, 2013

ASSETS

	<u>Sewerage Enterprise Fund</u>
Current assets	
Cash and cash equivalents	\$ 4,060,407
Receivables (net of allowance for doubtful accounts)	
Accounts	<u>619,901</u>
Total current assets	4,680,308
Noncurrent assets	
Capital assets	
Property, plant and equipment, (net)	<u>8,682,845</u>
Total noncurrent assets	<u>8,682,845</u>
Total assets	<u>13,363,153</u>

LIABILITIES

Current liabilities	
Accounts payable	172,409
Notes payable, current	106,963
Utility deposit	<u>1,150</u>
Total current liabilities	280,522
Noncurrent liabilities	
Notes payable, non-current	311,271
Compensated absences	17,526
Other post employment benefit obligation	<u>100,152</u>
Total noncurrent liabilities	<u>428,949</u>
Total liabilities	<u>709,471</u>

NET POSITION

Net investment in capital assets	8,264,611
Unrestricted net position	<u>4,389,071</u>
Total net position	<u>\$ 12,653,682</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
March 31, 2013**

	<u>Sewerage Enterprise Fund</u>
Operating revenues	
Sewer fees	\$ 2,841,189
Employee sharing revenue	84,004
Total operating revenue	<u>2,925,193</u>
Operating expenses	
Salaries and wages	340,628
Bad debt expense	5,888
Depreciation	427,673
Employee sharing expense	34,445
Engineering	30,098
Equipment rental	528
IMRF	45,091
Insurance	180,665
Legal and accounting	28,112
Maintenance supplies	56,058
Office expense	23,193
Other post employment benefits	24,827
Payroll taxes	33,657
Postage	13,649
Property damage	6,015
Repairs and maintenance	104,094
Sanitation service	932,676
Uniform rental	5,453
Utilities	123,106
Total operating expenses	<u>2,415,856</u>
Operating income	509,337
Non-operating revenues	
Interest income	10,842
Miscellaneous income	825
Grant revenue	232,015
Gain on sale of capital assets	6,000
Total non-operating revenues	<u>249,682</u>
Change in net position	759,019
Net position, beginning of year	<u>11,894,663</u>
Net position, end of year	<u>\$ 12,653,682</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Statement of Cash Flows
Proprietary Fund
March 31, 2013**

Sewerage
Enterprise Fund

Cash flows from operating activities:	
Receipts from customers	\$ 2,946,382
Receipts from interfund services provided	84,004
Payments to suppliers	(1,837,988)
Payments to employees	(338,491)
Payments for interfund services used	(34,445)
Net cash provided by operating activities	<u>819,462</u>
Cash flows from capital and related activities:	
Proceeds from IEPA note payable	302,103
Proceeds from IDOT note payable	111,819
Purchases of capital assets	(501,721)
IEPA grant	102,520
Illinois Dept. of Natural Resources grant	129,495
Proceeds from sale of capital assets	6,000
Net cash provided by capital and related financing activities	<u>150,216</u>
Cash flows from investing activities:	
Interest on certificates of deposit and demand deposits	10,842
Miscellaneous receipts	825
Net cash provided by investing activities	<u>11,667</u>
Net increase in cash and cash equivalents	981,345
Balances - beginning of the year	<u>3,079,062</u>
Balances - end of the year	<u>\$ 4,060,407</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 509,337
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	427,673
Changes in assets and liabilities	
Decrease in accounts receivable	105,193
(Decrease) in accounts payable	(250,855)
Increase in liability for compensated absences	2,137
Increase in liability for utility deposits	1,150
Increase in other post employment benefit obligation	24,827
Net cash provided by operating activities	<u>\$ 819,462</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, 2013

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). 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.

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

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

1. Summary of significant accounting policies (continued)

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 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.

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

1. Summary of significant accounting policies (continued)

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.

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.

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

1. Summary of significant accounting policies (continued)

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 26, 2012.

The Board of Trustees did amend the Township and Road District budgets by approving transfers between expenditure items for the year ended March 31, 2013, on March 26, 2013.

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.

Total cash and cash equivalents as of March 31, 2013 are summarized as follows:

	Governmental Funds	Proprietary Fund	Total
Cash on hand	\$ -	\$ 200	\$ 200
Pooled demand deposits with local bank	1,428,775	-	1,428,775
Demand deposits with local bank	-	4,012,486	4,012,486
Illinois Funds external investment pool	-	47,721	47,721
	<u>\$1,428,775</u>	<u>\$ 4,060,407</u>	<u>\$ 5,489,182</u>

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

1. Summary of significant accounting policies (continued)

G. Allowance for doubtful accounts

At March 31, 2013, 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.

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. The amount of interest capitalized for financed construction activities was \$4,312 for the year ended March 31, 2013.

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

1. Summary of significant accounting policies (continued)

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 position.

M. Unearned revenue

The Township reports unearned revenue on its governmental funds balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Township before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

N. 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:

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.

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

1. Summary of significant accounting policies (continued)

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 position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

1. Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
2. Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
3. Unrestricted net position - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

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

O. 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

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

1. Summary of significant accounting policies (continued)

the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. 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.

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.

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

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

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, 2013 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	5,199,720	5,272,763
Bank of Springfield	<u>241,541</u>	<u>241,541</u>
Sub-total - deposits with banks	5,441,461	5,514,504
External investment pool:		
The Illinois Funds - Money Market Fund	<u>47,721</u>	<u>46,757</u>
	<u>\$ 5,489,182</u>	<u>\$ 5,561,261</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, 2013, the reported amount on the Township's deposits was \$5,441,261 and the bank balance was \$5,514,304. Of the bank balance, \$741,541 was covered by federal depository insurance and \$4,772,763 was covered by collateral held by the pledging financial institution.

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.

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

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

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, 2013, 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	35,141	505,068	(540,209)	-
Total capital assets not being depreciated	75,287	505,068	(540,209)	40,146
Capital assets, being depreciated				
Land improvements	84,036	11,877	-	95,913
Buildings and improvements	100,296	-	-	100,296
Equipment	860,317	56,061	(32,388)	883,990
Infrastructure	2,310,388	646,614	-	2,957,002
Total capital assets being depreciated	3,355,037	714,552	(32,388)	4,037,201
Less accumulated depreciation for				
Land improvements	(29,763)	(4,449)	-	(34,212)
Buildings and improvements	(417)	(2,508)	-	(2,925)
Equipment	(639,833)	(53,586)	32,388	(661,031)
Infrastructure	(507,437)	(260,688)	-	(768,125)
Total accumulated depreciation	(1,177,450)	(321,231)	32,388	(1,466,293)
Total capital assets, being depreciated, net	2,177,587	393,321	-	2,570,908
Governmental activities capital assets, net	<u>\$ 2,252,874</u>	<u>\$ 898,389</u>	<u>\$ (540,209)</u>	<u>\$ 2,611,054</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	382,764	185,433	(371,839)	196,358
Total capital assets not being depreciated	481,314	185,433	(371,839)	294,908
Capital assets being depreciated				
Land improvements	79,086	-	-	79,086
Buildings and improvements	1,232,677	-	-	1,232,677
Equipment	1,004,158	35,346	(29,609)	1,009,895
Sewerage system	15,694,784	657,093	-	16,351,877
Total capital assets being depreciated	18,010,705	692,439	(29,609)	18,673,535
Less accumulated depreciation for:				
Land and improvements	(42,618)	(5,273)	-	(47,891)
Buildings and improvements	(273,722)	(42,636)	-	(316,358)
Equipment	(871,773)	(54,418)	29,609	(896,582)
Sewerage system	(8,699,421)	(325,346)	-	(9,024,767)
Total accumulated depreciation	(9,887,534)	(427,673)	29,609	(10,285,598)
Total capital assets being depreciated, net	8,123,171	264,766	-	8,387,937
Business-type activities capital assets, net	<u>\$ 8,604,485</u>	<u>\$ 450,199</u>	<u>\$ (371,839)</u>	<u>\$ 8,682,845</u>

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

Governmental activities	
General government and administration	\$ 143
Highways and streets	309,640
Culture and recreation	11,448
Total depreciation expense - Governmental activities	<u>\$ 321,231</u>
Business-type activities	
Sewer	<u>\$ 427,673</u>
Total depreciation expense - Business-type activities	<u>\$ 427,673</u>

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

4. Long-term debt

The following is a summary of the change in long-term debt for the year ended March 31, 2013:

	Balance at Beginning of Fiscal Year	Increase	Decrease	Balance at End of Fiscal Year	Due within One Year
<u>Governmental activities</u>					
OPEB obligation	\$ 11,008	\$ 21,752	\$ 15,450	\$ 17,310	\$ -
Compensated absences	11,387	11,744	12,674	10,457	-
<u>Business-type activities</u>					
OPEB obligation	75,325	35,744	10,917	100,152	-
Compensated absences	15,389	18,906	16,769	17,526	-
Note payable - IEPA	-	306,415	-	306,415	6,963
Note payable - IDOT	-	111,819	-	111,819	100,000
Total long-term debt	<u>\$ 113,109</u>	<u>\$ 506,380</u>	<u>\$ 55,810</u>	<u>\$ 563,679</u>	<u>\$ 106,963</u>

The Township has debt service requirements at March 31, 2013, on notes payable as follows:

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. The loan agreement provided for a maximum loan of \$410,079, at an interest rate of 1.25 percent. The final loan amount was \$306,415. The loan agreement requires semi-annual principal and interest payments due on January 20th and July 20th. The note matures on January 20, 2033. The debt is repaid by the Sewerage Enterprise fund.

Illinois Department of Transportation Loan

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. The loan agreement, which is noninterest bearing, provides for a maximum amount of \$300,000. The loan agreement requires annual payments due on May 1. The note matures on May 1, 2015. The debt is repaid by the Sewerage Enterprise fund.

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

4. Long-term debt (continued)

The following is a schedule of maturities on these loans as of March 31, 2013:

Payable During the Year Ended	Note Payable - IEPA		
	Total	Principal	Interest
March 31, 2014	\$ 10,174	\$ 6,963	\$ 3,211
March 31, 2015	17,755	14,056	3,699
March 31, 2016	17,755	14,232	3,523
March 31, 2017	17,755	14,411	3,344
March 31, 2018	17,755	14,591	3,164
March 31, 2019 and thereafter	<u>266,329</u>	<u>242,162</u>	<u>24,167</u>
	<u>\$ 347,523</u>	<u>\$ 306,415</u>	<u>\$ 41,108</u>

Payable During the Year Ended	Note Payable - IDOT		
	Total	Principal	Interest
March 31, 2014	\$ 100,000	\$ 100,000	\$ -
March 31, 2015	<u>11,819</u>	<u>11,819</u>	<u>-</u>
	<u>\$ 111,819</u>	<u>\$ 111,819</u>	<u>\$ -</u>

Payable During the Year Ended	Total Notes Payable		
	Total	Principal	Interest
March 31, 2014	\$ 110,174	\$ 106,963	\$ 3,211
March 31, 2015	29,574	25,875	3,699
March 31, 2016	17,755	14,232	3,523
March 31, 2017	17,755	14,411	3,344
March 31, 2018	17,755	14,591	3,164
March 31, 2019 and thereafter	<u>266,329</u>	<u>242,162</u>	<u>24,167</u>
	<u>\$ 459,342</u>	<u>\$ 418,234</u>	<u>\$ 41,108</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 2011 property taxes on December 13, 2011. 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

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

5. Property tax (continued)

delinquent taxes has been provided as property taxes recognized are considered to be fully collectible. 2011 property taxes were payable in two installments; July 18, 2012 and September 5, 2012.

6. Defined benefit pension plan

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.

Funding policy - As set by statute, the Township's regular 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 2012 was 13.13 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, 2013 was \$85,227.

THREE-YEAR TREND INFORMATION

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
3/31/2013	\$ 85,227	100 %	\$ 0
3/31/2012	76,685	100	0
3/31/2011	78,051	100	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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 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 20.0 percent corridor between the actuarial and market

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

6. Defined benefit pension plan (continued)

value of assets. The Township's regular plan's unfunded actuarial accrued liability at December 31, 2010 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, 2012, the most recent actuarial valuation date, the plan was 51.41 percent funded. The actuarial accrued liability for benefits was \$1,499,014 and the actuarial value of assets was \$770,591 resulting in an underfunded actuarial accrued liability (UAAL) of \$728,423. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$615,123 and the ratio of the UAAL to the covered payroll was 118 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.

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 \$26,367 for the year ended March 31, 2013.

As of March 31, 2013, the Plan has three 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, 2013, the actual amount contributed to the Plan, and changes in the Township's net OPEB obligation to the Plan:

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

7. Other post employment benefit plan (continued)

Annual required contribution	\$ 60,301
Interest on OPEB obligation	259
Adjustment to annual required contribution	<u>(3,064)</u>
Annual OPEB cost (expense)	57,496
Contributions made	<u>(26,367)</u>
Increase in net OPEB obligation	31,129
Net OPEB obligation - 04/01/2012	86,333
Net OPEB obligation - 03/31/2013	<u>\$ 117,462</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, 2013 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>
03/31/13	\$ 57,496	45.86%	\$ 117,462
03/31/12	58,810	65.74%	86,333
03/31/11	48,126	38.56%	66,184

Funded Status and Funding Progress. The funded status of the Plan based on the most recent actuarial valuation of March 31, 2013 is as follows:

Actuarial accrued liability (AAL)	\$ 352,709
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 352,709</u>
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 508,363
UAAL as a percentage of covered payroll	69.38%

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.

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

7. Other post employment benefit plan (continued)

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 2008 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.

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 6.6 percent to 5.9 percent were used.

Health insurance premiums - Health insurance premiums for retirees for the year ended March 31, 2014 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 .15 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.

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

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, 2013, 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, 2013 was \$453,097.

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 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 \$2.18 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, 2013 was \$329,438. Currently, the Township and City of Belleville are negotiating on changing the terms of the contract for future years.

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, 2013:

	<u>Road</u>	<u>Sewer</u>
Contracts approved	\$ 137,998	\$ 755,508
Payments made	-	(393,624)
Unpaid accounts payable recorded	<u>(137,998)</u>	<u>(135,655)</u>
Remaining commitment	<u>\$ -</u>	<u>\$ 226,229</u>

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

9. Commitments (continued)

Subsequent to March 31, 2013, the Township entered into additional construction related contracts for road improvements of approximately \$26,080 and for sewer system improvements of approximately \$62,118.

10. Legal confines of budget

The Township operated within the legal confines of the budget during the year ended March 31, 2013.

11. Interfund transfers

The following is a summary of transfers during the year ended March 31, 2013:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	General assistance fund	\$ 20,000
General fund	Park maintenance fund	20,000

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.

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, 2013 was \$143,312. 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.

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

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. New pronouncements

For fiscal year 2013, the Township implemented Governmental Accounting Standards Board (GASB) Statements No. 63. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

**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)
12/31/2012	\$ 770,591	\$ 1,499,014	\$ 728,423	51.41 %	\$ 615,123	118.42 %
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, 2012 is \$835,972. On a market basis, the funded ratio would be 55.77 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)
3/31/2013	\$ -	\$ 352,709	\$ 352,709	- %	\$ 508,363	69.38 %
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, 2013**

	Budgeted Amounts		Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 211,000	\$ 211,000	\$ 209,769	\$ (1,231)
Personal property replacement taxes	21,000	21,000	22,234	1,234
Delinquent taxes	100	100	19	(81)
Property tax increment financing	200	200	389	189
Mobile home tax	600	600	503	(97)
Newsletter revenue	500	500	-	(500)
Sale of assets	-	-	-	-
Reimbursement (election etc.)	1,300	1,300	2,640	1,340
Employee sharing revenue	34,000	34,000	34,445	445
Interest	800	800	1,190	390
Miscellaneous	-	-	492	492
	<u>269,500</u>	<u>269,500</u>	<u>271,681</u>	<u>2,181</u>
Expenditures - general government				
Administration				
Personnel	200,800	205,500	197,426	8,074
Contractual services	29,750	37,750	23,177	14,573
Commodities	600	600	27	573
Other services and charges	3,300	3,300	219	3,081
Capital outlay	3,000	300	-	300
	<u>237,450</u>	<u>247,450</u>	<u>220,849</u>	<u>26,601</u>
Assessor				
Contractual services	1,000	1,000	424	576
Senior citizens				
Contractual services	11,750	11,750	11,750	-
Contingencies				
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>260,200</u>	<u>260,200</u>	<u>233,023</u>	<u>27,177</u>
Sub-total (carried forward)	\$ 9,300	\$ 9,300	\$ 38,658	29,358

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	Variance with
	Original	Final	Basis	Final Budget Positive (Negative)
Sub-total (brought forward)	\$ 9,300	\$ 9,300	\$ 38,658	\$ 29,358
Other financing sources				
Loan principal received	-	-	-	-
Transfer out	(40,000)	(40,000)	(40,000)	-
Total financing sources	(40,000)	(40,000)	(40,000)	-
Excess (deficiency) of revenues and other financing sources over expenditures - budgetary basis	<u>\$ (30,700)</u>	<u>\$ (30,700)</u>	(1,342)	<u>\$ 29,358</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/12			225	
Less: Replacement taxes receivable at 4/1/12			(5,029)	
End of year accruals				
Add: Replacement taxes receivable 3/31/13			5,325	
Other liabilities adjustment at 3/31/13			2,360	
Less: Accounts payable at 3/31/13			<u>(707)</u>	
Excess of revenues and other financing sources over expenditures - modified accrual basis			<u>\$ 832</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Road and Bridge Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2013**

	Budgeted Amounts		Budget	Variance with Final Budget Positive (Negative)
	Original	Final	Basis	
Revenues				
Property taxes	\$ 313,892	\$ 313,892	\$ 308,692	\$ (5,200)
Personal property replacement taxes	47,628	47,628	47,128	(500)
Property tax increment financing	50	50	854	804
Mobile home tax	1,133	1,133	1,111	(22)
Newsletter revenue	-	-	-	-
Sale of assets	-	-	3,000	3,000
Motor fuel tax	75,000	75,000	82,471	7,471
Contributions	11,000	11,000	-	(11,000)
Interest	1,793	1,793	1,765	(28)
Miscellaneous	-	-	1,511	1,511
Grant	-	-	-	-
Total revenues	450,496	450,496	446,532	(3,964)
Expenditures - highways and streets				
Personnel	180,500	192,000	174,096	17,904
Contractual services	288,450	302,450	279,727	22,723
Commodities	161,500	141,500	116,158	25,342
Other services and charges	11,200	5,700	772	4,928
Capital outlay	60,000	60,000	56,061	3,939
Total expenditures	701,650	701,650	626,814	74,836
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (251,154)</u>	<u>\$ (251,154)</u>	(180,282)	<u>\$ 70,872</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/12			162,744	
Less: Inventory 4/1/12			(22,426)	
Replacement taxes receivable 4/1/12			(10,660)	
End of year accruals				
Add: Replacement taxes receivable at 3/31/13			11,286	
Inventory at 3/31/13			20,192	
Less: Accounts payable at 3/31/13			(144,253)	
(Deficiency) of revenues over expenditures - modified accrual basis			<u>\$ (163,399)</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Permanent Road Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2013**

	Budgeted Amounts		Budget Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 894,883	\$ 894,883	\$ 890,403	\$ (4,480)
Property tax increment financing	100	100	1,695	1,595
Mobile home tax	2,301	2,301	2,140	(161)
Interest	4,001	4,001	2,710	(1,291)
Miscellaneous income	20	20	-	(20)
Total revenues	901,305	901,305	896,948	(4,357)
Expenditures - highways and streets				
Personnel	269,000	270,000	255,623	14,377
Contractual services	260,000	237,500	233,758	3,742
Commodities	60,000	25,000	21,133	3,867
Other services and charges	25,700	1,200	-	1,200
Road improvements	600,000	681,000	677,201	3,799
Total expenditures	1,214,700	1,214,700	1,187,715	26,985
Excess (deficiency) of revenues over expenditures - budgetary basis	\$ (313,395)	\$ (313,395)	(290,767)	\$ 22,628
Beginning of year accruals				
Add: Accounts payable at 4/1/12			22,843	
End of year accruals				
Less: Accounts payable at 3/31/13			(2,400)	
(Deficiency) of revenues over expenditures - modified accrual basis			\$ (270,324)	