

TOWNSHIP OF ST. CLAIR, ILLINOIS

UNIT CODE 088/170/01

ANNUAL FINANCIAL REPORT

March 31, 2014

INTRODUCTORY SECTION

TOWNSHIP OF ST. CLAIR, ILLINOIS

ANNUAL FINANCIAL REPORT
MARCH 31, 2014

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 Position 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 Position 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 Position - Proprietary Fund 9

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

Statement of Cash Flows - Proprietary Fund 11

Notes to Financial Statements 12-31

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Defined Benefit Pension Plan and Other Post Employment Benefit Plan 32

General Fund

Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual 33-34

Road and Bridge Fund

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

Permanent Road Fund

Schedule of Revenues and Expenditures - Budgetary Basis - Budget and Actual 36

FINANCIAL SECTION



ALTON EDWARDSVILLE BELLEVILLE HIGHLAND
JERSEYVILLE COLUMBIA CARROLLTON BARTELSON

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, 2014, 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, 2014, and the respective changes in financial position and cash flows as applicable thereof 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.



SCHEFFEL BOYLE
Belleville, Illinois

August 15, 2014

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Net Position
March 31, 2014

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets			
Cash and cash equivalents	\$ 1,955,729	\$ 4,226,452	\$ 6,182,181
Receivables (net of allowance for doubtful accounts)			
Taxes	1,588,296	-	1,588,296
Accounts	-	662,638	662,638
Grant	9,232	658	9,890
Due from St. Clair County	59,179	-	59,179
Inventory	19,685	-	19,685
Total current assets	<u>3,632,121</u>	<u>4,889,748</u>	<u>8,521,869</u>
Noncurrent assets			
Capital assets			
Land	40,146	98,550	138,696
Construction in progress	11,092	428,877	439,969
Other capital assets, net of accumulated depreciation	1,878,200	8,277,306	10,155,506
Total noncurrent assets	<u>1,929,438</u>	<u>8,804,733</u>	<u>10,734,171</u>
Total assets	5,561,559	13,694,481	19,256,040
LIABILITIES			
Current liabilities			
Accounts payable	14,133	115,018	129,151
Accrued interest payable	-	724	724
Notes payable, current	-	114,056	114,056
Utility deposit	-	1,600	1,600
Total current liabilities	<u>14,133</u>	<u>231,398</u>	<u>245,531</u>
Noncurrent liabilities			
Notes payable, non-current	-	385,396	385,396
Compensated absences	11,507	18,131	29,638
Other post employment benefit obligation	24,800	129,200	154,000
Total noncurrent liabilities	<u>36,307</u>	<u>532,727</u>	<u>569,034</u>
Total liabilities	50,440	764,125	814,565
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,570,771	-	1,570,771
Total deferred inflows of resources	<u>1,570,771</u>	<u>-</u>	<u>1,570,771</u>
NET POSITION			
Net investment in capital assets	1,929,438	8,377,345	10,306,783
Restricted net position	1,661,272	-	1,661,272
Unrestricted net position	<u>349,638</u>	<u>4,553,011</u>	<u>4,902,649</u>
Total net position	<u>\$ 3,940,348</u>	<u>\$ 12,930,356</u>	<u>\$ 16,870,704</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Activities
Year Ended March 31, 2014

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	\$ 148,702	\$ -	\$ -	\$ -	\$ (148,702)	\$ -	\$ (148,702)
Highways and streets	1,125,700	-	12,817	-	(1,112,883)	-	(1,112,883)
Development services	11,750	-	-	-	(11,750)	-	(11,750)
General assistance	53,774	-	-	-	(53,774)	-	(53,774)
Culture and recreation	89,577	-	18,901	-	(70,676)	-	(70,676)
Total governmental activities	1,429,503	-	31,718	-	(1,397,785)	-	(1,397,785)
Business-type activities							
Sewer	2,543,950	2,672,752	-	53,026	-	181,828	181,828
Total business-type activities	2,543,950	2,672,752	-	53,026	-	181,828	181,828
Total	\$ 3,973,453	\$ 2,672,752	\$ 31,718	\$ 53,026	(1,397,785)	181,828	(1,215,957)
General revenues							
Taxes							
Real Estate					1,526,203	-	1,526,203
Personal property replacement					80,433	-	80,433
Motor fuel					72,401	-	72,401
Miscellaneous					3,179	-	3,179
Interest income					3,189	6,501	9,690
Loss on disposition of capital assets					(340,292)	-	(340,292)
Employee sharing revenue					10,925	88,345	99,270
Total general revenues					1,356,038	94,846	1,450,884
Change in net position					(41,747)	276,674	234,927
Net position, beginning of year					3,982,095	12,653,682	16,635,777
Net position, end of year					\$ 3,940,348	\$ 12,930,356	\$ 16,870,704

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Balance Sheet
Governmental Funds
March 31, 2014**

ASSETS	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Cash and cash equivalents	\$ 383,172	\$ 446,200	\$ 934,092	\$ 192,265	\$ 1,955,729
Taxes receivable	196,364	320,285	965,292	106,355	1,588,296
Grant receivable	-	-	-	9,232	9,232
Due from other governments	-	59,179	-	-	59,179
Inventory	-	19,685	-	-	19,685
Total assets	<u>\$ 579,536</u>	<u>\$ 845,349</u>	<u>\$ 1,899,384</u>	<u>\$ 307,852</u>	<u>\$ 3,632,121</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,845	\$ 2,970	\$ 7,535	\$ 783	\$ 14,133
Total liabilities	2,845	2,970	7,535	783	14,133
Deferred inflows of resources					
Unavailable revenue - property taxes	190,746	308,378	965,292	106,355	1,570,771
Total deferred inflows of resources	190,746	308,378	965,292	106,355	1,570,771
Fund balances					
Nonspendable					
Inventories	-	19,685	-	-	19,685
Restricted					
Special revenue funds	-	514,316	926,557	200,714	1,641,587
Unassigned					
General fund	385,945	-	-	-	385,945
Total fund balances	<u>385,945</u>	<u>534,001</u>	<u>926,557</u>	<u>200,714</u>	<u>2,047,217</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 579,536</u>	<u>\$ 845,349</u>	<u>\$ 1,899,384</u>	<u>\$ 307,852</u>	<u>\$ 3,632,121</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, 2014

Total fund balance - total governmental funds	\$ 2,047,217
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, \$3,691,982 net of accumulated depreciation of \$1,762,544	1,929,438
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(11,507)
Other post employment benefit obligation	<u>(24,800)</u>
Net position of governmental activities	<u>\$ 3,940,348</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, 2014**

	General	Road and Bridge	Permanent Road	Other Governmental Funds	Totals
Revenues					
Taxes					
Property	\$ 191,344	\$ 310,166	\$ 851,063	\$ 173,630	\$ 1,526,203
Personal property replacement	25,783	54,650	-	-	80,433
Motor fuel	-	72,401	-	-	72,401
Employee sharing revenue	10,925	-	-	-	10,925
Interest	618	767	1,499	305	3,189
Grant	-	12,817	-	18,901	31,718
Miscellaneous	1,320	783	1,076	-	3,179
Total revenues	<u>229,990</u>	<u>451,584</u>	<u>853,638</u>	<u>192,836</u>	<u>1,728,048</u>
Expenditures					
Current					
General government	148,559	-	-	-	148,559
Highways and streets	44,517	337,110	392,183	-	773,810
Development services	11,750	-	-	-	11,750
General assistance	-	-	-	53,774	53,774
Culture and recreation	-	-	-	80,654	80,654
Capital outlay	-	-	11,092	-	11,092
Total expenditures	<u>204,826</u>	<u>337,110</u>	<u>403,275</u>	<u>134,428</u>	<u>1,079,639</u>
Excess of revenues over expenditures	25,164	114,474	450,363	58,408	648,409
Other financing sources					
Transfer in	-	135,025	-	-	135,025
Transfer out	-	-	(135,025)	-	(135,025)
Total other financing sources	<u>-</u>	<u>135,025</u>	<u>(135,025)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,164	249,499	315,338	58,408	648,409
Fund balances, beginning of year	<u>360,781</u>	<u>284,502</u>	<u>611,219</u>	<u>142,306</u>	<u>1,398,808</u>
Fund balances, end of year	<u>\$ 385,945</u>	<u>\$ 534,001</u>	<u>\$ 926,557</u>	<u>\$ 200,714</u>	<u>\$ 2,047,217</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, 2014

Net change in fund balances - total governmental funds	\$ 648,409
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	11,092
Depreciation expense	<u>(352,416)</u>
	(341,324)
The net effect of various transactions involving capital assets (ie., sales, trade, ins.) is to decrease net position	(340,292)
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	(1,050)
Other post employment benefit obligation	<u>(7,490)</u>
	<u>(8,540)</u>
Change in net position of governmental activities	<u>\$ (41,747)</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Net Position
Proprietary Fund
March 31, 2014

ASSETS

Sewerage
Enterprise Fund

Current assets	
Cash and cash equivalents	\$ 4,226,452
Receivables (net of allowance for doubtful accounts)	
Accounts	662,638
Grant	658
Total current assets	<u>4,889,748</u>
Noncurrent assets	
Capital assets	
Property, plant and equipment, (net)	8,804,733
Total noncurrent assets	<u>8,804,733</u>
Total assets	<u>13,694,481</u>

LIABILITIES

Current liabilities	
Accounts payable	115,018
Notes payable, current	114,056
Accrued interest payable	724
Utility deposit	1,600
Total current liabilities	<u>231,398</u>
Noncurrent liabilities	
Notes payable, non-current	385,396
Compensated absences	18,131
Other post employment benefit obligation	129,200
Total noncurrent liabilities	<u>532,727</u>
Total liabilities	<u>764,125</u>

NET POSITION

Net investment in capital assets	8,377,345
Unrestricted net position	<u>4,553,011</u>
Total net position	<u>\$ 12,930,356</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
March 31, 2014

	<u>Sewerage Enterprise Fund</u>
Operating revenues	
Sewer fees	\$ 2,672,752
Employee sharing revenue	88,345
Total operating revenue	<u>2,761,097</u>
 Operating expenses	
Salaries and wages	361,166
Bad debt expense	47,086
Depreciation	448,845
Employee sharing expense	10,925
Engineering	24,978
Equipment rental	408
IMRF	52,250
Insurance	176,762
Legal and accounting	40,536
Maintenance supplies	27,244
Office expense	21,372
Other post employment benefits	29,048
Payroll taxes	34,812
Postage	13,363
Property damage	586
Repairs and maintenance	142,872
Sanitation service	976,722
Uniform rental	6,278
Utilities	124,762
Total operating expenses	<u>2,540,015</u>
 Operating income	 221,082
 Non-operating revenues and expenses	
Interest income	6,501
Interest expense	(3,935)
Grant revenue	53,026
Total non-operating revenues and expenses	<u>55,592</u>
 Change in net position	 276,674
 Net position, beginning of year	 <u>12,653,682</u>
 Net position, end of year	 <u>\$ 12,930,356</u>

See notes to financial statements.

TOWNSHIP OF ST. CLAIR, ILLINOIS

Statement of Cash Flows
Proprietary Fund
March 31, 2014

	Sewerage Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 2,630,015
Receipts from interfund services provided	88,345
Payments to suppliers	(1,746,972)
Payments to employees	(360,561)
Payments for interfund services used	(10,925)
Net cash provided by operating activities	599,902
Cash flows from capital and related financing activities:	
Principal paid on IDOT note payable	(100,000)
Proceeds from IDOT note payable	188,181
Principal paid on IEPA note payable	(6,963)
Interest paid on IEPA note payable	(3,211)
Purchases of capital assets	(570,733)
IEPA grant	52,368
Net cash (used) by capital and related financing activities	(440,358)
Cash flows from investing activities:	
Interest on certificates of deposit and demand deposits	6,501
Net cash provided by investing activities	6,501
Net increase in cash and cash equivalents	166,045
Balances - beginning of the year	4,060,407
Balances - end of the year	\$ 4,226,452
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	\$ 221,082
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	448,845
Changes in assets and liabilities	
(Increase) in accounts receivable	(42,737)
(Decrease) in accounts payable	(57,391)
Increase in liability for compensated absences	605
Increase in liability for utility deposits	450
Increase in other post employment benefit obligation	29,048
Net cash provided by operating activities	\$ 599,902

Non-cash investing capital and financial activities

During this past year, the Sewerage 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, 2014

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 25, 2013.

The Board of Trustees did amend the Township and Road District budgets by approving transfers between expenditure items for the year ended March 31, 2014, on March 25, 2014.

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, 2014 are summarized as follows:

	Governmental Funds	Proprietary Fund	Total
Cash on hand	\$ -	\$ 200	\$ 200
Pooled demand deposits with local bank	1,955,729	-	1,955,729
Demand deposits with local bank	-	4,176,270	4,176,270
Illinois Funds external investment pool	-	49,982	49,982
	<u>\$ 1,955,729</u>	<u>\$ 4,226,452</u>	<u>\$ 6,182,181</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, 2014, the allowance for doubtful accounts was \$100,000 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. No interest was capitalized for financed construction activities during the year ended March 31, 2014.

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. Deferred inflows or resources

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 position, 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, 2014 consist of the following:

	Carrying Amount	Bank Value
Cash on hand	\$ 200	\$ 200
Demand deposits with local bank:		
Bank of Edwardsville	5,889,732	6,000,105
Bank of Springfield	242,267	242,267
Sub-total - deposits with banks	<u>6,131,999</u>	<u>6,242,372</u>
External investment pool:		
The Illinois Funds - Money Market Fund	<u>49,982</u>	<u>48,504</u>
	<u>\$ 6,182,181</u>	<u>\$ 6,291,076</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, 2014, the reported amount on the Township's deposits was \$6,131,999 and the bank balance was \$6,242,372. Of the bank balance, \$742,267 was covered by federal depository insurance and \$5,500,105 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, 2014, 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	<u>-</u>	<u>11,092</u>	<u>-</u>	<u>11,092</u>
Total capital assets not being depreciated	40,146	11,092	-	51,238
Capital assets, being depreciated				
Land improvements	95,913	-	-	95,913
Buildings and improvements	100,296	-	-	100,296
Equipment	883,990	-	-	883,990
Infrastructure	<u>2,957,002</u>	<u>-</u>	<u>(396,457)</u>	<u>2,560,545</u>
Total capital assets being depreciated	4,037,201	-	(396,457)	3,640,744
Less accumulated depreciation for				
Land improvements	(34,212)	(4,796)	-	(39,008)
Buildings and improvements	(2,925)	(2,508)	-	(5,433)
Equipment	(661,031)	(49,412)	-	(710,443)
Infrastructure	<u>(768,125)</u>	<u>(295,700)</u>	<u>56,165</u>	<u>(1,007,660)</u>
Total accumulated depreciation	<u>(1,466,293)</u>	<u>(352,416)</u>	<u>56,165</u>	<u>(1,762,544)</u>
Total capital assets, being depreciated, net	<u>2,570,908</u>	<u>(352,416)</u>	<u>(340,292)</u>	<u>1,878,200</u>
Governmental activities capital assets, net	<u>\$ 2,611,054</u>	<u>\$ (341,324)</u>	<u>\$ (340,292)</u>	<u>\$ 1,929,438</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	<u>196,358</u>	<u>289,968</u>	<u>(57,449)</u>	<u>428,877</u>
Total capital assets not being depreciated	294,908	289,968	(57,449)	527,427
Capital assets being depreciated				
Land improvements	79,086	-	-	79,086
Buildings and improvements	1,232,677	-	-	1,232,677
Equipment	1,009,895	280,767	(166,308)	1,124,354
Sewerage system	<u>16,351,877</u>	<u>57,449</u>	<u>-</u>	<u>16,409,326</u>
Total capital assets being depreciated	18,673,535	338,216	(166,308)	18,845,443
Less accumulated depreciation for:				
Land and improvements	(47,891)	(5,272)	-	(53,163)
Buildings and improvements	(316,358)	(42,637)	-	(358,995)
Equipment	(896,582)	(69,239)	166,306	(799,515)
Sewerage system	<u>(9,024,767)</u>	<u>(331,697)</u>	<u>-</u>	<u>(9,356,464)</u>
Total accumulated depreciation	<u>(10,285,598)</u>	<u>(448,845)</u>	<u>166,306</u>	<u>(10,568,137)</u>
Total capital assets being depreciated, net	<u>8,387,937</u>	<u>(110,629)</u>	<u>(2)</u>	<u>8,277,306</u>
Business-type activities capital assets, net	<u>\$ 8,682,845</u>	<u>\$ 179,339</u>	<u>\$ (57,451)</u>	<u>\$ 8,804,733</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	343,350
Culture and recreation	<u>8,923</u>
Total depreciation expense - Governmental activities	<u>\$ 352,416</u>
Business-type activities	
Sewer	<u>\$ 448,845</u>
Total depreciation expense - Business-type activities	<u>\$ 448,845</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, 2014:

	Balance at Beginning of Fiscal Year	Increase	Decrease	Balance at End of Fiscal Year	Due within One Year
<u>Governmental activities</u>					
OPEB obligation	\$ 17,310	\$ 18,434	\$ 10,944	\$ 24,800	\$ -
Compensated absences	10,457	11,726	10,676	11,507	-
<u>Business-type activities</u>					
OPEB obligation	100,152	33,608	4,560	129,200	-
Compensated absences	17,526	20,043	19,438	18,131	-
Note payable - IEPA	306,415	-	6,963	299,452	14,056
Note payable - IDOT	<u>111,819</u>	<u>188,181</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Total long-term debt	<u>\$ 563,679</u>	<u>\$ 271,992</u>	<u>\$ 152,581</u>	<u>\$ 683,090</u>	<u>\$ 114,056</u>

The Township has debt service requirements at March 31, 2014, 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, 2014:

Payable During the Year Ended	Note Payable - IEPA		
	Total	Principal	Interest
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	17,755	14,774	2,981
March 31, 2020 - March 31, 2024	88,777	76,697	12,080
March 31, 2025 - March 31, 2029	88,777	81,627	7,150
March 31, 2030 - March 31, 2033	71,020	69,064	1,956
	<u>\$ 337,349</u>	<u>\$ 299,452</u>	<u>\$ 37,897</u>

Payable During the Year Ended	Note Payable - IDOT		
	Total	Principal	Interest
March 31, 2015	\$ 100,000	\$ 100,000	\$ -
March 31, 2016	100,000	100,000	-
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>

Payable During the Year Ended	Total Notes Payable		
	Total	Principal	Interest
March 31, 2015	\$ 117,755	\$ 114,056	\$ 3,699
March 31, 2016	117,755	114,232	3,523
March 31, 2017	17,755	14,411	3,344
March 31, 2018	17,755	14,591	3,164
March 31, 2019	17,755	14,774	2,981
March 31, 2020 - March 31, 2024	88,777	76,697	12,080
March 31, 2025 - March 31, 2029	88,777	81,627	7,150
March 31, 2030 - March 31, 2033	71,020	69,064	1,956
	<u>\$ 537,349</u>	<u>\$ 499,452</u>	<u>\$ 37,897</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 2012 property taxes on December 18, 2012. 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. 2012 property taxes were payable in two installments; July 17, 2013 and September 4, 2013.

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 2013 was 14.85 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, 2014 was \$91,706.

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>
3/31/2014	\$ 91,706	100 %	\$ 0
3/31/2013	85,227	100	0
3/31/2012	76,685	100	0

The required contribution for 2013 was determined as part of the December 31, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, 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, 2011 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, 2013, the most recent actuarial valuation date, the plan was 55.70 percent funded. The actuarial accrued liability for benefits was \$1,680,040 and the actuarial value of assets was \$935,799 resulting in an underfunded actuarial accrued liability (UAAL) of \$744,241. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$617,766 and the ratio of the UAAL to the covered payroll was 120 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 \$15,504 for the year ended March 31, 2014.

As of March 31, 2014, the Plan has two retirees receiving benefits and ten active participants, of which five 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, 2014, 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	\$ 56,050
Interest on OPEB obligation	176
Adjustment to annual required contribution	<u>(4,184)</u>
Annual OPEB cost (expense)	52,042
Contributions made	<u>(15,504)</u>
Increase in net OPEB obligation	36,538
Net OPEB obligation - 04/01/2013	<u>117,462</u>
Net OPEB obligation - 03/31/2014	<u>\$ 154,000</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, 2014 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>
03/31/14	\$ 52,042	29.79%	\$ 154,000
03/31/13	57,496	45.86%	117,462
03/31/12	58,810	65.74%	86,333

Funded Status and Funding Progress. The funded status of the Plan based on the most recent actuarial valuation of March 31, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 343,875
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 343,875</u>
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	\$ 548,784
UAAL as a percentage of covered payroll	62.66%

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 2009 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 2006-2022. Varying rates of 5.0 percent to 6.7 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 are covered under collective bargaining agreements with the International Union of Operating Engineers Local No. 148. These agreements were effective to December 31, 2013.

While the contract expired December 31, 2013 work continues and negotiations are ongoing. Management anticipates no work stoppage with respect to this agreements.

**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, 2014, management expects no material overpayment or balance due. The Township's annual expense for the year ended March 31, 2014 was \$447,216. This agreement has been replaced with a new agreement as stated in Note 13.

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, 2014 was \$372,606. 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, 2014:

	Road	Sewer
Contracts approved	\$ 36,000	\$ 20,456
Payments made	-	(15,678)
Unpaid accounts payable recorded	<u>(7,100)</u>	<u>-</u>
Remaining commitment	<u>\$ 28,900</u>	<u>\$ 4,778</u>

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

9. Commitments (continued)

Subsequent to March 31, 2014, the Township entered into additional construction related contracts for road improvements of approximately \$480,000 and for sewer system improvements of approximately \$38,800.

10. Legal confines of budget

The Township operated within the legal confines of the budget during the year ended March 31, 2014.

11. Interfund transfers

The following is a summary of transfers during the year ended March 31, 2014:

Transfers from	Transfers to	Amount
Permanent Road fund	Road and Bridge fund	\$ 135,025

The Permanent road fund transfer was used to reimburse the Road and Bridge fund for expenses that should have been paid out of the Permanent road fund.

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 prorated 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, 2014 was \$125,588. 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.

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

13. Contingencies (continued)

Village of Swansea

On June 23, 2014 the Township entered into an agreement with the Village of Swansea in which the Village agrees to accept residential and commercial sewage from Township residents that utilize the Village system.

Effective March 1, 2015 the Village will bill these Township residents for this service at a rate of 1.3 times the Swansea resident rate. In addition, Swansea will bill the affected residents an additional \$7.34 which will be paid to the Township for upkeep of their sewer lines.

The term of the agreement is for 25 years commencing on March 1, 2015.

14. Changes in accounting principles

For fiscal year 2014, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 65. Statement No. 65, Items Previously Reported as Assets and Liabilities reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

**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)
12/31/2013	\$ 935,799	\$ 1,680,040	\$ 744,241	55.70 %	\$ 617,766	120.47 %
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, 2013 is \$1,263,459. On a market basis, the funded ratio would be 75.20 percent.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with St. Clair Township. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100 percent funded.

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)
3/31/2014	\$ -	\$ 343,875	\$ 343,875	- %	\$ 548,784	62.66 %
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, 2014**

	Budgeted Amounts		Budget Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 191,000	\$ 191,000	\$ 190,708	\$ (292)
Personal property replacement taxes	21,000	21,000	25,490	4,490
Delinquent taxes	100	100	-	(100)
Property tax increment financing	200	200	178	(22)
Mobile home tax	500	500	458	(42)
Newsletter revenue	500	500	-	(500)
Sale of assets	-	-	-	-
Reimbursement (election etc.)	1,300	1,300	1,320	20
Employee sharing revenue	11,000	11,000	10,925	(75)
Interest	800	800	618	(182)
Miscellaneous	-	-	-	-
Total revenues	226,400	226,400	229,697	3,297
Expenditures - general government				
Administration				
Personnel	191,000	191,000	164,637	26,363
Contractual services	27,850	33,460	24,285	9,175
Commodities	400	900	858	42
Other services and charges	2,300	2,300	191	2,109
Capital outlay	3,000	3,000	-	3,000
Total administration	224,550	230,660	189,971	40,689
Assessor				
Contractual services	1,000	1,000	-	1,000
Senior citizens				
Contractual services	11,750	11,750	11,750	-
Contingencies	10,000	3,890	-	3,890
Total expenditures	247,300	247,300	201,721	45,579
Sub-total (carried forward)	\$ (20,900)	\$ (20,900)	\$ 27,976	48,876

TOWNSHIP OF ST. CLAIR, ILLINOIS

**General Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2014**

	Budgeted Amounts		Budget	Variance with
	Original	Final	Basis	Final Budget Positive (Negative)
Sub-total (brought forward)	\$ (20,900)	\$ (20,900)	\$ 27,976	\$ 48,876
Other financing sources				
Loan principal received	-	-	-	-
Transfer out	-	-	-	-
Total financing sources	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures - budgetary basis	<u>\$ (20,900)</u>	<u>\$ (20,900)</u>	27,976	<u>\$ 48,876</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/13			707	
Less: Replacement taxes receivable at 4/1/13			(5,325)	
End of year accruals				
Add: Replacement taxes receivable 3/31/14			5,618	
Less: Accounts payable at 3/31/14			(2,845)	
Other liabilities adjustment at 3/31/14			(967)	
Excess of revenues and other financing sources over expenditures - modified accrual basis			<u>\$ 25,164</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Road and Bridge Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2014**

	Budgeted Amounts		Budget Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 309,010	\$ 309,010	\$ 308,618	\$ (392)
Personal property replacement taxes	47,750	47,750	54,028	6,278
Property tax increment financing	250	250	432	182
Mobile home tax	750	750	1,116	366
Newsletter revenue	-	-	-	-
Sale of assets	-	-	-	-
Motor fuel tax	80,000	80,000	85,218	5,218
Contributions	-	-	-	-
Interest	1,800	1,800	767	(1,033)
Miscellaneous	100	100	783	683
Grant	-	-	-	-
Total revenues	439,660	439,660	450,962	11,302
Expenditures - highways and streets				
Personnel	173,500	173,500	137,690	35,810
Contractual services	293,050	266,808	72,773	194,035
Commodities	97,500	127,600	113,407	14,193
Other services and charges	8,700	4,842	50	4,792
Capital outlay	-	-	-	-
Total expenditures	572,750	572,750	323,920	248,830
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (133,090)</u>	<u>\$ (133,090)</u>	127,042	<u>\$ 260,132</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/13			144,253	
Less: Inventory 4/1/13			(20,192)	
Replacement taxes receivable 4/1/13			(11,286)	
End of year accruals				
Add: Replacement taxes receivable at 3/31/14			11,908	
Inventory at 3/31/14			19,684	
Less: Accounts payable at 3/31/14			(2,970)	
MFT expenditures			(18,940)	
Excess of revenues over expenditures - modified accrual basis			<u>\$ 249,499</u>	

TOWNSHIP OF ST. CLAIR, ILLINOIS

**Permanent Road Fund
Schedule of Revenues and Expenditures - Budgetary Basis
Budget and Actual
Year Ended March 31, 2014**

	Budgeted Amounts		Budget Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 850,300	\$ 850,300	\$ 848,223	\$ (2,077)
Property tax increment financing	1,000	1,000	801	(199)
Mobile home tax	2,000	2,000	2,039	39
Interest	2,500	2,500	1,499	(1,001)
Miscellaneous income	-	-	1,076	1,076
	855,800	855,800	853,638	(2,162)
Total revenues				
Expenditures - highways and streets				
Personnel	275,000	286,000	282,708	3,292
Contractual services	288,000	288,000	216,136	71,864
Commodities	40,000	40,000	34,224	5,776
Other services and charges	11,000	1,000	-	1,000
Road improvements	650,000	649,000	97	648,903
	1,264,000	1,264,000	533,165	730,835
Total expenditures				
Excess (deficiency) of revenues over expenditures - budgetary basis	<u>\$ (408,200)</u>	<u>\$ (408,200)</u>	320,473	<u>\$ 728,673</u>
Beginning of year accruals				
Add: Accounts payable at 4/1/13			2,400	
End of year accruals				
Less: Accounts payable at 3/31/14			(7,535)	
Excess of revenues over expenditures - modified accrual basis			<u>\$ 315,338</u>	