

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Champaign, Illinois

Financial Statements
and Supplementary Information

For the Year Ended

June 30, 2012

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS	
<i>Government – Wide Financial Statements</i>	
Statement of Net Assets (Exhibit A).....	11
Statement of Activities (Exhibit B).....	12
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds (Exhibit C).....	13
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Assets (Exhibit C-1)	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit D)	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (Exhibit D-1)	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget Versus Actual (Budgetary Basis):	
General Fund (Exhibit E).....	17
General Assistance Fund (Exhibit F).....	18
Notes to Financial Statements.....	19-29

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress (Unaudited)..... 30

SUPPLEMENTARY INFORMATION

Schedule of Expenditures – Budget and Actual:

General Fund
(Schedule 1)..... 31

General Assistance Fund
(Schedule 2) 32

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Town of the City of Champaign, Illinois
Champaign, Illinois

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of the City of Champaign, Illinois, a component unit of the City of Champaign, Illinois, as of and for the year ended June 30, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of the City of Champaign, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of the City of Champaign, Illinois as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress on pages 3 through 10 and page 30, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of the City of Champaign, Illinois' financial statements as a whole. The supplementary information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Martin, Hood, Friese & Associates, LLC

September 13, 2012

**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

Our discussion and analysis of the Town of the City of Champaign's (Township's) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Township's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- At June 30, 2012, the Town of the City of Champaign's total assets exceeded total liabilities by \$798.1 thousand.
- Net assets of governmental activities increased by \$98.9 thousand, or approximately 14.1 percent.
- During the year, taxes and other revenues were \$667.0 thousand while expenses were \$568.1 thousand. Last year, revenues exceeded expenses by \$126.7 thousand.
- The governmental funds reported combined fund balances of \$775.1 thousand, of which \$326.1 thousand was unassigned and is available for spending at the Township's discretion.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 - 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements begin on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operation in more detail than the government-wide statements by providing information about the Township's most significant funds.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The government wide financial statements can be found on pages 11 – 12 of this report.

**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

USING THIS ANNUAL REPORT - Continued

Government-Wide Financial Statements - Continued

The Statement of Net Assets reports information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Township's property tax base, is needed to assess the overall health of the Township.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the Township include general government and public welfare. Property taxes and governmental revenues finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are classified as governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

USING THIS ANNUAL REPORT - Continued

Governmental Funds - Continued

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the General Assistance Fund, both of which are considered major funds. Individual fund data for each of these major governmental funds is provided in the form of supplemental schedules elsewhere in this report.

The Township adopts an annual appropriated budget for all of the governmental funds. A budgetary comparison statement for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 18 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 19 – 29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's Illinois Municipal Retirement Fund (I.M.R.F.) pension obligations. Required supplementary information can be found on page 30 of this report. The supplemental schedules referred to earlier in connection with major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 31 – 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Township, assets exceeded liabilities by \$798.1 thousand, increasing 14.1 percent from the previous year.

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN

Management's Discussion and Analysis
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Net Assets (in Thousands)

	Governmental Activities	
	2012	2011
Current and Other Assets	\$ 807.4	\$ 702.2
Capital Assets	32.5	34.7
Total Assets	839.9	736.9
Long-Term Debt Outstanding	9.5	10.4
Other Liabilities	32.3	27.2
Total Liabilities	41.8	37.6
Net Assets		
Invested in Capital Assets,		
Net of Debt	32.5	34.7
Restricted	449.0	404.0
Unrestricted (Deficit)	316.6	260.6
Total Net Assets	\$ 798.1	\$ 699.3

The Township's investment in capital assets (e.g., land, buildings, and automobiles) accounts for 4.1 percent of the Township's net assets. The Township uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. The Township has no debt in relationship to its capital assets.

An additional portion, or 56.2 percent of the Township's net assets, represents resources that are subject to external restrictions on how they may be used. The remaining 39.7 percent, or \$316.6 thousand, represents unrestricted net assets and may be used to meet the government's ongoing obligations.

At the end of the current fiscal year, the Township was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN

Management's Discussion and Analysis
June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Changes in Net Assets (in Thousands)

	Governmental Activities	
	2012	2011
Revenues		
General Revenues		
Property Taxes	\$ 565.2	\$ 546.0
Replacement Taxes	87.1	94.7
Interest Income	0.3	0.7
Miscellaneous	14.4	29.8
Total Revenues	<u>667.0</u>	<u>671.2</u>
Expenses		
General Government	499.8	478.7
Public Welfare	68.3	65.8
Total Expenses	<u>568.1</u>	<u>544.5</u>
Increase (Decrease) in Net Assets	98.9	126.7
Net Assets - Beginning	<u>699.3</u>	<u>572.6</u>
Net Assets - Ending	<u>\$ 798.2</u>	<u>\$ 699.3</u>

Net assets of the Township's governmental activities increased by 14.1 percent (\$798.2 thousand compared to \$699.3 thousand). Unrestricted net assets, the part of net assets which can be used for day-to-day operations without constraints, increased by 21.5 percent (\$316.6 thousand compared to \$260.6 thousand).

Total revenues decreased by 0.6 percent (\$4.2 thousand). This can be attributed to lower personal property replacement taxes and general assistance received from the State of Illinois that was nearly offset by higher property tax receipts. The total cost of all programs and services increased by 4.3 percent (\$568.1 thousand compared to \$544.5 thousand).

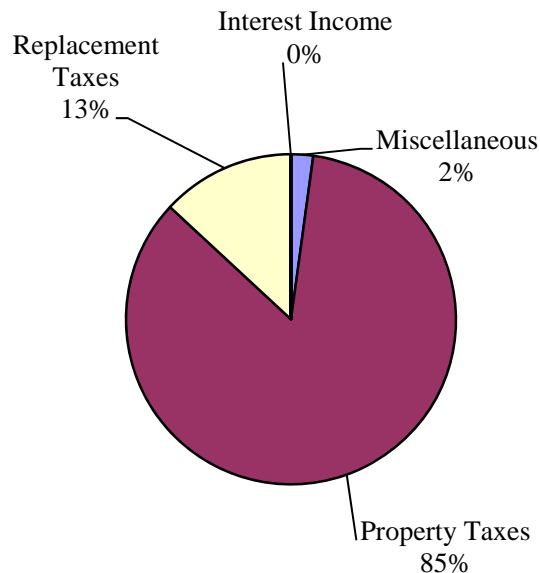
**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

The following pie chart demonstrates graphically the major revenue sources of the Township. It depicts very clearly the reliance on property taxes to fund governmental activities.

Revenues by Source - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$775.1 thousand, which is 14.8 percent higher than last year's total of \$675.0 thousand. This increase can be explained by adding the Township's General Fund balance increase of \$54.9 thousand with an increase in the General Assistance Fund of \$45.2 thousand.

**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund expenditures were below the budgeted amount by \$43,249 (\$489,965 actual compared to \$533,214 budgeted).

General Fund revenues exceeded the budgeted amount by \$22,010. The difference is because actual property taxes were higher than budget by \$8,700, or 1.9% and actual replacement taxes were higher than budget by \$14,112, or 19.3%. Interest income was below budget by \$802, or 80.2% .

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets as of June 30, 2012 was \$32.5 thousand (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements, and vehicles.

Capital Assets - Net of Depreciation (in Thousands)

	Governmental Activities	
	2012	2011
Buildings & Improvements	\$ 29.4	31.3
Equipment & Vehicles	3.1	3.4
Total	\$ 32.5	34.7

Additional information on the Township's capital assets can be found in Note 6 on page 26 of this report.

Debt

At year end, the Town of the City of Champaign had no outstanding debt.

**TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN**

**Management's Discussion and Analysis
June 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township receives most of its revenue from property taxes. The property tax base of the Township continues to remain stable, allowing the Township to budget consistently for fiscal year 2012-2013. The economy has continued to recover, but is still growing at a slow pace.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of the City of Champaign's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Township Supervisor, Town of the City of Champaign, 603 South Randolph Street, Champaign, Illinois, 61820-5139.

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
 A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 791,522
Receivables - Net of Allowances:	
Replacement Tax	15,888
Capital Assets, Net of Accumulated Depreciation	<u>32,509</u>
 Total Assets	 <u><u>\$ 839,919</u></u>
LIABILITIES	
Accounts Payable	\$ 17,070
Accrued Payroll and Benefits	15,198
Non-Current Liabilities:	
Due Within One Year	<u>9,512</u>
 Total Liabilities	 <u><u>\$ 41,780</u></u>
NET ASSETS	
Invested in Capital Assets	\$ 32,509
Restricted for Unspent Tax Levies	449,002
Unrestricted	<u>316,628</u>
 Total Net Assets	 <u><u>\$ 798,139</u></u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
 A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Statement of Activities

For the Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 499,799	\$ -	\$ -	\$ -	\$ (499,799)
Public Welfare	68,305	-	-	-	(68,305)
	<u>\$ 568,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(568,104)</u>
		General Revenues			
					565,201
					87,130
					13,120
					275
					1,265
					<u>666,991</u>
					98,887
					<u>699,252</u>
					<u>\$ 798,139</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
 A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Balance Sheet

Governmental Funds

June 30, 2012

	General Fund	General Assistance Fund	Total Governmental Funds
ASSETS			
Cash	\$ 791,522	\$ -	\$ 791,522
Receivables - Net of Allowances:			
Property Taxes	221,945	52,813	274,758
Replacement Tax	15,888	-	15,888
Due from Other Funds	-	432,068	432,068
Total Assets	\$ 1,029,355	\$ 484,881	\$ 1,514,236
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 15,711	\$ 1,359	\$ 17,070
Accrued Payroll and Benefits	15,198	-	15,198
Deferred Revenue	221,945	52,813	274,758
Due to Other Funds	432,068	-	432,068
Total Liabilities	684,922	54,172	739,094
Fund Balances:			
Restricted	18,293	430,709	449,002
Unassigned	326,140	-	326,140
Total Fund Balances	344,433	430,709	775,142
Total Liabilities and Fund Balances	\$ 1,029,355	\$ 484,881	\$ 1,514,236

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

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

June 30, 2012

Total Fund Balances, Governmental Funds	\$ 775,142
Property Taxes Receivable Not Earned and Not Received	(274,758)
Capital Assets, Net of Depreciation Used in Governmental Activities	32,509
Unearned Revenue for Property Taxes Not Received	274,758
Accrued Compensated Absences Related to Governmental Activities	<u>(9,512)</u>
Total Net Assets of Governmental Activities	<u>\$ 798,139</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
 A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	General Assistance Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property Taxes	\$ 457,515	\$ 107,686	\$ 565,201
Replacement Tax	87,130	-	87,130
General Assistance Reimbursements	-	13,120	13,120
Interest	198	77	275
Miscellaneous	-	1,265	1,265
Total Revenues	<u>544,843</u>	<u>122,148</u>	<u>666,991</u>
Expenditures:			
General Government	489,965	8,575	498,540
Public Welfare	-	68,305	68,305
Total Expenditures	<u>489,965</u>	<u>76,880</u>	<u>566,845</u>
Net Change in Fund Balances	54,878	45,268	100,146
Fund Balances, Beginning of Year	<u>289,555</u>	<u>385,441</u>	<u>674,996</u>
Fund Balances, End of Year	<u>\$ 344,433</u>	<u>\$ 430,709</u>	<u>\$ 775,142</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

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

For the Year Ended June 30, 2012

Net Change in Fund Balances, Total Governmental Funds	\$ 100,146
Include Depreciation Expense	(2,157)
Accrued Compensated Absences Change from the Beginning of Year	<u>898</u>
Changes in Net Assets of Governmental Activities	<u>\$ 98,887</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget Versus Actual (Budgetary Basis)

General Fund

For the Year Ended June 30, 2012

	<u>Budget (Original)</u>	<u>Budget (Final)</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance (Actual - Final Budget)</u>
Revenues:				
Property Taxes	\$ 448,815	\$ 448,815	\$ 457,515	\$ 8,700
Replacement Tax	73,018	73,018	87,130	14,112
Interest	1,000	1,000	198	(802)
Total Revenues	<u>522,833</u>	<u>522,833</u>	<u>544,843</u>	<u>22,010</u>
Expenditures:				
General Government	<u>532,014</u>	<u>533,214</u>	<u>489,965</u>	<u>(43,249)</u>
Net Change in Fund Balances	(9,181)	(10,381)	54,878	65,259
Fund Balances, Beginning of Year	<u>289,555</u>	<u>289,555</u>	<u>289,555</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 280,374</u>	<u>\$ 279,174</u>	<u>\$ 344,433</u>	<u>\$ 65,259</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
 A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget Versus Actual (Budgetary Basis)

General Assistance Fund

For the Year Ended June 30, 2012

	Budget (Original)	Budget (Final)	Actual (Budgetary Basis)	Variance (Actual - Final Budget)
Revenues:				
Property Taxes	\$ 105,277	\$ 105,277	\$ 107,686	\$ 2,409
General Assistance Reimbursements	25,000	25,000	13,120	(11,880)
Interest	-	-	77	77
Miscellaneous	-	-	1,265	1,265
Total Revenues	<u>130,277</u>	<u>130,277</u>	<u>122,148</u>	<u>(8,129)</u>
Expenditures:				
General Government	49,875	49,875	8,575	(41,300)
Public Welfare	153,700	153,700	68,305	(85,395)
Total Expenditures	<u>203,575</u>	<u>203,575</u>	<u>76,880</u>	<u>(126,695)</u>
Net Change in Fund Balances	(73,298)	(73,298)	45,268	118,566
Fund Balances, Beginning of Year	<u>385,441</u>	<u>385,441</u>	<u>385,441</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 312,143</u>	<u>\$ 312,143</u>	<u>\$ 430,709</u>	<u>\$ 118,566</u>

See Accompanying Notes

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

The financial statements of the Town of the City of Champaign, Illinois (the Township) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. GAAP includes all relevant GASB pronouncements plus other sources of accounting and financial reporting guidance noted in GASB Statement 55, *The Hierarchy of GAAP for State and Local Governments*. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by the Township is discussed below.

a. Financial Reporting Entity

The Township is a body corporate and politic established under Illinois Compiled Statutes governed by an elected Board of Trustees and an elected Supervisor. The Township is considered to be a blended component unit of the City of Champaign, Illinois, based on the operational criteria in GASB Statement No. 14, *The Financial Reporting Entity*, as the members of the Township's Board of Trustees are the members of the City Council of the City of Champaign, Illinois.

b. Basic Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township. The Statement of Net Assets and the Statement of Activities include governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Internal balances and activities within the Township's funds are eliminated in the government-wide financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting (as described in Note 1.c.).

Fund Financial Statements

Fund financial statements of the Township are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures. The Township's funds fall into the governmental fund category. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 10 percent of the corresponding total for all governmental funds.
2. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the aggregated total for all funds combined.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting (as described in Note 1.c.).

The fund types of the Township are described below:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The following is a description of the governmental funds of the Township:

The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Township maintains one major special revenue fund.

➤ Major Special Revenue Fund

General Assistance Fund – The General Assistance Fund accounts for property tax revenues used to provide basic needs assistance to Township citizens that meet specific need criteria.

c. Basis of Accounting

Accrual

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes are recognized as revenues in the year for which they are levied. Replacement tax is recognized as revenue as soon as the tax is collected by the State of Illinois.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it becomes 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. The Township considers receipts within 60 days of year end to be available. Expenditures generally are recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when payment is due.

Personal property replacement tax is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period if applicable to the fiscal year and collected within 60 days of fiscal year end. All other revenue items, including property tax, are considered to be measured and available when cash is received by the Township.

d. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivable are based upon historical trends and the periodic aging of receivable. Major receivables balances for governmental activities include personal property replacement tax. At June 30, 2012, the estimated receivable allowance equaled \$0.

e. Interfund Balances

Short-term receivables and payables between funds are reported as due from and due to other funds, respectively. Non-current amounts are reported as advances to/from other funds. In governmental funds, advances to other funds as well as other long-term receivables are offset by reserved fund balance because they do not represent expendable, available financial resources.

f. Capital Assets

Capital assets purchased for use in governmental activities are recorded as expenditures in governmental funds at the time of purchase. Governmental capital assets are reported in the government-wide financial statements offset by accumulated depreciation. Capital assets are valued at actual or estimated historical cost while donated capital assets are valued at their fair market value on the date donated. Equipment and vehicles, buildings and improvements, and land improvements valued over \$5,000, and land of any value are capitalized. Assets that appreciate in value are capitalized if valued at more than \$5,000. Depreciation is calculated on all assets other than land and assets that appreciate in value using the straight-line method, mid-month convention with the following estimated useful lives:

Land Improvements	10 Years
Buildings and Improvements	50 Years
Equipment and Vehicles	3-20 Years

g. Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay sick leave amounts when employees separate from service. All vacation leave is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the governmental funds only if it has been realized or paid, for example, as a result of employee resignations or retirements.

h. Restricted Net Assets

Assets that are not available to finance general operations of the Township are reported as restricted on the Statement of Net Assets. The Township's policy is to apply restricted resources first when an expense is incurred for a restricted purpose, even though unrestricted net assets are available.

i. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

j. Fund Balance

Fund balances are classified as follows:

Non-Spendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact

Restricted – Amounts that can be spent only for specific purposes because of the Township Charter, state or federal laws, or externally imposed conditions by grantors or creditors

Committed – Amounts that can be used only for specific purposes determined by a formal action or resolution by the Board of Trustees

Assigned – Amounts that are designated by the Township Supervisor for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees

Unassigned – All amounts not included in other spendable classifications

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) 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 Township's Board of Trustees has provided otherwise in its commitment or assignment actions.

k. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Budgets and Budgetary Basis of Accounting

Legal budgets are prepared in the form of an appropriations ordinance for Township funds using the same accounting basis and practices as are used to account for and prepare financial statements. Unexpended appropriations lapse at the end of the fiscal year. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board of Trustees after a public notice and hearing. Appropriations transfers between budget line items may be presented to the Board at their regular meetings. Each transfer must have Board approval. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. There were no transfers made after fiscal year end.

A comparison of budget to actual expenditures is provided for the major governmental funds.

3. Bank Deposits

The Township maintains a cash account that is available for use by all Township funds. Illinois statutes authorize the Township to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States, short-term commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool.

Custodial Credit Risk – Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be recovered. The Township's investment policy addresses custodial credit risk by requiring that all deposits in excess of federal depository insurance are to be collateralized by a written pledge of securities from the depository bank. At June 30, 2012, \$542,775 of the Township's bank balance of \$792,775 was exposed to custodial credit risk and was fully collateralized by a pledge of securities from the depository bank. The pledged securities, which had a fair value in excess of \$542,775 at June 30, 2012, are held by the bank's agent for the benefit of the Township, but are not held in the Township's name.

4. Property Tax Cycle

a. Assessments

Property is assessed by the elected township assessor at one-third the market value as of January 1 each year. This is the date, called the lien date, on which property taxes "attach" to the property. The Township assessor's books are turned into the County Supervisor of Assessments by April 15. The Board of Review, a three-member panel

appointed by the County Board, takes action on assessment complaints and applies individual township multipliers to those townships that are not assessed at one-third. This process equalizes the average ratio of assessments to market value among townships. The Illinois Department of Revenue analyzes the work of the Board of Review and may assign a countywide multiplier to bring the entire County's ratio into line with other counties throughout the state.

b. Taxpayer Appeals

Taxpayers may file a complaint with the Board of Review if they believe assessments are too high and may make further appeal to the state Property Tax Appeals Board. However, tax levies are determined by local governments not by assessors.

c. Property Tax Levies

The calendar 2010 property tax levy passed in December 2010 and the calendar 2011 property tax levy passed in December 2011. Both levies were adopted within the Illinois statutory deadline (the third Tuesday in December). In the governmental fund financial statements, property tax levies are reported as receivables, net of an allowance for uncollectible amounts, in the year in which they are adopted. Property tax distributions received within the fiscal year are recognized in that fiscal year as revenue in the governmental funds. The balance is deferred revenue to the next fiscal year for the governmental funds and eliminated for the government-wide financial statements.

Fiscal year 2012 property tax revenue on the statement of activities consists of fifty percent of the calendar 2010 levy and fifty percent of the calendar 2011 levy, less allowances. For fiscal year 2012, property tax revenue on the statement of activities (on the accrual basis) and property tax revenue on the statement of revenue, expenditures, and changes in fund balances (on the modified accrual basis) have been left as equal as actual revenue recognition differences are immaterial.

d. Tax Bills

Illinois statutes require the payment of property taxes in two installments due June 1 and September 1, and require that tax bills be mailed 30 days prior to the first installment. Property tax bills mailed in 2012 were based on equalized assessed value as of January 1, 2011, and on tax levies set in December 2011.

e. Tax Distributions

The County Treasurer is also the County Collector and is in charge of collecting and distributing property taxes. The Collector generally distributes taxes to the taxing bodies shortly after taxes are paid. The County may not keep tax receipts on behalf

of other units of local government beyond thirty days. In 2011, all property taxes were distributed by November 16. Interest earned on taxes before distribution goes to the local governments.

5. Property Taxes Receivable and Deferred

Property taxes receivable for the governmental funds consists of property taxes levied in 2011, for which a legal claim exists in 2012. The revenue associated with the 2011 levy is recognized in the governmental funds if received within the fiscal year. The property taxes received beyond fiscal year end are deferred until the fiscal year ending June 30, 2013. A summary of property taxes receivable and deferred by fund type at June 30, 2012 is shown below:

<u>Fund Type</u>	<u>Property Taxes Levied</u>	<u>Property Taxes Receivable</u>	<u>Deferred Revenue</u>
General	\$ 456,528	\$ 221,945	\$ 221,945
Revenue	108,627	52,813	52,813
 Total	 <u>\$ 565,155</u>	 <u>\$ 274,758</u>	 <u>\$ 274,758</u>

Based on past collection experience, the Township has applied no allowance for doubtful collections against the property tax receivable as the estimated allowance is considered immaterial by the Township's management.

6. Capital Assets

Governmental capital asset activity for the year was as follows:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
Depreciable Capital Assets:				
Buildings and Improvements	\$ 193,265	\$ -	\$ -	\$ 193,265
Equipment and Vehicles	22,337	-	-	22,337
	<u>215,602</u>	<u>-</u>	<u>-</u>	<u>215,602</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(161,949)	(1,959)	-	(163,908)
Equipment and Vehicles	(18,987)	(198)	-	(19,185)
	<u>(180,936)</u>	<u>(2,157)</u>	<u>-</u>	<u>(183,093)</u>
 Total Depreciable Capital Assets	 <u>\$ 34,666</u>	 <u>\$ (2,157)</u>	 <u>\$ -</u>	 <u>\$ 32,509</u>

Depreciation expense of \$2,157 was charged to the general government function in fiscal year 2012.

7. Changes in Long-Term Debt

The following is a summary of changes in the Township's long-term debt of the governmental activities for the year ended June 30, 2012.

	June 30, 2011	Issued	Retired	June 30, 2012	Due Within One Year
Accrued Compensated Absences	\$ 10,410	\$ 13,690	\$ 14,588	\$ 9,512	\$ 9,512

Accrued compensated absences are paid from the General Fund.

8. Restricted Net Assets and Restricted Fund Balance

At June 30, 2012, the Township had restricted net assets and restricted fund balance that are restricted due to enabling legislation as follows:

Unspent Tax Levy Allocations for:		
General Assistance Expenditures		\$ 430,709
IMRF Expenditures		<u>18,293</u>
Total		<u>\$ 449,002</u>

9. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables at June 30, 2012, are summarized below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 432,068
General Assistance	<u>432,068</u>	<u>-</u>
Total	<u>\$ 432,068</u>	<u>\$ 432,068</u>

The General Fund holds the cash of the Township. The General Assistance Fund's receivable from the General Fund is considered fully current as the General Fund holds sufficient cash at June 30, 2012 to honor the interfund balance.

There were no interfund transfers during the year ended June 30, 2012.

10. Risk of Loss

Significant losses are covered by commercial insurance for property, liability, and workers compensation. During the year ended June 30, 2012, there were no significant reductions in coverage. During fiscal year 2010, the Township paid a legal settlement in the amount of \$60,000. This amount was paid from the General Fund as the loss was not covered by the Township's liability insurance. Other than the settlement payment noted above, there have been no settlement amounts that have exceeded insurance coverage or that have not been covered by insurance in the past three years.

11. 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 employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 used by the Township was 9.49 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 11.58 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 – For calendar year ending December 31, 2011, the Township's actual contribution for pension cost for the Regular Plan members was \$29,285. The Township's required contribution for calendar year 2011 was \$35,734. Through June 30, 2012, the Township's net pension obligation was \$8,048. The Township's management considers this an immaterial and temporary amount that will be funded within the next fiscal year and has not recorded a liability or expense for this net pension obligation on the government-wide financial statements.

Three-Year Trend Information for the Regular Plan

<u>Calendar Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/11	\$ 35,734	82%	\$ 6,449
12/31/10	27,637	94%	1,599
12/31/09	21,805	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 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 percent corridor between the actuarial and market value of assets. The Township's Regular Plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress – As of December 31, 2011, the most recent actuarial valuation date, the Regular Plan was 80.64 percent funded. The actuarial accrued liability for benefits was \$1,043,411 and the actuarial value of assets was \$841,376, resulting in an underfunded actuarial accrued liability (UAAL) of \$202,035. The covered payroll (annual payroll of active employees covered by the Plan) was \$308,586 and the ratio of UAAL to the covered payroll was 65 percent.

The schedule of funding progress, presented as RSI 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.

The Township provides no other post-employment benefits to employees.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	\$ 841,376	\$ 1,043,411	\$ 202,035	80.64%	\$ 308,586	65.47%
12/31/2010	734,342	945,581	211,239	77.66%	301,713	70.01%
12/31/2009	682,395	843,103	160,708	80.94%	303,691	52.92%

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$791,241. On a market basis, the funded ratio would be 75.83 percent.

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Schedule of Expenditures -
Budget and Actual

General Fund

For the Year Ended June 30, 2012

	Budget (Original)	Budget (Final)	Actual
General Government			
Administrative:			
Salaries	\$ 129,574	\$ 129,574	\$ 131,363
Group Medical and Life Insurance	53,652	53,652	54,657
Township IMRF/SURS Payments	33,897	33,897	34,451
Township FICA	23,768	23,768	23,516
Township SUI Payments	5,351	5,351	686
Office Supplies	2,500	2,500	2,149
Activity Specific Supplies	1,000	1,000	544
Small Tools and Equipment	4,500	1,500	360
Professional Services	5,500	5,500	4,826
Professional Memberships	1,500	700	1,368
Professional Development	1,500	1,000	366
Miscellaneous Contractual Services	8,000	8,500	7,943
Printing and Document Processing	3,500	3,500	1,700
Disposal and Recycling Services	1,500	2,000	1,300
Postage and Express Charges	1,200	1,500	4,921
Insurance Premiums	10,453	10,453	7,709
Utilities	15,000	21,000	9,740
Repairs and Maintenance Services	5,000	5,000	1,484
Contingency Expense	1,000	1,000	1,043
Construction Improvements	15,000	8,000	4,119
Total Administrative	<u>323,395</u>	<u>319,395</u>	<u>294,245</u>
Assessor's Office:			
Salaries	181,119	181,119	182,778
Office Supplies	2,500	2,500	2,100
Motor Vehicle Parts	500	500	186
Small Tools and Equipment	1,500	2,000	1,236
Professional Services	1,000	1,000	-
Professional Memberships	1,500	1,500	875
Miscellaneous Contractual Services	1,500	3,000	2,308
Printing and Document Processing	-	-	71
Postage and Express Charges	5,000	6,500	45
Utilities	3,500	8,200	3,701
Repairs and Maintenance Services	10,000	7,000	2,420
Contingency Expense	500	500	-
Total Assessor's Office	<u>208,619</u>	<u>213,819</u>	<u>195,720</u>
Total Expenditures	<u>\$ 532,014</u>	<u>\$ 533,214</u>	<u>\$ 489,965</u>

TOWN OF THE CITY OF CHAMPAIGN, ILLINOIS
A COMPONENT UNIT OF THE CITY OF CHAMPAIGN, ILLINOIS

Schedule of Expenditures -
Budget and Actual

General Assistance Fund

For the Year Ended June 30, 2012

	<u>Budget (Original)</u>	<u>Budget (Final)</u>	<u>Actual</u>
General Government			
Administrative:			
Office Supplies	\$ 2,800	\$ 2,800	\$ 1,994
Small Tools and Equipment	2,000	2,000	180
Professional Memberships	-	-	25
Professional Development	2,000	1,000	125
Misc. Contractual Services	1,400	2,400	1,014
Printing and Document Processing	3,500	3,500	1,144
Official Township Business	2,000	2,000	96
Postage and Express Charges	4,000	4,000	72
Insurance Premiums	28,175	28,175	3,175
Contingency Expense	4,000	4,000	750
Total General Government	<u>49,875</u>	<u>49,875</u>	<u>8,575</u>
Public Welfare			
Relief Assistance:			
General Relief	120,000	120,000	52,170
Emergency Assistance	7,200	7,200	3,910
Medical and Hospital	25,000	25,000	10,725
Funeral and Burial	1,500	1,500	1,500
Total Public Welfare	<u>153,700</u>	<u>153,700</u>	<u>68,305</u>
Total Expenditures	<u>\$ 203,575</u>	<u>\$ 203,575</u>	<u>\$ 76,880</u>