

VILLAGE OF CHATHAM, ILLINOIS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the Year Ended April 30, 2012



VILLAGE OF CHATHAM, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

To the President
and Board of Trustees
Village of Chatham, 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 Village of Chatham, Illinois, as of and for the year ended April 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Illinois, as of April 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended April 30, 2012. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the Village's governmental funds' assets or liabilities nor was there any effect to the total amount of the Village's governmental fund balances as of and for the year ended April 30, 2012.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents 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 Village of Chatham's basic financial statements as a whole. The accompanying financial information listed as combining and individual fund schedules and supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual fund schedules and supplemental financial information 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 basic 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 basic financial statements taken as a whole. The accompanying financial information listed as "Additional Schedules" in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Village of Chatham, Illinois' basic financial statements for the year ended April 30, 2011, which are not presented with the accompanying financial statements. In our opinion dated September 6, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Chatham, Illinois' financial statements as a whole. The Comparative Statement of Net Assets and Comparative Statement of Revenues, Expenses, and Changes in Net Assets for the Electric Fund and the Comparative Balance Sheet and Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance for the TIF District, related to the 2011 financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2011 Comparative Statement of Net Assets and Comparative Statement of Revenues, Expenses, and Changes in Net Assets for the Electric Fund and the Comparative Balance Sheet and Comparative Statement of Revenues, Expenditures, and

Changes in Fund Balance for the TIF District are fairly stated in all material respects in relation to the basic financial statements from which is has been derived.

A handwritten signature in black ink, appearing to read "Schuch" followed by a stylized flourish.

Springfield, Illinois
September 12, 2012

VILLAGE OF CHATHAM, ILLINOIS

MANAGEMENT'S DISCUSSIONS AND ANALYSIS

As the management of the Village of Chatham (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended April 30, 2012.

Financial Highlights

- The assets of the Village of Chatham exceeded liabilities at April 30, 2012 by \$29,820,761. Of this amount \$1,935,769 is unrestricted.
- The Village's net assets increased by \$1,685,914 during the year compared to last fiscal year's net assets.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$481,246, or 11.6% of total general fund expenditures.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

The financial statement's focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Village's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village of Chatham's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village'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 Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village'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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

VILLAGE OF CHATHAM, ILLINOIS MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Both of the government-wide financial statements distinguish functions of the Village of Chatham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, cemetery, culture and recreation, public safety, public works and transportation, and economic development. The business-type activities of the Village include electric, water and sewer systems.

The government-wide financial statements can be found on pages 15-18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental, proprietary and fiduciary funds.

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

Because the focus of the 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 this comparison between governmental funds and governmental activities.

The Village maintains 9 individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund and the TIF Fund, both of which are considered to be "major" funds. Data from the other 7 governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate budget compliance.

VILLAGE OF CHATHAM, ILLINOIS MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds. The Village maintains only the enterprise type of proprietary fund. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The Village uses enterprise funds to account for its electric and water and sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation and the water and sewer operations, both of which are considered to be major funds of the Village of Chatham.

The proprietary fund financial statements can be found on pages 23-25 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village maintains one fiduciary fund the Police Pension Fund.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-67 of the report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide benefits to its employees. In addition, budget versus actual information for the General Fund and TIF District Fund is presented. Required supplementary information can be found on pages 68-78 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 79-84 of this report.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Village as a Whole
Table 1
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 4,002,996	\$ 3,076,554	\$ 3,292,045	\$ 2,685,872	\$ 7,295,041	\$ 5,762,426
Capital Assets	<u>12,354,269</u>	<u>12,185,846</u>	<u>19,216,317</u>	<u>19,726,259</u>	<u>31,570,586</u>	<u>31,912,105</u>
Total Assets	<u>16,357,265</u>	<u>15,262,400</u>	<u>22,508,362</u>	<u>22,412,131</u>	<u>38,865,627</u>	<u>37,674,531</u>
Current Liabilities	2,169,556	2,013,103	985,293	1,453,605	3,154,849	3,466,708
Non-current Liabilities	<u>1,645,589</u>	<u>1,618,319</u>	<u>4,244,419</u>	<u>4,454,657</u>	<u>5,890,017</u>	<u>6,072,976</u>
Total Liabilities	<u>3,815,154</u>	<u>3,631,422</u>	<u>5,229,712</u>	<u>5,908,262</u>	<u>9,044,866</u>	<u>9,539,684</u>
Net Assets:						
Invested in Capital Assets						
Net of Debt	11,587,892	11,387,806	14,709,783	15,010,270	26,297,675	26,398,076
Restricted	1,414,203	851,430	173,114	204,749	1,587,317	1,056,179
Unrestricted	<u>(459,984)</u>	<u>(608,258)</u>	<u>2,395,753</u>	<u>1,288,850</u>	<u>1,935,769</u>	<u>680,592</u>
Total Net Assets	<u>\$ 12,542,111</u>	<u>\$ 11,630,978</u>	<u>\$ 17,278,650</u>	<u>\$ 16,503,869</u>	<u>\$ 29,820,761</u>	<u>\$ 28,134,847</u>

The Village's combined net assets increased from \$28,134,847 to \$29,820,761 during 2012. Net assets in the governmental funds increased \$911,133 and net assets related to business-type activities increased \$774,781, unrestricted net assets related to government activities and business activities were \$(459,984) and \$2,395,753 respectively. The deficit in unrestricted net assets does not mean that the Village does not have resources available to pay its bills; rather it is the result of having long-term commitments that are greater than currently available resources.

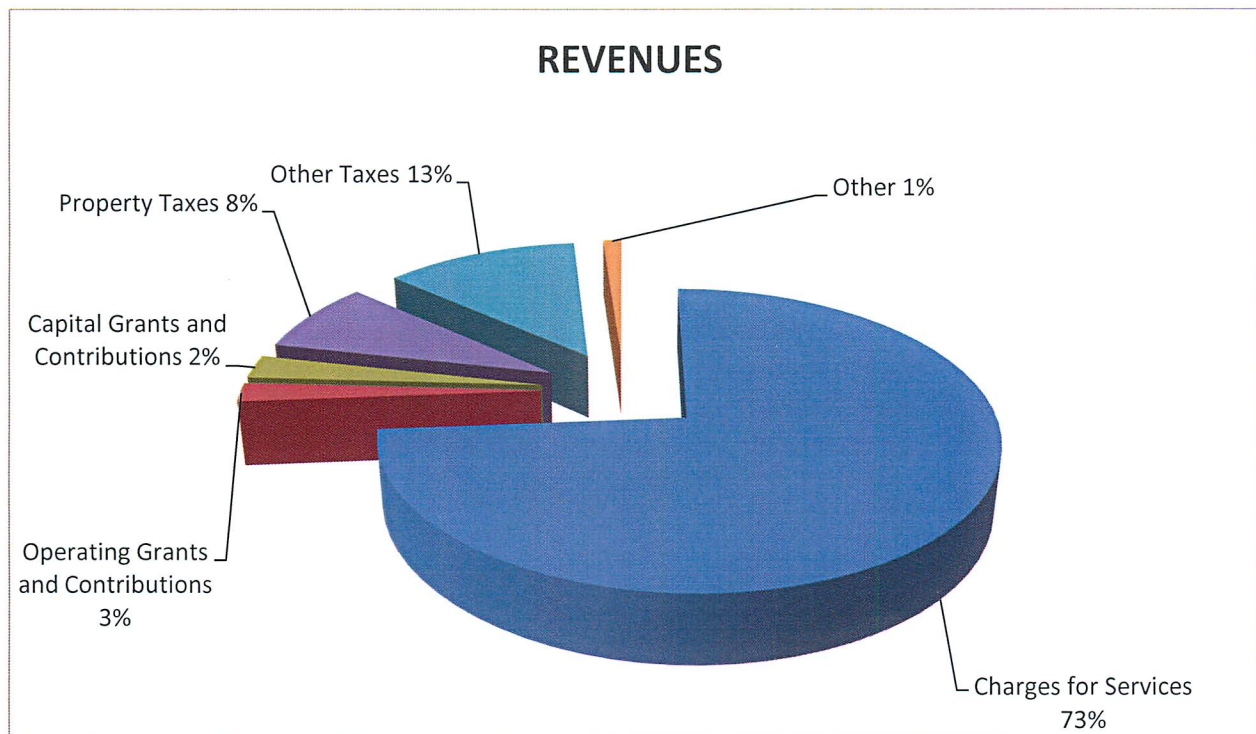
For more detailed information, see the Statement of Net Assets on pages 15-16.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 829,841	\$ 713,978	\$ 12,621,365	\$ 11,708,374	\$ 13,451,206	\$ 12,422,352
Operating Grants and Contributions	631,482	317,978	2,477	26,146	633,959	344,124
Capital Grants and Contributions	268,948	368,293	102,500	63,000	371,448	431,293
General Revenues:						
Property Taxes	1,410,938	1,352,376	-	-	1,410,938	1,352,376
Other Taxes	2,409,455	2,078,589	-	-	2,409,455	2,078,589
Other	103,309	193,965	5,817	2,714	109,126	196,679
Total Revenues	<u>5,653,973</u>	<u>5,025,179</u>	<u>12,732,159</u>	<u>11,800,234</u>	<u>18,386,132</u>	<u>16,825,413</u>
EXPENSES						
General Government	975,862	683,104	-	-	975,862	683,104
Cemetery	53,712	57,089	-	-	53,712	57,089
Culture and Recreation	472,502	458,070	-	-	472,502	458,070
Public Safety	2,208,626	2,122,145	-	-	2,208,626	2,122,145
Public Works	1,019,056	1,168,790	-	-	1,019,056	1,168,790
Economic Development	37,361	55,452	-	-	37,361	55,452
Electric	-	-	7,825,942	7,868,191	7,825,942	7,868,191
Water and Sewer	-	-	4,085,172	3,482,330	4,085,172	3,482,330
Interest on Long-Term Debt	21,985	24,949	-	-	21,985	24,949
Total Expenses	<u>4,789,104</u>	<u>4,569,599</u>	<u>11,911,114</u>	<u>11,350,521</u>	<u>16,700,218</u>	<u>15,920,120</u>
Change in Net Assets Before Transfers	864,869	455,580	821,045	449,713	1,685,914	905,293
Transfers	46,264	-	(46,264)	-	-	-
Change in Net Assets	911,133	455,580	774,781	449,713	1,685,914	905,293
Net Assets, Beginning of the Year	11,630,978	11,175,398	16,503,869	16,054,156	28,134,847	27,229,554
Net Assets, End of the Year	<u>\$ 12,542,111</u>	<u>\$ 11,630,978</u>	<u>\$ 17,278,650</u>	<u>\$ 16,503,869</u>	<u>\$ 29,820,761</u>	<u>\$ 28,134,847</u>

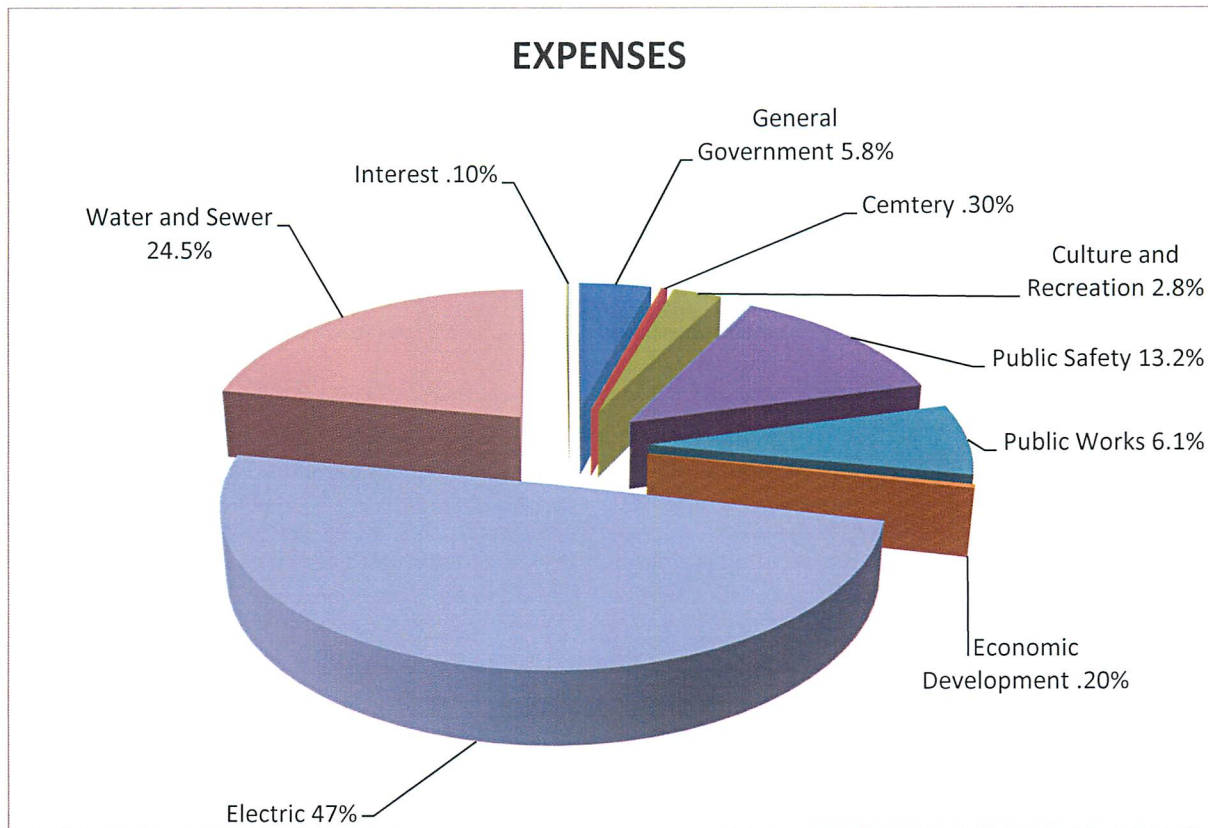
VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)



For the fiscal year ended April 30, 2012, revenues totaled \$18.4 million. The Village's largest revenue source is from charges for services, which consist of charges from the electric, water and sewer system as well as franchise fees, business permit fees and administrative utility fees. Capital grants and contributions include contributions of streets, storm sewers, water main and sanitary sewers from new developments within the Village of Chatham. Other taxes include sales tax, income tax, telecommunications tax, local use tax and road and bridge taxes.

Charges for services are up 9% from \$12.4 million in fiscal year 2011 to \$13.5 million in fiscal year 2012. Service charges for the electric system and water and sewer system are up \$913 thousand over fiscal year 2011, which represents a 8% increase over the previous year. This is reflective of the steady growth of new residents as well as the multi-year increases in rates for water, and sewer service that were passed during fiscal year 2011.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)



The Village of Chatham's expenses totaled \$16.7 million in 2012. The largest portion of these expenses is for the electric system which represents 47% followed by expenses for the water and sewer systems at 24.5%. These expenses reflect the cost of providing electric, water and sewer services to the Village of Chatham's residents. These expenses increased \$560,593 over last year, which represents a 5% increase. The growth in utility customers as well as an increase in rates from the Village's water and sewer service providers and an increase in distribution costs have contributed to an increase in the cost of operations of the electric, water and sewer utilities.

Public safety expenses relate to the operation of the Village's Police Department and are the largest expense component of the governmental activity expenses. Public works expenses are costs associated with maintaining the Village's streets. Culture and recreation expenses include expenses to maintain the Village's parks as well as the summer recreation program.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The Village of Chatham had a change in governmental net assets of \$911,133 for the fiscal year ended April 30, 2012. Of the net change \$268,948 is due to capital grants and contributions. Capital grants and contributions consist of assets received from community organizations, infrastructure received from developers and infrastructure funded by grants from other governmental agencies. The Village's business-type activities had an increase in net assets of \$774,781.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Table 3
General Fund Budgetary Highlights for the
Fiscal Year Ended April 30, 2012
With Comparative Actual Totals for the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual 2012</u>	<u>Actual 2011</u>
REVENUES				
Taxes	\$ 3,162,000	\$ 3,162,000	\$ 3,263,015	\$ 2,895,113
Licenses and Permits	687,500	687,500	693,044	616,684
Other	<u>112,550</u>	<u>112,550</u>	<u>395,441</u>	<u>216,965</u>
Total Revenues	<u>3,962,050</u>	<u>3,962,050</u>	<u>4,351,500</u>	<u>3,728,762</u>
EXPENDITURES AND TRANSFERS				
Expenditures	(3,950,050)	(4,353,055)	(4,151,681)	(3,663,033)
Transfers In	84,000	84,000	-	-
Transfers Out	(96,000)	(96,000)	(96,000)	(96,000)
Note Proceeds	<u>-</u>	<u>-</u>	<u>23,435</u>	<u>-</u>
Total Expenditures and Transfers	<u>(3,962,050)</u>	<u>(4,365,055)</u>	<u>(4,224,246)</u>	<u>(3,759,033)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ (403,005)</u>	<u>\$ 127,254</u>	<u>\$ (30,271)</u>

Revenues of the Village are budgeted by source prior to the adoption of the Village's annual appropriation ordinance. The Village adopts an annual appropriation ordinance outlining expenditures by operational line item. The original appropriation was amended and budgeted expenditures increased by \$403,005. Budgets for administration, cemetery, culture and recreation and public works increased. The budget for public safety decreased.

The General Fund Revenues received were more than the amount estimated by \$389,450. Revenues received from other sources were more than the amount estimated by \$282,891. This is due to the receipt of grant revenue not included in the original revenue estimate.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Assets

The following schedule reflects the Village's capital asset balances as of April 30, 2012.

Capital Assets
Table 4

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land, not Depreciated	\$ 372,000	\$ 372,000	\$ 318,734	\$ 318,734	\$ 690,734	\$ 690,734
Construction in Progress	290,685	215,799	-	-	290,685	215,799
Improvements	282,604	282,604	68,970	62,550	351,574	345,154
Buildings	627,423	624,213	804,117	804,117	1,431,540	1,428,330
Vehicles	701,926	629,450	1,148,434	1,148,434	1,850,360	1,777,884
Equipment	762,059	704,721	962,982	947,643	1,725,041	1,652,364
Infrastructure	12,820,271	12,559,806	-	-	12,820,271	12,559,806
Utility Plant	-	-	30,181,450	29,719,015	30,181,450	29,719,015
Less:						
Accumulated Depreciation	<u>(3,502,699)</u>	<u>(3,202,747)</u>	<u>(14,268,370)</u>	<u>(13,274,234)</u>	<u>(17,771,069)</u>	<u>(16,476,981)</u>
Total	<u>\$ 12,354,269</u>	<u>\$ 12,185,846</u>	<u>\$ 19,216,317</u>	<u>\$ 19,726,259</u>	<u>\$ 31,570,586</u>	<u>\$ 31,912,105</u>

At year-end the Village's investment in capital assets for governmental activities was \$12,354,269, an increase of \$168,423 over April 30, 2011. At year-end the Village's investment in capital assets for business-type activities was \$19,216,317, a decrease of \$509,942 over April 30, 2011.

Major capital asset events during FY 2012 included the following:

Governmental Activities

Infrastructure additions \$ 260,465

Business-type Activities

Utility Plant additions \$ 462,435

Additional information on the Village's capital assets can be found in Note 4 on pages 39-42.

VILLAGE OF CHATHAM, ILLINOIS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Long-Term Debt

As of April 30, 2012, the Village had a total of \$5,272,911 of bonded indebtedness outstanding. Of this amount, \$165,000 comprises debt backed by the full faith and credit of the government. \$4,825,000 of the debt represents bonds and debt certificates that are secured by specified revenue sources (i.e., revenue and alternative source revenue bonds). The remaining \$282,911 of debt consists of notes payable and capital leases.

During fiscal year 2012, the Village financed three public safety vehicles, a park vehicle, a backhoe for the street department and new financial software.

The table below summarizes the Village's bonded and similar indebtedness.

Table 5
Bonded and Similar Indebtedness

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 165,000	\$ 193,000	\$ -	\$ -	\$ 165,000	\$ 193,000
TIF Alternate Source						
Revenue Bonds	470,000	580,000	-	-	470,000	580,000
Electric Alternate Source						
Revenue Bonds	-	-	4,190,000	4,375,000	4,190,000	4,375,000
Debt Certificates	-	-	165,000	200,000	165,000	200,000
Notes Payable	23,435	-	93,740	175,000	117,175	175,000
Capital Leases	<u>107,942</u>	<u>25,040</u>	<u>57,794</u>	<u>140,989</u>	<u>165,736</u>	<u>166,029</u>
Total	<u>\$ 766,377</u>	<u>\$ 798,040</u>	<u>\$ 4,506,534</u>	<u>\$ 4,890,989</u>	<u>\$ 5,272,911</u>	<u>\$ 5,689,029</u>

Additional information on the Village's long-term debt can be found in Note 6 on pages 47-55.

Economic Factors

The Village of Chatham's General Fund has shown improvement. In 2011 the General Fund's expenditures and transfers out exceeded revenues by \$30,271, in 2012 revenues exceeded expenditures and transfers out by \$127,254. The Electric Fund had operating income for the fiscal year 2012 of \$703,879. The Water and Sewer Fund had operating income of \$190,836 an improvement over the prior year loss from operations of \$259,779. The improvement in the Water and Sewer Fund is due to the multi-year rate increases passed in January 2011 covering rates for the period from May 1, 2011 through April 2015.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Village's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sherry Dierking, Treasurer and Chief Fiscal Officer, Village of Chatham, 116 E. Mulberry St., Chatham, Illinois 62629.

VILLAGE OF CHATHAM, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 824,833	\$ 1,411,835	\$ 2,236,668
Restricted accounts - cash	810,090	173,114	983,204
Investments	303,761	-	303,761
Receivables, net			
Accounts	-	1,021,036	1,021,036
Taxes	2,032,406	-	2,032,406
Other	159,125	-	159,125
Accrued interest receivable	351	-	351
Inventory	-	538,891	538,891
Due from (to) other funds	(147,169)	147,169	-
Due from other governments	19,599	-	19,599
Total current assets	4,002,996	3,292,045	7,295,041
Capital Assets:			
Capital assets, not being depreciated	662,685	318,734	981,419
Property and equipment	15,194,283	33,165,953	48,360,236
Less: accumulated depreciation	(3,502,699)	(14,268,370)	(17,771,069)
Total capital assets	12,354,269	19,216,317	31,570,586
Total assets	16,357,265	22,508,362	38,865,627

(Continued)

VILLAGE OF CHATHAM, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2012

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 73,799	\$ 145,809	\$ 219,608
Unearned revenue	-	7,656	7,656
Accrued payroll	81,618	52,145	133,763
Payroll taxes and related liabilities	43,313	-	43,313
Accrued compensated absences payable	297,246	174,212	471,458
Customer deposits	-	169,770	169,770
Accrued interest payable	4,780	89,764	94,544
Other payables	-	27,543	27,543
Deferred revenue	1,470,091	-	1,470,091
G.O. bonds payable - current	30,000	-	30,000
G.O. bonds (Alternate Revenue Source) payable - current	-	200,000	200,000
T.I.F. G.O. bonds payable - current	110,000	-	110,000
Debt certificates payable - current	-	40,000	40,000
Notes payable - current	13,408	53,634	67,042
Capital lease payable - current	45,301	24,760	70,061
Total current liabilities	2,169,556	985,293	3,154,849
Noncurrent Liabilities:			
Net OPEB obligation	162,887	56,279	219,166
G.O. bonds payable	135,000	-	135,000
G.O. bonds (Alternate Revenue Source) payable	-	3,990,000	3,990,000
T.I.F. G.O. bonds payable	360,000	-	360,000
Debt certificates payable	-	125,000	125,000
Notes payable	10,027	40,106	50,133
Capital lease payable	62,641	33,034	95,675
Net pension obligation	915,043	-	915,043
Total noncurrent liabilities	1,645,598	4,244,419	5,890,017
Total liabilities	3,815,154	5,229,712	9,044,866
Net Assets:			
Invested in capital assets, net of related debt	11,587,892	14,709,783	26,297,675
Restricted for maintenance of roadways	334,293	-	334,293
Restricted for cemetery care	282,093	-	282,093
Restricted for debt service	137,732	173,114	310,846
Restricted for economic development	660,085	-	660,085
Unrestricted	(459,984)	2,395,753	1,935,769
Total net assets	\$ 12,542,111	\$ 17,278,650	\$ 29,820,761

The accompanying notes are an integral part of these financial statements.

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VILLAGE OF CHATHAM, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 975,862	\$ 546,841	\$ 250,000	\$ -
Cemetery	53,712	49,925	-	-
Culture and recreation	472,502	21,708	-	-
Public safety	2,208,626	80,271	14,120	12,790
Public works/transportation	1,019,056	131,096	367,362	256,158
Economic development	37,361	-	-	-
Interest on long-term debt	21,985	-	-	-
Total governmental activities	4,789,104	829,841	631,482	268,948
Business-type activities:				
Electric	7,825,942	8,345,357	2,477	-
Waterworks and Sewerage	4,085,172	4,276,008	-	102,500
Total business-type activities	11,911,114	12,621,365	2,477	102,500
Total primary government	\$ 16,700,218	\$ 13,451,206	\$ 633,959	\$ 371,448

General revenues:

Taxes:

Property taxes, levied for general purposes

Replacement taxes

Road and bridge taxes

Sales taxes

Local use taxes

Telecommunications taxes

Shared income taxes

Investment income

Miscellaneous

Transfers

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (179,021)	\$ -	\$ (179,021)
(3,787)	-	(3,787)
(450,794)	-	(450,794)
(2,101,445)	-	(2,101,445)
(264,440)	-	(264,440)
(37,361)	-	(37,361)
(21,985)	-	(21,985)
(3,058,833)	-	(3,058,833)
-	521,892	521,892
-	293,336	293,336
-	815,228	815,228
(3,058,833)	815,228	(2,243,605)
1,410,938	-	1,410,938
2,479	-	2,479
58,708	-	58,708
919,896	-	919,896
167,622	-	167,622
335,144	-	335,144
925,606	-	925,606
9,854	5,817	15,671
93,455	-	93,455
46,264	(46,264)	-
3,969,966	(40,447)	3,929,519
911,133	774,781	1,685,914
11,630,978	16,503,869	28,134,847
\$ 12,542,111	\$ 17,278,650	\$ 29,820,761

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
Governmental Funds

BALANCE SHEET

April 30, 2012

	General	TIF District	Aggregate Nonmajor	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 113,585	\$ -	\$ 711,248	\$ 824,833
Restricted accounts - cash	33,891	660,085	116,114	810,090
Investments	-	-	303,761	303,761
Taxes receivable	1,510,802	499,278	22,326	2,032,406
Other receivables	145,610	-	13,515	159,125
Due from other funds	2,793	-	25,428	28,221
Due from other governments	-	-	19,599	19,599
Accrued interest receivable	-	-	351	351
TOTAL ASSETS	\$ 1,806,681	\$ 1,159,363	\$ 1,212,342	\$ 4,178,386
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 17,204	\$ -	\$ 56,595	\$ 73,799
Accrued payroll	81,618	-	-	81,618
Payroll tax and related liabilities	43,313	-	-	43,313
Due to other funds	175,390	-	-	175,390
Deferred revenue	970,813	499,278	-	1,470,091
Total liabilities	1,288,338	499,278	56,595	1,844,211
FUND BALANCES				
Nonspendable				
Corpus of permanent fund	-	-	282,093	282,093
Restricted				
Debt service	21,618	-	116,114	137,732
Public works	-	-	334,293	334,293
Economic development	-	660,085	-	660,085
Unrestricted				
Committed				
Veteran's memorial brick	-	-	10,170	10,170
Yard waste	-	-	161,127	161,127
Public safety	12,273	-	18,852	31,125
Public works	-	-	20,051	20,051
Cemetery	-	-	63,720	63,720
Parks	3,206	-	-	3,206
Assigned				
Capital projects	-	-	149,327	149,327
Unassigned	481,246	-	-	481,246
Total fund balances	518,343	660,085	1,155,747	2,334,175
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,806,681	\$ 1,159,363	\$ 1,212,342	\$ 4,178,386

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities

April 30, 2012

Total governmental fund balances	<u>\$ 2,334,175</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>12,354,269</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences payable	(297,246)
Accrued interest payable	(4,780)
G.O. bonds payable, current	(30,000)
T.I.F. G.O. bond payable, current	(110,000)
Notes payable, current	(13,408)
Capital lease payable, current	(45,301)
G.O. bonds payable, noncurrent	(135,000)
T.I.F. G.O. bond payable, noncurrent	(360,000)
Notes payable, noncurrent	(10,027)
Net pension obligation	(915,043)
Net OPEB obligation	(162,887)
Capital lease payable, noncurrent	<u>(62,641)</u>
	<u>(2,146,333)</u>
Net assets of governmental activities	<u><u>\$ 12,542,111</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Year Ended April 30, 2012

	General	TIF District	Aggregate Nonmajor	Total
REVENUES				
Property taxes	\$ 920,589	\$ 490,349	\$ -	\$ 1,410,938
Replacement taxes	2,479	-	-	2,479
Road and bridge taxes	58,708	-	-	58,708
Sales taxes	919,896	-	-	919,896
Local use tax	167,622	-	-	167,622
Motor fuel taxes	-	-	334,094	334,094
Telecommunications tax	268,115	-	67,029	335,144
Licenses, permits, fees, fines, and service charges	693,044	-	136,797	829,841
Investment income	808	2,482	6,564	9,854
Other	93,455	-	-	93,455
Shared income taxes	925,606	-	-	925,606
Federal grants	37,058	-	-	37,058
State grants	264,120	-	42,705	306,825
Total revenues	4,351,500	492,831	587,189	5,431,520
EXPENDITURES				
Current operations:				
General government	982,642	6,578	-	989,220
Cemetery	53,446	-	121	53,567
Culture and recreation	422,093	-	35,295	457,388
Public safety	2,099,164	-	99,852	2,199,016
Public works/transportation	556,686	-	206,271	762,957
Economic development	-	37,361	-	37,361
Capital outlay	-	-	123,548	123,548
Debt service:				
Principal	28,000	-	110,000	138,000
Interest	9,650	-	13,113	22,763
Total expenditures	4,151,681	43,939	588,200	4,783,820
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	199,819	448,892	(1,011)	647,700
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	219,113	219,113
Transfer out	(96,000)	(123,113)	-	(219,113)
Note proceeds	23,435	-	-	23,435
Capital leases issued	-	-	126,474	126,474
Total other financing sources (uses)	(72,565)	(123,113)	345,587	149,909
NET CHANGE IN FUND BALANCE	127,254	325,779	344,576	797,609
FUND BALANCE - MAY 1, 2011	391,089	334,306	811,171	1,536,566
FUND BALANCE - APRIL 30, 2012	\$ 518,343	\$ 660,085	\$ 1,155,747	\$ 2,334,175

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS

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

For the Year Ended April 30, 2012

Net change in fund balances - governmental funds	\$ 797,609
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:

Capital outlays	343,747
Depreciation	(479,456)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net assets:

Donations of capital assets	222,453
Transfer to assume capital asset from business-type activities	104,271
Transfer to assume accumulated depreciation from business-type activities	(22,592)

The increase in OPEB obligation resulting from annual required contributions in excess of the contributions do not require the use of current financial resources and, therefore, is not reported as expenditures in the funds.	(59,193)
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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	10,604
Net pension obligation	(38,751)

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of G.O. bonds payable	28,000
Repayment of T.I.F. G.O. bond payable	110,000
Repayment of capital lease payable	78,987
Capital leases issued	(126,474)
Note proceeds	(23,435)
Transfer to assume capital lease from business-type activities	(35,415)
Accrued interest payable	778
	<hr/>

Change in net assets of governmental activities	<u>\$ 911,133</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
Proprietary Funds

STATEMENT OF NET ASSETS

April 30, 2012

	Electric	Waterworks and Sewerage	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,126,882	\$ 284,953	\$ 1,411,835
Restricted accounts - cash	173,114	-	173,114
Accounts receivable	702,147	318,889	1,021,036
Due from other funds	150,342	10,762	161,104
Inventory	516,824	22,067	538,891
Total current assets	2,669,309	636,671	3,305,980
Capital Assets:			
Capital assets, not being depreciated	279,734	39,000	318,734
Property and equipment	17,338,001	15,827,952	33,165,953
Less: accumulated depreciation	(6,050,265)	(8,218,105)	(14,268,370)
Capital assets, net	11,567,470	7,648,847	19,216,317
Total assets	14,236,779	8,285,518	22,522,297
LIABILITIES			
Current Liabilities:			
Accounts payable	19,216	126,593	145,809
Unearned revenue	7,067	589	7,656
Accrued payroll	32,288	19,857	52,145
Accrued compensated absences payable	94,303	79,909	174,212
Due to other funds	11,142	2,793	13,935
Customer deposits	115,790	53,980	169,770
Accrued interest payable	89,764	-	89,764
Other payables	23,321	4,222	27,543
Current maturities of long term debt:			
G.O. bonds (Alternate Revenue Source) payable	200,000	-	200,000
Debt certificates	40,000	-	40,000
Loan payable	26,817	26,817	53,634
Capital lease payable	13,933	10,827	24,760
Total current liabilities	673,641	325,587	999,228
Long-Term Liabilities:			
Net OPEB obligation	36,596	19,683	56,279
G.O. bonds (Alternate Revenue Source) payable	3,990,000	-	3,990,000
Debt certificates	125,000	-	125,000
Loan payable	20,053	20,053	40,106
Capital lease payable	14,188	18,846	33,034
Total long-term liabilities	4,185,837	58,582	4,244,419
Total liabilities	4,859,478	384,169	5,243,647
NET ASSETS			
Invested in capital assets, net of related debt	7,137,479	7,572,304	14,709,783
Restricted for debt service	173,114	-	173,114
Unrestricted	2,066,708	329,045	2,395,753
Total net assets	\$ 9,377,301	\$ 7,901,349	\$ 17,278,650

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
Proprietary Funds

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the Year Ended April 30, 2012

	Electric	Waterworks and Sewerage	Total
REVENUES			
User charges	\$ 8,293,039	\$ 3,886,064	\$ 12,179,103
Other income	52,318	389,944	442,262
	<u>8,345,357</u>	<u>4,276,008</u>	<u>12,621,365</u>
Total revenues			
EXPENSES			
Electricity purchases	5,342,242	-	5,342,242
Water purchases/sewer expenses	-	2,142,621	2,142,621
Distribution and customer service	1,782,402	1,454,635	3,237,037
Depreciation	516,834	487,916	1,004,750
	<u>7,641,478</u>	<u>4,085,172</u>	<u>11,726,650</u>
Total expenses			
OPERATING INCOME (LOSS)	<u>703,879</u>	<u>190,836</u>	<u>894,715</u>
NONOPERATING INCOME (EXPENSE)			
Investment income	5,190	627	5,817
FEMA grant	2,477	-	2,477
Interest expense	(184,464)	-	(184,464)
	<u>(176,797)</u>	<u>627</u>	<u>(176,170)</u>
Total nonoperating income (expense)			
CHANGE IN NET ASSETS BEFORE CONTRIBUTION REVENUE	527,082	191,463	718,545
CONTRIBUTION REVENUE	<u>-</u>	<u>102,500</u>	<u>102,500</u>
OTHER FINANCING SOURCES			
Transfer out	<u>-</u>	<u>(46,264)</u>	<u>(46,264)</u>
CHANGE IN NET ASSETS	527,082	247,699	774,781
NET ASSETS - MAY 1, 2011	<u>8,850,219</u>	<u>7,653,650</u>	<u>16,503,869</u>
NET ASSETS - APRIL 30, 2012	<u>\$ 9,377,301</u>	<u>\$ 7,901,349</u>	<u>\$ 17,278,650</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2012

	Electric	Waterworks and Sewerage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 8,419,309	\$ 4,515,252	\$ 12,934,561
Payments to suppliers	(5,968,599)	(3,427,333)	(9,395,932)
Payments to employees	(947,270)	(666,940)	(1,614,210)
Net cash from operating activities	1,503,440	420,979	1,924,419
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Federal Emergency Management Agency	2,477	-	2,477
Net cash from non-capital financing activities	2,477	-	2,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt	46,870	46,870	93,740
Purchases of capital assets	(264,176)	(209,813)	(473,989)
Principal paid on capital debt	(408,629)	(34,151)	(442,780)
Interest paid on capital debt	(188,372)	-	(188,372)
Net cash from capital and related financing activities	(814,307)	(197,094)	(1,011,401)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	5,191	627	5,818
Net cash from investing activities	5,191	627	5,818
Net increase in cash	696,801	224,512	921,313
Cash and cash equivalents, beginning	603,195	60,441	663,636
Cash and cash equivalents, ending	\$ 1,299,996	\$ 284,953	\$ 1,584,949
Cash and cash equivalents consists of the following:			
Cash and cash equivalents	\$ 1,126,882	\$ 284,953	\$ 1,411,835
Restricted accounts - cash	173,114	-	173,114
	\$ 1,299,996	\$ 284,953	\$ 1,584,949
Reconciliation of operating (loss) to net cash from operating activities:			
Operating income (loss)	\$ 703,879	\$ 190,836	\$ 894,715
Adjustments to reconcile income (loss) to net cash from operating activities:			
Depreciation	516,834	487,916	1,004,750
(Increase) decrease in assets:			
Accounts receivable	73,952	239,243	313,195
Due from other funds	127,761	(10,762)	116,999
Inventories	15,080	12,641	27,721
(Decrease) increase in liabilities:			
Accounts payable	513	(370,810)	(370,297)
Unearned revenue	(9,694)	325	(9,369)
Accrued payroll	7,312	2,327	9,639
Compensated absences	7,082	(815)	6,267
Net OPEB obligation	10,692	3,830	14,522
Due to other funds	10,762	(153,535)	(142,773)
Deposits payable	37,650	19,050	56,700
Other payables	1,617	733	2,350
Net cash from operating activities	\$ 1,503,440	\$ 420,979	\$ 1,924,419
Non-cash capital and related financing activities:			
Donated water and sewer infrastructure	\$ -	\$ 102,500	\$ 102,500
Contribution of capital asset from government activities	-	29,944	29,944
Contribution of accumulated depreciation from government activities	-	(29,944)	(29,944)
Transfer of capital lease payable to government activities	-	(35,415)	(35,415)
Total non-cash capital and related financing activities	\$ -	\$ 132,444	\$ 132,444

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
POLICE PENSION TRUST FUND
STATEMENT OF PLAN NET ASSETS

April 30, 2012

ASSETS

Cash	\$ 282,764
Investments	
Mutual funds	657,003
Non-negotiable certificates of deposit	3,542,963
Accrued interest receivable	<u>12,171</u>
 Total Assets	 <u>4,494,901</u>

LIABILITIES

None	<u>-</u>
 Total Liabilities	 <u>-</u>

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS (A schedule of funding
progress is presented on page 70)

\$ 4,494,901

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
POLICE PENSION TRUST FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Year Ended April 30, 2012

ADDITIONS

Contributions

Employer (property taxes)	\$ 275,939
Employee	95,157
Other contributions	<u>18,437</u>

Total contributions	<u>389,533</u>
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Investment income

Net appreciation in fair value of investments	(7,684)
Interest	<u>99,968</u>

Total investment income	<u>92,284</u>
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Total additions	<u>481,817</u>
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DEDUCTIONS

Benefits and refunds

Retiree benefits	163,934
Contributions refunded	26,370
Administration	<u>8,489</u>

Total deductions	<u>198,793</u>
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NET INCREASE	283,024
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NET ASSETS HELD IN TRUST
FOR PENSION BENEFITS

May 1, 2011	<u>4,211,877</u>
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April 30, 2012	<u><u>\$ 4,494,901</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Chatham have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

- (a) Reporting Entity - The Village is a body corporate and politic established under Illinois Compiled Statutes (ILCS). The Village is considered to be a primary government as defined by GASB Statement No. 39, since it is legally separate and fiscally independent.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is based upon the significance of its operational or financial relationship with the primary government.

The Village has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the Village's financial statements.

- (b) Fund Accounting - The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.
- (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 of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(c) Government-wide and Fund Financial Statements – Continued

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

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

- (d) Measurement Focus, Basis of Accounting and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In determining when to recognize intergovernmental revenue (grants and shared revenue), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, monies are virtually unrestricted as to the purpose of expenditure and are nearly irrevocable; therefore, these amounts are recognized as revenue at the time of their receipt or earlier if they meet the criteria of availability. In the other, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenue is recognized based upon the expenditures recorded.

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 current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales and telecommunication taxes collected within 90 days. Also, income taxes have a 120 day availability period in the current year due to delays in distributions from the State of Illinois. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

However, debt service expenditures, as well as expenditures relating to compensated absences, are recorded only when payment is due.

Property taxes, sales taxes, telecommunications taxes, licenses and permits, charges for services, fines and forfeits, miscellaneous revenues and interest 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. Personal property replacement taxes are considered to be measurable when they have been collected and allocated by the state and are recognized as revenue at that time. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is used to account for all activities of the general government not accounted for in some other fund.

The TIF District Fund is used to account for the activities relating to the Tax Increment Financing District.

The Village reports the following proprietary funds, which are major funds:

The Electric Fund is used to account for the revenues and expenses related to operating and maintaining the Village's Electric operations.

The Waterworks and Sewerage Fund is used to account for the revenues and expenses related to operating and maintaining the Village's Water and Sewer operations.

Additionally, the Village reports the following fund types:

Special Revenue Funds are used to account for specific revenues from which the expenditures are restricted by ordinance to specific, designated purposes.

The Debt Service Fund is used to account for the servicing of general long-term debt not being financed by proprietary funds. The Tax Increment Financing Debt Service Fund is the only fund in this governmental fund type.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

The Capital Projects Fund accounts for the resources used for the acquisition or construction of capital facilities other than those financed by the enterprise fund activities.

The Permanent Fund is used to account for assets received and held for the perpetual care of the Village Cemetery.

The Fiduciary Fund of the Village is used to account for assets held by the Village in a trustee capacity. The Police Pension Trust Fund is used to account for assets received and held for the payment of benefits to participants.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the Village's General Fund and the Electric and Waterworks and Sewerage Funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

charges to customers for electric, water and sewer sales and service. Operating expenses for the enterprise 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 non-operating revenues and expenses.

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

- (e) Capital Assets - Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The Village records all capital items, which are individually greater than \$5,000, with a useful life of greater than one year, as capital assets. Except for certain infrastructure acquired or constructed, which were partially financed with Tax Increment Financing and General Obligation Bonds, infrastructure assets acquired prior to May 1, 2004, are not reported in the basic financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Improvements	10 to 40 years
Buildings and grounds	20 to 40 years
Vehicles	5 years
Equipment	5 years
Infrastructure	40 years
Utility plant	10 to 40 years

- (f) Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (g) Fund Balance/Net Assets – In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance reported for amounts constrained by legal restrictions from outside parties for use for specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose, but that are neither restricted nor committed. Any residual fund balance is reported as unassigned.

The Village's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additional, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village has not established fund balance reserve policies for their governmental funds.

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Net assets have not been restricted by enabling legislation adopted by the Village. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

- (h) Concentration of Suppliers – The Village of Chatham has an agreement with the Illinois Municipal Electric Agency to purchase electric power through transmission lines owned by the City of Springfield. The agreement to purchase electric power expires September 30, 2035.

The Village of Chatham has an agreement with the City of Springfield, whereby the City of Springfield will supply water to the Village of Chatham until December 31, 2013, unless terminated by either party after April 1, 1991. The agreement was extended until the South Sangamon Water Commission commenced operation in May 2012. The Village pays for actual water usage and is not required to purchase a minimum amount of water. As the notice of termination was not served prior to January 1, 2000 and the agreement was terminated in May 2012, the Village agrees to compensate the City of Springfield in the amount of \$150,000.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

- (i) Investments – Investments are stated at fair value based on quoted market prices at April 30, 2012. Non-negotiable certificates of deposit are reported at cost.
- (j) Inventories – Inventories are stated at the lower of cost (using the first-in/first-out method) or market using the purchase method.
- (k) Compensated Absences – Vested or accumulated vacation leave and vested sick leave are accrued when incurred by the Village in the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrued to employees. A liability in the governmental funds is reported only if the benefit has matured.
- (l) Long-Term Obligations – In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- (m) Interfund Transactions – Interfund services transactions are accounted for as revenues, expenditures or expenses. All other interfund transactions are reported as transfers.
- (n) 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.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

2. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Village.

- The property tax lien date is January 1, 2010.
- The annual tax levy ordinance for 2010 taxes received during fiscal year 2012 was passed December 2010.
- The first installment of property taxes is due to the County Collector on July 1 and the second installment is due to the County Collector on September 1.
- Significant amounts of property taxes for 2010 were distributed to the Village in July and September of 2011.

The 2011 taxes are intended to finance the 2013 fiscal year and are not considered available for current operations and are, therefore, shown as deferred revenue. The 2012 tax levy has not been recorded as a receivable at April 30, 2012. Although the tax attached as a lien on property as of January 1, 2012, the tax will not be levied until December 2012, and, accordingly, is not measurable at April 30, 2012.

3. DEPOSITS AND INVESTMENTS

The Village's Board of Trustees has adopted an investment policy to invest in instruments allowed by Illinois Compiled Statutes (ILCS). The policy further identifies allowable securities to include securities guaranteed by the full faith and credit of the United States of America, interest-bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act and only those insured by FDIC, short-term discount obligations of the Federal National Mortgage Association or in shares or other forms of security legally issuable by savings and loan associations incorporated under the laws of State of Illinois, and Illinois Funds.

It is the policy of the Village to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy, in order of priority are: safety of principal, diversity of investments, liquidity, return on investment, and maintaining public trust.

A. Deposits with Financial Institutions.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Village's deposits may not be returned to them. To guard against credit risk for deposits with financial institutions the Village's investment policy requires all deposits with financial institutions in excess of federal depository insurance be collateralized at 110% of the uninsured bank balance, with collateral held by the Village or third party or escrow agent of the pledging institution, evidenced by a written safekeeping agreement.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

3. DEPOSITS AND INVESTMENTS – Continued

B. Investments

The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAm. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Village's investment policy, the Village limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes. The policy limits investments of the General Fund and Special Revenue Funds to maturities of fifteen months from the date of purchase. For all other investments, any investment purchased with a maturity of longer than two years must be specifically pre-authorized by the Chair of the Administration Committee and the Village President.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Village's investment policy does not specifically address credit risk, but the Village limits its exposure to credit risk by primarily investing in Illinois Funds.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Village will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds are not subject to custodial credit risk.

Concentration of credit risk – The Village limits the amount a financial institution may hold of the Village's investment portfolio to \$100,000 excluding investments in U.S. Treasury securities held in safekeeping, investments in the Illinois Funds, and investments at a financial institution in which the deposits in excess of \$100,000 are secured by collateral.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

3. DEPOSITS AND INVESTMENTS – Continued

Police Pension Funds

The Pension Board has adopted an investment policy to invest in instruments allowed by Illinois Compiled Statutes (ILCS). The statutes allow pension funds to invest in the same securities as the Village. The policy further identifies allowable securities to include securities guaranteed by the full faith and credit of the United States of America, separate accounts of a life insurance company authorized to do business in Illinois, savings accounts or certificates of deposit of a national or State Bank, insured capital accounts and investments of State and federal chartered savings and loan associations and credit unions, and interest bearing bonds or tax anticipation warrants of the United States, State of Illinois, or of any county, township, or municipal corporation of the State of Illinois.

A. Deposits with Financial Institutions.

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Pension Fund's deposits may not be returned to them. To guard against credit risk for deposits with financial institutions the Pension Fund's investment policy requires all deposits with financial institutions in excess of federal depository insurance be collateralized and held at an independent third party institution in the name of the Police Pension Fund and evidenced by a written collateral agreement.

B. Investments

The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poor's upon the request of the Fund's management. The most recent money market rating issued by Standard and Poor's was AAAm. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

3. DEPOSITS AND INVESTMENTS – Continued

Police Pension Funds – Continued

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Pension Fund's investment policy, the Pension Fund limits its exposure to interest rate risk by structuring the portfolio so that investments will have maturities to have available sufficient cash for all operating purposes. The policy structures the portfolio to 10 percent in certificates of deposits with maturities of one year or less, 60 percent in certificates of deposits with maturities of one to five years, and 30 percent in certificates of deposits with maturities of greater than six years.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Pension Fund's investment policy does not specifically address credit risk, but the Pension Fund limits its exposure to credit risk by primarily investing in certificates of deposit. The remaining investments of mutual funds are not rated.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Pension Fund will not be able to recover the value of its investments that are in possession of an outside party. Illinois Funds and the open ended mutual funds are not subject to custodial credit risk. The Pension Fund's investment policy limits its exposure to custodial credit risk for investments by requiring the purchase of certificates of deposit from financial institutions insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

Concentration of credit risk – The Pension Fund places no limit on the amount the Pension Fund may invest in any one issuer. The Pension Fund's investments consist of certificates of deposit, Illinois Funds, and mutual funds.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the year ending April 30, 2012 consists of the following:

	Balances May 1	Additions	Retirements	Balances April 30
Land, not depreciated	\$ 372,000	\$ -	\$ -	\$ 372,000
Construction in progress, not depreciated	<u>215,799</u>	<u>74,886</u>	<u>-</u>	<u>290,685</u>
Total capital assets, not depreciated	<u>587,799</u>	<u>74,886</u>	<u>-</u>	<u>662,685</u>
Improvements	282,604	-	-	282,604
Buildings and grounds	624,213	3,210	-	627,423
Vehicles	629,450	152,552	80,076	701,926
Equipment	704,721	179,358	122,020	762,059
Infrastructure	<u>12,559,806</u>	<u>260,465</u>	<u>-</u>	<u>12,820,271</u>
Total capital assets being depreciated	<u>14,800,794</u>	<u>595,585</u>	<u>202,096</u>	<u>15,194,283</u>
Total capital assets	<u>15,388,593</u>	<u>670,471</u>	<u>202,096</u>	<u>15,856,968</u>
Less accumulated depreciation for:				
Improvements	113,546	7,065	-	120,611
Buildings and grounds	269,880	19,207	-	289,087
Vehicles	541,295	67,769	80,076	528,988
Equipment	590,655	90,168	122,020	558,803
Infrastructure	<u>1,687,371</u>	<u>317,839</u>	<u>-</u>	<u>2,005,210</u>
Total accumulated depreciation	<u>3,202,747</u>	<u>502,048</u>	<u>202,096</u>	<u>3,502,699</u>
Total capital assets being depreciated, net	<u>11,598,047</u>	<u>93,537</u>	<u>-</u>	<u>11,691,584</u>
Total capital assets, net of accumulated depreciation	<u>\$ 12,185,846</u>	<u>\$ 168,423</u>	<u>\$ -</u>	<u>\$ 12,354,269</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS – Continued

B. Business-type activities

Capital asset activity for the year ended April 30, 2012 consists of the following:

<u>ELECTRIC</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances April 30</u>
Land, not depreciated	\$ 279,734	\$ -	\$ -	\$ 279,734
Total capital assets, not being depreciated	<u>279,734</u>	<u>-</u>	<u>-</u>	<u>279,734</u>
Improvements	62,550	3,210	-	65,760
Buildings and grounds	698,048	-	-	698,048
Vehicles	788,331	-	-	788,331
Equipment	527,768	58,005	-	585,773
Utility plant	<u>14,997,128</u>	<u>202,961</u>	<u>-</u>	<u>15,200,089</u>
Total capital assets being depreciated	<u>17,073,825</u>	<u>264,176</u>	<u>-</u>	<u>17,338,001</u>
Total capital assets	<u>17,353,559</u>	<u>264,176</u>	<u>-</u>	<u>17,617,735</u>
Less accumulated depreciation for:				
Improvements	25,606	1,328	-	26,934
Buildings and grounds	301,087	19,970	-	321,057
Vehicles	733,853	15,099	-	748,952
Equipment	308,739	66,155	-	374,894
Utility plant	<u>4,164,146</u>	<u>414,282</u>	<u>-</u>	<u>4,578,428</u>
Total accumulated depreciation	<u>5,533,431</u>	<u>516,834</u>	<u>-</u>	<u>6,050,265</u>
Total capital assets being depreciated, net	<u>11,540,394</u>	<u>(252,658)</u>	<u>-</u>	<u>11,287,736</u>
Total capital assets, net of accumulated depreciation	<u>\$ 11,820,128</u>	<u>\$ (252,658)</u>	<u>\$ -</u>	<u>\$ 11,567,470</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS - Continued

B. Business-type activities – Continued

<u>WATERWORKS & SEWERAGE</u>	<u>Balances May 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances April 30</u>
Land, not depreciated	\$ 39,000	\$ -	\$ -	\$ 39,000
Total capital assets, not being depreciated	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>39,000</u>
Improvements	-	3,210	-	3,210
Buildings and grounds	106,069	-	-	106,069
Vehicles	360,103	-	-	360,103
Equipment	419,875	79,573	122,239	377,209
Utility plant	<u>14,721,887</u>	<u>259,474</u>	<u>-</u>	<u>14,981,361</u>
Total capital assets being depreciated	<u>15,607,934</u>	<u>342,257</u>	<u>122,239</u>	<u>15,827,952</u>
Total capital assets	<u>15,646,934</u>	<u>342,257</u>	<u>122,239</u>	<u>15,866,952</u>
Less accumulated depreciation for:				
Improvements	-	134	-	134
Buildings and grounds	32,607	2,747	-	35,354
Vehicles	319,923	10,761	-	330,684
Equipment	192,863	82,030	40,560	234,333
Utility plant	<u>7,195,410</u>	<u>422,190</u>	<u>-</u>	<u>7,617,600</u>
Total accumulated depreciation	<u>7,740,803</u>	<u>517,862</u>	<u>40,560</u>	<u>8,218,105</u>
Total capital assets being depreciated, net	<u>7,867,131</u>	<u>(175,605)</u>	<u>81,679</u>	<u>7,609,847</u>
Total capital assets, net of accumulated depreciation	<u>\$ 7,906,131</u>	<u>\$ (175,605)</u>	<u>\$ 81,679</u>	<u>\$ 7,648,847</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS – Continued

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

Governmental activities:	
General government	\$ 14,300
Culture and recreation	58,690
Public safety	42,261
Public works/transportation	<u>386,797</u>
Total depreciation expense – governmental activities	<u>\$ 502,048</u>
Business-type activities:	
Electric	\$ 516,834
Waterworks and Sewerage	<u>487,916</u>
Total depreciation expense – business-type activities	<u>\$ 1,004,750</u>

5. RESTRICTED ASSETS

The Village reports restricted cash in the Electric Fund due to the issuance of the 2006 and 2008 General Obligation Bonds (Alternative Revenue Source) and the 2010 Debt Certificates, restricted cash in the TIF District Fund due to the issuance of the 2009 General Obligation Bonds, and restricted cash in the General Fund due to the issuance of the 2001 General Obligation Bonds and other restrictions relating to law enforcement.

Electric Fund

The Electric General Obligation Bonds (Alternate Revenue Source), Series 2006 and the Electric General Obligation Bonds (Alternate Revenue Source), Series 2008 require the funding by the utility of certain reserve accounts. These reserve account balances are required to be invested as the ordinances call for and segregated from the other funds. The following accounts were so segregated at April 30, 2012.

Electric Fund:

Cash:

Electric Jr Bond Proceeds (Construction Account)	\$ 3
Electric Jr Bond and Interest	<u>173,111</u>
Total	<u>\$ 173,114</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. RESTRICTED ASSETS – Continued

Electric Fund – Continued

As of April 30, 2012, all accounts were funded as required by the bond ordinances. The funding requirements of these accounts are established by the general obligation bond ordinances and are outlined as follows for the 2006 and 2008 general obligation bonds (alternate revenue source).

Construction Account, established to pay costs of the project and paying the fees and expenses incidental thereto.

Operation and Maintenance Account, established to establish a balance sufficient to pay operation and maintenance expenses for the current month.

Junior Bond and Interest Account, established to accumulate an amount sufficient to pay principal or interest or both. There shall be deposited to the Junior Bond and Interest Account, a fractional amount of interest becoming due on the next succeeding interest payment date and a fractional amount of principal becoming due on the next succeeding principal maturity date of all of the Outstanding Junior Bonds.

Junior Bond Reserve Account, established to accumulate funds to be used to pay principal or interest on outstanding bonds at any time when there are insufficient funds available in the Junior Bond and Interest Account to pay the same.

Depreciation, Improvement, and Extension Account, established to accumulate funds established per bond ordinances for the payment of the cost of extraordinary maintenance, necessary repairs and replacements, or contingencies for which no other funds are available.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. RESTRICTED ASSETS – Continued

Electric Fund – Continued

Surplus Account, established to accumulate funds remaining in the System Fund, after crediting the required amounts to the respective accounts noted above and after making up any deficiency in the above accounts. Then, at the discretion of the Corporate Authorities, the funds shall be used, if at all, for one or more of the following purposes:

- (1) For the purpose of constructing or acquiring repairs, replacements, or improvements to the System or
- (2) For the purpose of purchasing Outstanding Bonds or
- (3) For any other lawful corporate purpose (including but not limited to payments in lieu of taxes and general supervision and administrative charges by the Issuer.)

The Electric Debt Certificates (Series 2010) Ordinances require the creation and funding of certain reserve accounts. These reserve account balances are further required to be invested as stipulated in the ordinances and segregated from the other funds.

The funding requirements of these accounts are established by the certificate ordinances and are outlined as follows:

Certificate Account (Debt Service), established for repayment of certificate principal and interest. Funding of this account shall be determined by the Issuer.

Project Account, established to pay costs required for establishing and maintaining project associated with the certificates.

Rebate Account, established for deposit of necessary investment earnings to the extent required so as to maintain the tax exempt status of the interest on the Certificates under Section 148 (f) of the Internal Revenue Code of 1986, as amended. Any rebates, special impositions or taxes for such purpose payable to the United States of America (Internal Revenue Service) shall be payable from applicable excess earnings or other sources which are to be deposited in the Rebate Account.

During fiscal year 2012, the Village made monthly principal and interest payments on the 2010 Electric Debt Certificates into the Debt Service Certificate Account. The Village did not accumulate funds in the Project or Rebate Account.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. RESTRICTED ASSETS – Continued

Tax Increment Financing

The Tax Increment Financing General Obligation Bonds (Alternate Revenue Source), Series 2009 require the funding by the incremental tax income derived from a separately created tax increment financing district of certain reserve accounts. These reserve account balances are required to be invested as stipulated in ordinances and segregated from the other funds. The following accounts were so segregated at April 30, 2012.

Tax Increment Financing Fund:

	<u>Debt Service</u>
Cash:	
TIF Bond and Interest	\$ 116,114
Total	<u>\$ 116,114</u>

As of April 30, 2012, all accounts were funded as required by the bond ordinance. The funding requirements of these accounts are established by the tax increment financing bond ordinance and are outlined as follows:

Tax Increment Financing Account, established to establish a balance sufficient to pay necessary tax increment financing costs required for establishing and maintaining the Project Area. The account balance totals \$660,085 as of April 30, 2012.

Bond and Interest Account, established to accumulate an amount sufficient to pay principal or interest or both. There shall be deposited to the Bond and Interest Account, a fractional amount of interest becoming due on the next succeeding interest payment date and a fractional amount of principal becoming due on the next succeeding principal maturity date of all of the Outstanding Bonds.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. RESTRICTED ASSETS – Continued

Tax Increment Financing – Continued

Surplus Account, established to accumulate funds remaining in the Special Tax Allocation Fund, after crediting the required amounts to the respective accounts noted above and after making up any deficiency in the above accounts. Then, at the discretion of the Corporate Authorities, the funds shall be used, if at all, for one or more of the following purposes:

- (1) For the purpose of paying any Project costs or
- (2) For the purpose of purchasing Outstanding Bonds or
- (3) For the purpose of paying for other redevelopment costs and projects within the Project Area or
- (4) For the purpose of distributing funds to the taxing districts or municipal corporations having power to tax real property located in the Project Area, in accordance with the TIF Act
- (5) For any other lawful corporate purpose

General Fund

The General Obligation Bonds, Series 2001 require the funding of a Debt Service account with taxes levied to be used for the sole purpose of paying principal of and interest on the Bonds. As of April 30, 2012, the account was funded as required by the ordinance. In addition, there are other restricted accounts relating to law enforcement.

General Fund

Cash:

2001 Debt Service	\$ 21,618
Crime Prevention	1,073
Drug Asset Forfeiture	1,798
DUI Equipment	4,582
Police Vehicle Fees	4,820
Total	<u>\$ 33,891</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT

Governmental activities

Tax Increment Financing General Obligation Bonds (Alternate Revenue Source)

The Village issued bonds for the purpose to construct improvements benefitting a separately created tax increment financing district and pledges incremental tax income derived from that district. The Village pays debt service expenditures from increment property taxes collected within the Tax Increment Financing District. Tax increment financing bonds currently outstanding are as follows:

\$690,000 Tax Increment General Obligation Bonds (Alternative Revenue Source), Series 2009 dated October 27, 2009 payable through August 1, 2015 in various amounts ranging from \$110,000 to \$125,000; interest rates ranging from 1.3% to 3.0% \$ 470,000

Future principal and interest payments on the tax increment financing general obligation bonds (alternate revenue source) are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 110,000	\$ 11,023	\$ 121,023
2014	115,000	8,459	123,459
2015	120,000	5,400	125,400
2016	<u>125,000</u>	<u>1,875</u>	<u>126,875</u>
Total	<u>\$ 470,000</u>	<u>\$ 26,757</u>	<u>\$ 496,757</u>

General Obligation Bonds

\$390,000 General Obligation Bonds (Series 2001) for the purpose of capital improvements to the Village payable through December 30, 2016 in various amounts ranging from \$30,000 to \$36,000; interest rates ranging from 4.3% to 5.00% \$ 165,000

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Governmental activities – Continued

General Obligation Bonds – Continued

Future principal and interest payments on general obligation bonds are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 30,000	\$ 8,250	\$ 38,250
2014	31,000	6,750	37,750
2015	33,000	5,200	38,200
2016	35,000	3,550	38,550
2017	36,000	1,800	37,800
Total	<u>\$ 165,000</u>	<u>\$ 25,550</u>	<u>\$ 190,550</u>

Notes Payable

On October 19, 2011, the Village entered into an agreement with a financial institution to finance the purchase of accounting software. The Village borrowed \$117,175 at an interest rate of 2.00 percent to be paid in monthly interest payments beginning November 19, 2011 and monthly principal and interest installments of \$5,731 beginning May 19, 2012, with a final payment due January 19, 2014. The assets and related obligation has been allocated between the General Fund (20%), the Waterworks and Sewerage Fund (40%), and the Electric Fund (40%). The principal balance for the governmental activities as April 30, 2012 was \$23,435. Future principal and interest payments on the notes payable are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 13,408	\$ 346	\$ 13,754
2014	<u>10,027</u>	<u>82</u>	<u>10,109</u>
Total	<u>\$ 23,435</u>	<u>\$ 428</u>	<u>\$ 23,863</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Governmental activities – Continued

Capital Leases

The Village is obligated under an vehicle lease accounted for as a capital lease. The leased asset (squad car) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled \$11,989 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

Year ended April 30,	
2013	\$ 3,570
Future minimum lease payments	3,570
Less: Amount representing interest	15
Present value of minimum lease payments	<u>\$ 3,555</u>

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (backhoe loader) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled \$25,441 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

Year ended April 30,	
2013	\$ 10,293
2014	10,293
2015	<u>1,715</u>
Future minimum lease payments	22,301
Less: Amount representing interest	<u>504</u>
Present value of minimum lease payments	<u>\$ 21,797</u>

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased assets (three police vehicles) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled \$70,938 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Governmental activities – Continued

Capital Leases – Continued

Year ended April 30,	
2013	\$ 25,790
2014	25,790
2015	<u>17,194</u>
Future minimum lease payments	68,774
Less: Amount representing interest	<u>1,888</u>
Present value of minimum lease payments	<u>\$ 66,886</u>

The Village is obligated under a vehicle lease accounted for as a capital lease. The leased asset (truck) and related obligation are accounted for as governmental activities. The asset under the capital lease net of depreciation totaled \$18,742 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

Year ended April 30,	
2013	\$ 7,437
2014	7,437
2015	<u>1,239</u>
Future minimum lease payments	16,113
Less: Amount representing interest	<u>409</u>
Present value of minimum lease payments	<u>\$ 15,704</u>

Following is a summary of the changes that occurred to the liabilities reported in the governmental activities of the Village for the year ended April 30, 2012.

	Balance May 1, 2011	Additions	Reductions	Balance April 30, 2012
G.O. bonds	\$ 193,000	\$ -	\$ 28,000	\$ 165,000
TIF G.O. bonds	580,000	-	110,000	470,000
Notes payable	-	23,435	-	23,435
Capital lease	25,040	161,889	78,987	107,942
Net pension obligation	876,292	38,751	-	915,043
Net OPEB obligation	103,694	59,193	-	162,887
Compensated absences	<u>307,850</u>	<u>297,246</u>	<u>307,850</u>	<u>297,246</u>
	<u>\$ 2,085,876</u>	<u>\$ 580,514</u>	<u>\$ 524,837</u>	<u>\$ 2,141,553</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Governmental activities – Continued

Following are governmental activities obligations due within one year:

G.O. bonds	\$ 30,000
TIF G.O. bonds	110,000
Notes payable	13,408
Capital lease	45,301
Compensated absences	<u>297,246</u>
Total	<u>\$ 495,955</u>

The amount available for retirement of governmental long-term debt is made up of the following:

2001 Debt Service (General Fund)	\$ 21,618
Restricted Cash (TIF Debt Service Fund)	<u>116,114</u>
	<u>\$ 137,732</u>

Business-type activities

General Obligation Bonds (Alternate Revenue Source)

\$3,410,000 Electric General Obligation Bonds (Alternate Revenue Source), Series 2006, for the construction of an electric substation, payable through November 1, 2026 in various amounts ranging from \$140,000 to \$245,000; interest rates ranging from 3.74% to 4.19% \$ 2,800,000

\$1,500,000 Electric General Obligation Bonds (Alternate Revenue Source), Series 2008, for construction and improvements of the electric system, payable through November 1, 2028 in various amounts ranging from \$60,000 to \$115,000; interest rates ranging from 3.40% to 5.00% 1,390,000

Total General Obligation Bonds (Alternate Revenue Source) \$ 4,190,000

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Business-type activities – Continued

General Obligation Bonds (Alternate Revenue Source) – Continued

Future principal and interest payments on the general obligation (alternate revenue source) bonds are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 200,000	\$ 173,340	\$ 373,340
2014	205,000	166,064	371,064
2015	210,000	158,421	368,421
2016	220,000	150,471	370,471
2017	225,000	141,932	366,932
2018 - 2022	1,300,000	566,172	1,866,172
2023 - 2027	1,605,000	271,435	1,876,435
2028 - 2029	<u>225,000</u>	<u>17,000</u>	<u>242,000</u>
Total	<u>\$ 4,190,000</u>	<u>\$ 1,644,835</u>	<u>\$ 5,834,835</u>

Debt Certificates

\$200,000 Electric Debt Certificates, Series 2010,
for improvements of the electric system
payable through May 1, 2015; interest rate 3.75% \$ 165,000

Future principal and interest payments on the debt certificates are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 40,000	\$ 5,438	\$ 45,438
2014	40,000	3,938	43,938
2015	40,000	2,438	42,438
2016	<u>45,000</u>	<u>844</u>	<u>45,844</u>
Total	<u>\$ 165,000</u>	<u>\$ 12,658</u>	<u>\$ 177,658</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Business-type activities – Continued

Notes Payable

On October 19, 2011, the Village entered into an agreement with a financial institution to finance the purchase of accounting software. The Village borrowed \$117,175 at an interest rate of 2.00 percent to be paid in monthly interest payments beginning November 19, 2011 and monthly principal and interest installments of \$5,731 beginning May 19, 2012, with a final payment due January 19, 2014. The assets and related obligation has been allocated between the General Fund (20%), the Waterworks and Sewerage Fund (40%), and the Electric Fund (40%). The principal balance for the business-type activities as April 30, 2012 was \$93,740. Future principal and interest payments on the notes payable are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 53,634	\$ 1,385	\$ 55,019
2014	<u>40,106</u>	<u>328</u>	<u>40,434</u>
Total	<u>\$ 93,740</u>	<u>\$ 1,713</u>	<u>\$ 95,453</u>

Capital Leases

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (truck and valve machine) and related obligation are accounted for as business-type activities. The asset under the capital lease net of depreciation totaled \$29,419 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

Year ended April 30,	
2013	\$ 11,643
2014	11,643
2015	<u>7,755</u>
Future minimum lease payments	31,041
Less: Amount representing interest	<u>1,368</u>
Present value of minimum lease payments	<u>\$ 29,673</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Business-type activities – Continued

Capital Leases – Continued

The Village is obligated under an equipment lease accounted for as a capital lease. The leased asset (vacuum trailer) and related obligation are accounted for as business-type activities. The asset under the capital lease net of depreciation totaled \$32,704 at April 30, 2012. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2012:

Year ended April 30,	
2013	\$ 14,421
2014	14,364
Future minimum lease payments	28,785
Less: Amount representing interest	664
Present value of minimum lease payments	<u>\$ 28,121</u>

Following is a summary of the changes that occurred to the liabilities reported in the business-type activities of the Village for the year ended April 30, 2012.

	Balance May 1, 2011	Additions	Reductions	Balance April 30, 2012
G.O. bonds (Alternate Revenue Source)	\$ 4,375,000	\$ -	\$ 185,000	\$ 4,190,000
Debt certificates	200,000	-	35,000	165,000
Notes payable	-	93,740	-	93,740
Line of Credit	175,000	-	175,000	-
Capital leases	140,989	-	83,195	57,794
Net OPEB obligation	41,758	14,521	-	56,279
Compensated absences	167,945	174,212	167,945	174,212
	<u>\$ 5,100,692</u>	<u>\$ 282,473</u>	<u>\$ 646,140</u>	<u>\$ 4,737,025</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

6. LONG-TERM DEBT – Continued

Following are business-type activities obligations due within one year:

G.O. bonds (Alternate Revenue Source)	\$ 200,000
Debt certificates	40,000
Notes payable	53,634
Capital leases	24,760
Compensated absences	<u>174,212</u>
Total	<u>\$ 492,606</u>

7. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2012 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Electric Fund	\$ -	\$ 150,342
Waterworks and Sewerage Fund	2,793	-
Aggregate Nonmajor Governmental Funds	<u>-</u>	<u>25,048</u>
	<u>2,793</u>	<u>175,390</u>
Aggregate Nonmajor Governmental Funds:		
General Fund	25,048	-
Electric Fund	<u>380</u>	<u>-</u>
	<u>25,428</u>	<u>-</u>
Electric Fund:		
General Fund	150,342	-
Waterworks and Sewerage Fund	-	10,762
Aggregate Nonmajor Governmental Funds	<u>-</u>	<u>380</u>
	<u>150,342</u>	<u>11,142</u>
Waterworks and Sewerage Fund:		
General Fund	-	2,793
Electric Fund	<u>10,762</u>	<u>-</u>
	<u>10,762</u>	<u>2,793</u>
Total	<u>\$ 189,325</u>	<u>\$ 189,325</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

7. INTERFUND BALANCES – Continued

The purposes of the interfund receivable and payable balances are as follows:

- \$150,342 due from the General fund to the Electric fund. This balance relates to the remaining balance of the interfund loan. The Village expects the obligation will be liquidated within one year.
- \$2,793 due to the General fund from the Waterworks and Sewerage fund. This balance relates to accrued but unpaid transfers for payroll costs. The Village expects the obligation will be liquidated within one year.
- \$25,048 due from the General fund to Aggregate nonmajor governmental funds. This balance relates to accrued but unpaid transfers to the Police and public works utility tax fund for telecommunication fees. The Village expects the obligation will be liquidated within one year.
- \$380 due from the Electric fund to Aggregate nonmajor governmental funds. This balance relates to accrued but unpaid transfers to the Yard waste fund for yard waste receipts. The Village expects the obligation will be liquidated within one year.
- \$10,762 due from the Electric fund to the Waterworks and sewerage fund. This balance relates to unpaid transfers for water and sewer receipts. The Village expects the obligation will be liquidated within one year.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Nonmajor Governmental Funds	\$ -	\$ 96,000
TIF District Fund:		
Nonmajor Governmental Funds	-	123,113
Nonmajor Governmental Funds:		
General Fund	96,000	-
TIF District Fund	123,113	-
	<u>219,113</u>	<u>-</u>
Waterworks and Sewerage Fund:		
General Fund	-	46,264
*Total interfund transfers	<u>\$ 219,113</u>	<u>\$ 265,377</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

7. INTERFUND BALANCES – Continued

*The difference between the Transfers In and the Transfers Out is due to the transfer of a net capital asset \$81,679 and the associated debt of \$35,415 from the Waterworks and Sewerage Fund to the General Government.

The purposes of interfund transfers are as follows:

- \$96,000 transferred from the General Fund to nonmajor governmental funds. This amount relates to a transfer to the Capital projects fund for future capital projects. The transfers will not be repaid.
- \$123,113 transferred from the TIF District Fund to nonmajor governmental funds. This amount relates to a transfer to the TIF District debt service fund for debt service payments. The transfer will not be repaid.

8. RETIREMENT PLANS

Illinois Municipal Retirement Fund

Plan Description. The Village of Chatham'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 Village'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 for the plan as a whole, but not for individual employers. The report may be obtained on-line at www.imrf.org.

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. RETIREMENT PLANS – Continued

Illinois Municipal Retirement Fund – Continued

Funding Policy. As set by statute, the Village'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 annual required contribution rate for calendar year 2011 was 12.79 percent. The Village 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, which the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. The required contribution for the fiscal year ending April 30, 2012 was \$276,898.

Three-Year Trend Information for Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/2012	\$ 276,898	100%	\$ -
4/30/2011	258,937	100%	-
4/30/2010	240,050	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) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of the Village's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Village'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.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. RETIREMENT PLANS – Continued

Illinois Municipal Retirement Fund – Continued

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 65.80 percent funded. The actuarial accrued liability for benefits was \$6,571,589 and the actuarial value of assets was \$4,324,413, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,247,176. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$2,096,980 and the ratio of the UAAL to covered payroll was 107.16 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.

Police Pension Fund

Plan Description. Police sworn personnel are covered by the Police Pension Plan, which is a defined benefit single employer pension plan. The plan issues an annual report to the Illinois Department of Insurance; however, they do not issue their own stand-alone financial statements. The Village accounts for the plan as a pension trust fund. Although this is a single employer pension plan, the defined benefits, as well as the employee and employer contribution levels, are mandated by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. Plan members' contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions.

The Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5% of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer who retired with 20 or more years of service after January 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. RETIREMENT PLANS – Continued

Police Pension Fund – Continued

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3.00% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75.00% of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e. ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later. Non-compounding increases occur annually, each January thereafter. The increase is the lesser of 3.00% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

Funding Policy. Covered employees are required to contribute 9.91% of their base salary to the Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The Village's annual contribution to the plan is provided by property tax levy. These taxes are required to be of an amount necessary to finance the plan as actuarially determined by an enrolled actuary. Effective January 1, 2011, The Village has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. For the year ended April 30, 2012, the Village's contribution was 28.56 percent of covered payroll.

Annual Pension Cost and Net Pension Asset. The Village's annual pension cost and net pension asset to the Police Pension Plan for the most current year (April 30, 2012) were as follows:

Annual required contributions	\$ 324,127
Interest on net pension asset	56,959
Adjustments to annual required contribution	<u>(66,396)</u>
Annual pension cost	314,690
Annual contributions made	<u>275,939</u>
Change in net pension obligation	38,751
Net pension obligation (asset), beginning of year	<u>876,292</u>
Net pension obligation (asset), end of year	<u>\$ 915,043</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. RETIREMENT PLANS – Continued

Police Pension Fund – Continued

Three-Year Trend Information for Regular Plan

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/2012	\$ 314,690	87.69%	\$ 915,043
4/30/2011	279,667	101.20%	876,292
4/30/2010	265,449	92.13%	879,641

The annual required contribution was determined as part of the May 1, 2011 actuarial valuation using the entry age normal cost funding method. The actuarial assumption included (a) 6.50 percent investment rate of return and (b) projected salary increases ranging from 1.12 to 4.86 percent. Both (a) and (b) included an inflation component of 2.5 percent and cost of living increases of 3 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at the May 1, 2011 actuarial valuation date was 26 years.

Funding Status and Funding Progress. As of May 1, 2011, the most recent actuarial valuation date, the Police Pension Plan was 74.88 percent funded. The actuarial accrued liability for benefits was \$6,352,126 and the actuarial value of assets was \$4,756,473, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,595,653. The covered payroll of active employees covered by the plan was \$966,294 and the ratio of the UAAL to the covered payroll was 165.13 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.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing the pension benefits described, the Village provides postemployment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the Village and can be amended by the Village through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

9. OTHER POST-EMPLOYMENT BENEFITS – Continued

Benefits Provided

The Village provides post retirement health benefits, as per the requirements of local ordinances and labor agreements.

Retirees covered under the International Brotherhood of Electrical Workers, Local Number 51 and the International Union of Operating Engineers, Local 965 AFL-CIO, are eligible to continue their health care coverage with the Village's carrier. The Village will pay the retirees single medical insurance coverage provided the employee is not eligible from other sources as per the following schedule upon retirement until said employee is eligible for Medicare benefits. If the employee is eligible for coverage from other sources the Village will pay that amount provided it does not exceed the amount the Village regularly pays for single member premium coverage. If the premium contribution exceeds the costs of the Village contribution, the retiree will be eligible to remain on the Village plan. To be eligible for this benefit, the retiree shall be at least fifty-five years of age and has been an employee of the Village for a minimum of 10 years.

10 years of employment with the Village = 25% of single medical coverage premium
15 years of employment with the Village = 50% of single medical coverage premium
20 years of employment with the Village = 100% of single medical coverage premium

All other Village retirees are eligible to continue their health coverage with the Village's carrier, provided the employee has completed a minimum of 20 years of service and is not eligible for equal insurance from another source. The Village will pay the cost for medical insurance until the retiree is eligible for Medicare.

Membership

At May 1, 2012 (latest information available), membership consisted of:

Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	-
Active vested plan members	55
Active nonvested plan members	-
TOTAL	<u>57</u>
Participating employers	<u>1</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

9. OTHER POST-EMPLOYMENT BENEFITS – Continued

Funding Policy

The Village negotiates the contribution percentages between the Village and employees through union contracts and personnel policy. The Village contributes the cost of providing the benefits to the retirees via the insured plan (pay as you go). For the fiscal year ended April 30, 2012, the Village contributed \$5,315.

Annual OPEB costs and Net OPEB Obligation

The Village had an actuarial valuation performed for the plan as of May 1, 2011 to determine the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2012. The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2010, 2011, and 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	\$ 78,809	\$ 8,031	10.19%	\$ 70,778
April 30, 2011	\$ 79,989	\$ 5,315	6.64%	\$ 145,452
April 30, 2012	\$ 79,028	\$ 5,315	6.73%	\$ 219,165

The net OPEB obligation (NOPEBO) at April 30, 2012 was calculated as follows:

Annual required contribution	\$ 78,058
Interest on net OPEB obligation	5,818
Adjustment to annual required contribution	<u>(4,848)</u>
Annual OPEB cost	79,028
Contributions made	<u>5,315</u>
Increase (decrease) in net OPEB obligation	73,713
Net OPEB obligation beginning of year	<u>145,452</u>
NET OPEB OBLIGATION END OF YEAR	<u>\$ 219,165</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

9. OTHER POST-EMPLOYMENT BENEFITS – Continued

Annual OPEB costs and Net OPEB Obligation – Continued

Funded Status and Funding Progress. The funded status of the plan as of May 1, 2012 (latest information available), was as follows:

Actuarial accrued liability (AAL)	\$ 1,826,860
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 1,826,860
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 3,080,534
UAAL as a percentage of covered payroll	59.30%

Actuarial valuations of an ongoing plan involve 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 employer 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.

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

In the May 1, 2012 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 4.00% inflation assumption. The actuarial value of assets was not determined as the Village has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2012, was 30 years.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

10. RISK MANAGEMENT

The Village 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. To insure against the losses, the Village participates in the Illinois Municipal League Risk Management Association (IMLRMA), a public entity risk pool with transfers of risk. The Village pays an annual premium to IMLRMA for its coverage. Employee health risks are insured through the purchase of a commercial insurance plan. Settled claims have not exceeded this coverage in any of the past three fiscal years.

11. JOINT VENTURE

During fiscal year 2009, the Village, along with the Village of New Berlin, Illinois, established the South Sangamon Water Commission. The Commission is a municipal corporation established pursuant to the provisions of the Water Commission Act of the State of Illinois (65 ILCS 5/11-135-1 et. seq.) for the purpose of constructing and operating a water supply distribution system serving its customers. During fiscal year 2012, the Village received reimbursement of expenses from the proceeds of debt issued by the Commission. The Village assigned to the Commission, the Village's right, title and interest in the water treatment and transmission system.

During fiscal year 2010, the Village and the Water Commission entered into an intergovernmental agreement for the Village to be the lead agency for the construction of the water transmission lines and raw water mains portion of the project. All costs incurred by the Village shall be paid by the Commission from the bond proceeds of the anticipated revenue or alternate revenue bond issue with respect to the project. During fiscal year 2012 the Commission reimbursed the Village for \$1,807,936 of expenses relating to the system.

During fiscal year 2010, the Village entered into a wholesale water agreement with the South Sangamon Water Commission whereby the Water Commission will supply water to the Village until December 31, 2040, or 5 years after the expiration of the original issue of the Commission's bonds, whichever is later. The agreement became effective when the treatment plant commenced operations in May 2012.

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

11. JOINT VENTURE – Continued

The Commission's fiscal year end is April 30. Separate financial statements are available for the Commission by contacting the South Sangamon Water Commission. Summarized financial information of the Commission as of and for the year ended April 30, 2012, follows:

Statement of Net Assets Information

Assets:	
Current assets	\$ 190,115
Restricted assets	2,307,292
Property and equipment, net	31,677,490
Other assets	<u>697,910</u>
Total assets	<u>\$ 34,872,807</u>
Liabilities and net assets:	
Current liabilities	\$ 1,051,901
Noncurrent liabilities	32,840,000
Net assets	<u>980,906</u>
Total liabilities and net assets	<u>\$ 34,872,807</u>

Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenue	\$ -
Operating expenses	<u>30,771</u>
Operating net loss	<u>(30,771)</u>
Nonoperating revenue	5,206
Capital contributions	722,389
Change in net assets	696,824
Net assets, beginning	<u>284,082</u>
Net assets, ending	<u>\$ 980,906</u>

12. OTHER RECEIVABLES

Other receivables consist of the following as of April 30, 2012:

Telecommunication tax receivable	\$ 93,638
Franchise tax receivable	41,241
Other receivables	<u>24,246</u>
Total	<u>\$ 159,125</u>

VILLAGE OF CHATHAM, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

13. RECLASSIFICATION

As shown in the following table, the financial statements of the Village have been reclassified as of April 30, 2011 for the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The proceeds from lot sales and the operational expenses of the two cemeteries were presented in the Cemetery Fund, a special revenue fund, in previous years but were reclassified to General Fund based upon criteria of GASB Statement No. 54.

	<u>General Fund</u>	<u>Education Fund</u>
Fund balance, April 30, 2011, as previously reported	\$ 381,647	\$ 9,442
Implementation of GASB Statement No. 54	<u>9,442</u>	<u>(9,442)</u>
Fund balance, April 30, 2011, as reclassified	<u>\$ 391,089</u>	<u>\$ -</u>

14. CONTINGENCIES

The Village has one possible legal issue with the City of Springfield. There is a dispute between the Village and the City of Springfield regarding the contract damages due from the early termination of its wholesale water supply contract. The issue is currently being negotiated, but if the City were to file suit, the Village would vigorously defend. The outcome is unknown at April 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CHATHAM, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/11	\$ 4,324,413	\$ 6,571,589	\$ 2,247,176	65.80%	\$ 2,096,980	107.16%
12/31/10	3,977,418	6,166,795	2,189,377	64.50%	2,127,991	102.88%
12/31/09	3,522,489	5,224,833	1,702,344	67.42%	1,965,543	86.61%
12/31/08	3,192,947	4,740,507	1,547,560	67.35%	1,928,583	80.24%
12/31/07	3,081,385	4,070,608	989,223	75.70%	1,745,797	56.66%
12/31/06	2,597,274	3,245,899	648,625	80.02%	1,522,720	42.60%

VILLAGE OF CHATHAM, ILLINOIS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

April 30, 2012

<u>Year Ending</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
4/30/12	\$ 276,898	\$ 276,898	100.00%
4/30/11	258,937	258,937	100.00%
4/30/10	240,050	240,050	100.00%
12/31/08	207,901	207,901	100.00%
12/31/07	177,722	177,722	100.00%
12/31/06	155,926	155,926	100.00%

VILLAGE OF CHATHAM, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION TRUST FUND

April 30, 2012

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) / (2)	(4) Unfunded (Overfunded) AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL (Overfunded) As a Percentage of Covered Payroll (4) / (5)
5/1/2011	\$ 4,756,473	\$ 6,352,126	74.88%	\$ 1,595,653	\$ 966,294	165.13%
5/1/2010	4,265,167	5,688,963	74.97%	1,423,796	899,640	158.26%
5/1/2009	3,778,387	5,104,866	74.02%	1,326,479	899,045	147.54%
5/1/2008	3,311,578	4,447,685	74.46%	1,136,107	852,267	133.30%
5/1/2007	2,892,468	3,896,810	74.23%	1,004,342	777,044	129.25%
5/1/2006	2,511,176	3,848,328	65.25%	1,337,152	727,226	183.87%

Note: The Village has elected to have biennial valuations performed for the Police Pension Plan. Each valuation provides two years of data.

VILLAGE OF CHATHAM, ILLINOIS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION TRUST FUND**

April 30, 2012

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 275,939	\$ 324,127	85.13%	\$ 915,043
2011	283,016	288,172	98.21%	876,292
2010	244,569	272,172	89.86%	879,641
2009	207,109	244,507	84.70%	858,761
2008	164,776	210,929	78.12%	826,992
2007	141,942	217,815	65.17%	785,635

Note: The Village has elected to have biennial valuations performed for the Police Pension Plan.
Each valuation provides two years of data.

VILLAGE OF CHATHAM, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

April 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
4/30/12	-	\$ 1,826,860	\$ 1,826,860	0.00%	\$ 3,080,534	59.30%
4/30/11	N/A	N/A	N/A	N/A	N/A	N/A
4/30/10	N/A	N/A	N/A	N/A	N/A	N/A
4/30/09	-	764,588	764,588	0.00%	2,914,377	26.24%
N/A	Information is not available as an actuarial valuation was not performed.					

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010. Information for prior years is not available and the Village did not have an actuarial valuation performed as of April 30, 2010 or April 30, 2011.

VILLAGE OF CHATHAM, ILLINOIS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFITS PLAN**

April 30, 2012

<u>Fiscal Year Ending</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 5,315	\$ 78,058	6.81%	\$ 219,165
2011	5,315	78,809	6.74%	145,452
2010	8,031	78,809	10.19%	70,778

The Village implemented GASB Statement No. 45 for the fiscal year ended April 30, 2010. Information for prior years is not available.

VILLAGE OF CHATHAM, ILLINOIS
General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 950,000	\$ 950,000	\$ 920,589
Replacement tax	2,500	2,500	2,479
Road and bridge taxes	58,500	58,500	58,708
Sales taxes	790,000	790,000	919,896
Income taxes	920,000	920,000	925,606
Local use tax	141,000	141,000	167,622
Telecommunications tax	300,000	300,000	268,115
Franchise fees	214,000	214,000	203,978
Business licenses	18,500	18,500	17,200
Building and zoning fees	65,500	65,500	76,163
Fines	57,000	57,000	80,271
Recreation program fees and contributions	18,000	18,000	20,458
Cemetery fees	-	-	20,920
Charges for services	65,000	65,000	24,554
Administration fee	249,500	249,500	249,500
Investment income	1,000	1,000	808
Other	107,800	107,800	93,455
Federal grants	3,750	3,750	37,058
State grants	-	-	264,120
	<hr/>	<hr/>	<hr/>
Total revenues	3,962,050	3,962,050	4,351,500
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General government:			
Salaries and overtime	248,500	265,500	264,677
Village officials	54,000	54,000	51,818
Other payroll expenditures	99,000	99,000	92,297
Travel and training	7,500	8,000	6,787
Legal fees	36,500	54,500	51,598
Professional services	124,400	114,400	99,773
Accounting and auditing fees	2,500	2,500	-
Building and grounds maintenance	13,000	17,000	14,650
Vehicle and equipment maintenance	8,300	9,300	8,106
Office expenditures	16,500	16,500	11,556
IT & GIS	25,000	71,000	68,611
General insurance	18,000	60,700	60,619
Refunds	2,000	3,000	2,150
Grant expense	-	250,000	250,000
	<hr/>	<hr/>	<hr/>
Total general government	655,200	1,025,400	982,642
	<hr/>	<hr/>	<hr/>

(continued)

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Original Budget	Final Budget	Actual
Cemetery:			
Salaries and overtime	\$ 23,600	\$ 23,850	\$ 23,721
Other payroll expenditures	5,700	5,950	5,244
Building and grounds maintenance	5,250	22,450	21,141
Equipment purchase	5,000	4,500	3,340
	<hr/>	<hr/>	<hr/>
Total cemetery	39,550	56,750	53,446
	<hr/>	<hr/>	<hr/>
Culture and recreation:			
Salaries and overtime	235,500	232,500	231,318
Other payroll expenditures	73,350	71,850	70,773
Building and grounds maintenance	36,500	49,500	47,020
Program expenditures	16,500	18,500	17,949
4th of July	6,500	6,500	6,000
Vehicle and equipment maintenance	31,700	31,700	26,566
Office expenditures	2,300	2,300	1,596
Equipment purchase	12,000	21,320	13,746
Uniforms and supplies	4,800	7,300	7,114
Operating supplies	200	200	11
	<hr/>	<hr/>	<hr/>
Total culture and recreation	419,350	441,670	422,093
	<hr/>	<hr/>	<hr/>
Public safety:			
Salaries and overtime	1,241,600	1,228,835	1,215,769
Other payroll expenditures	428,200	378,200	367,322
Travel and training	7,500	7,500	5,695
Professional services	6,000	6,000	4,049
Building and grounds maintenance	6,300	6,300	5,306
Vehicle and equipment maintenance	55,300	71,300	63,308
Office expenditures	45,800	47,800	40,339
General insurance	39,000	39,000	39,000
Emergency services	5,600	7,600	6,000
Equipment purchase	34,000	40,000	35,682
Pension contribution	276,100	276,100	275,939
Uniforms and supplies	30,600	30,600	23,427
Crime prevention	2,000	19,050	17,328
	<hr/>	<hr/>	<hr/>
Total public safety	2,178,000	2,158,285	2,099,164
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(continued)

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Original Budget	Final Budget	Actual
Public works/transportation:			
Employee salaries and overtime	\$ 294,500	\$ 268,500	\$ 263,880
Other payroll expenditures	133,250	127,250	122,660
Professional services	6,600	6,600	390
Building and ground maintenance	7,000	9,000	7,174
Vehicle and equipment maintenance	82,000	71,000	70,828
General insurance	18,000	18,000	18,000
Equipment purchase	41,000	96,000	46,525
Uniforms and supplies	12,700	12,700	9,844
Street maintenance	18,200	13,200	9,138
Operating supplies	4,000	7,000	5,350
Office expenditures	2,700	3,700	2,897
Total public works/transportation	<u>619,950</u>	<u>632,950</u>	<u>556,686</u>
Debt service			
Principal	28,000	28,000	28,000
Interest	10,000	10,000	9,650
Total debt service	<u>38,000</u>	<u>38,000</u>	<u>37,650</u>
Total expenditures	<u>3,950,050</u>	<u>4,353,055</u>	<u>4,151,681</u>
EXCESS OR DEFICIENCIES OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>12,000</u>	<u>(391,005)</u>	<u>199,819</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	84,000	84,000	-
Transfer out	(96,000)	(96,000)	(96,000)
Note proceeds	-	-	23,435
Total other financing (uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(72,565)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (403,005)</u>	127,254
FUND BALANCE - MAY 1, 2011			<u>391,089</u>
FUND BALANCE - APRIL 30, 2012			<u>\$ 518,343</u> (concluded)

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
TIF District Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Property taxes	\$ 498,000	\$ 498,000	\$ 490,349
Investment income	<u>1,700</u>	<u>1,700</u>	<u>2,482</u>
Total revenues	<u>499,700</u>	<u>499,700</u>	<u>492,831</u>
EXPENDITURES			
General government	9,600	9,600	6,578
Economic development	<u>65,000</u>	<u>65,000</u>	<u>37,361</u>
Total expenditures	<u>74,600</u>	<u>74,600</u>	<u>43,939</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>425,100</u>	<u>425,100</u>	<u>448,892</u>
OTHER FINANCING SOURCES (USES)			
Transfer out	<u>(123,500)</u>	<u>(123,500)</u>	<u>(123,113)</u>
Total other financing sources (uses)	<u>(123,500)</u>	<u>(123,500)</u>	<u>(123,113)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 301,600</u>	<u>\$ 301,600</u>	325,779
FUND BALANCE - MAY 1, 2011			<u>334,306</u>
FUND BALANCE - APRIL 30, 2012			<u>\$ 660,085</u>

See accompanying Independent Auditors' Report.

VILLAGE OF CHATHAM, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) Budget - The President and Board of Trustees legally enact the budget through passage of an ordinance which is developed on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund and the accrual basis of accounting for the Proprietary Funds and the Fiduciary Funds. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by operational line item which constitutes the legal level of control. Expenditures may not exceed appropriations. All budget revisions must be approved by the Board of Trustees. The budget lapses at year end. The Village has adopted an annual budget for all funds. The Village approved a budget amendment during the fiscal year.

COMBINING AND INDIVIDUAL FUND SCHEDULES

VILLAGE OF CHATHAM, ILLINOIS
Nonmajor Governmental Funds

COMBINING BALANCE SHEET

April 30, 2012

	Special Revenue				Debt Service	Capital Projects	Permanent	
	Motor Fuel Tax	Veteran's Memorial Brick	Yard Waste	Police and Public Works Utility Tax	TIF District	Capital Projects	Cemetery Trust	Total
ASSETS								
Cash and cash equivalents	\$ 314,522	\$ 10,170	\$ 149,780	\$ 13,855	\$ -	\$ 183,768	\$ 39,153	\$ 711,248
Restricted accounts - cash	-	-	-	-	116,114	-	-	116,114
Investments	-	-	-	-	-	-	303,761	303,761
Taxes receivable	22,326	-	-	-	-	-	-	22,326
Other receivables	-	-	10,967	-	-	-	2,548	13,515
Due from other funds	-	-	380	25,048	-	-	-	25,428
Due from other governments	-	-	-	-	-	19,599	-	19,599
Accrued interest receivable	-	-	-	-	-	-	351	351
Total current assets	336,848	10,170	161,127	38,903	116,114	203,367	345,813	1,212,342
TOTAL ASSETS	\$ 336,848	\$ 10,170	\$ 161,127	\$ 38,903	\$ 116,114	\$ 203,367	\$ 345,813	\$ 1,212,342
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	\$ 2,555	\$ -	\$ -	\$ -	\$ -	\$ 54,040	\$ -	\$ 56,595
TOTAL LIABILITIES	2,555	-	-	-	-	54,040	-	56,595
FUND BALANCE								
Nonspendable								
Corpus of permanent fund	-	-	-	-	-	-	282,093	282,093
Restricted								
Debt service	-	-	-	-	116,114	-	-	116,114
Public works	334,293	-	-	-	-	-	-	334,293
Unrestricted								
Committed								
Veteran's memorial brick	-	10,170	-	-	-	-	-	10,170
Yard waste	-	-	161,127	-	-	-	-	161,127
Public safety	-	-	-	18,852	-	-	-	18,852
Public works	-	-	-	20,051	-	-	-	20,051
Cemetery	-	-	-	-	-	-	63,720	63,720
Assigned	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	149,327	-	149,327
Total fund balance	334,293	10,170	161,127	38,903	116,114	149,327	345,813	1,155,747
TOTAL LIABILITIES AND FUND BALANCE	\$ 336,848	\$ 10,170	\$ 161,127	\$ 38,903	\$ 116,114	\$ 203,367	\$ 345,813	\$ 1,212,342

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Nonmajor Governmental Funds

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the Year Ended April 30, 2012

	Special Revenue				Debt Service	Capital Projects	Permanent	
	Motor Fuel Tax	Veteran's Memorial Brick	Yard Waste	Police and Public Works Utility Tax	TIF District	Capital Projects	Cemetery Trust	Total
REVENUES								
Motor fuel taxes	\$ 334,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 334,094
Telecommunications tax	-	-	-	67,029	-	-	-	67,029
Fees and service charges	-	1,250	106,542	-	-	-	29,005	136,797
State grants	-	-	-	-	-	42,705	-	42,705
Investment income	161	38	620	16	1,119	440	4,170	6,564
Total revenues	334,255	1,288	107,162	67,045	1,119	43,145	33,175	587,189
EXPENDITURES								
Current								
Cemetery	-	-	-	-	-	-	121	121
Culture and recreation	-	715	-	34,580	-	-	-	35,295
Public safety	-	-	-	99,852	-	-	-	99,852
Public works/transportation	96,286	-	49,127	60,858	-	-	-	206,271
Capital outlay	-	-	-	-	-	123,548	-	123,548
Debt service:								
Principal	-	-	-	-	110,000	-	-	110,000
Interest	-	-	-	-	13,113	-	-	13,113
Total expenditures	96,286	715	49,127	195,290	123,113	123,548	121	588,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	237,969	573	58,035	(128,245)	(121,994)	(80,403)	33,054	(1,011)
OTHER FINANCING SOURCES (USES)								
Transfer in	-	-	-	-	123,113	96,000	-	219,113
Capital leases issued	-	-	-	126,474	-	-	-	126,474
Total other financing sources (uses)	-	-	-	126,474	123,113	96,000	-	345,587
NET CHANGE IN FUND BALANCE	237,969	573	58,035	(1,771)	1,119	15,597	33,054	344,576
FUND BALANCE - MAY 1, 2011	96,324	9,597	103,092	40,674	114,995	133,730	312,759	811,171
FUND BALANCE - APRIL 30, 2012	\$ 334,293	\$ 10,170	\$ 161,127	\$ 38,903	\$ 116,114	\$ 149,327	\$ 345,813	\$ 1,155,747

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Motor Fuel Tax		Veteran's Memorial Brick		Yard Waste		Police and Public Works Utility Tax	
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual
REVENUES								
Motor fuel tax	\$ 296,000	\$ 334,094	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Telecommunications tax	-	-	-	-	-	-	80,000	67,029
Fees and service charges	-	-	850	1,250	59,000	106,542	-	-
Investment income	200	161	50	38	500	620	100	16
Total revenues	<u>296,200</u>	<u>334,255</u>	<u>900</u>	<u>1,288</u>	<u>59,500</u>	<u>107,162</u>	<u>80,100</u>	<u>67,045</u>
EXPENDITURES								
Street maintenance and improvements	276,200	95,388	-	-	-	-	-	-
Yard waste supplies and services	-	-	-	-	45,500	35,732	-	-
Professional services	20,000	898	-	-	13,000	12,926	-	-
Office expenses and refunds	-	-	-	-	1,000	469	-	-
Building and grounds maintenance	-	-	900	715	-	-	-	-
Equipment	-	-	-	-	-	-	222,543	195,290
Total expenditures	<u>296,200</u>	<u>96,286</u>	<u>900</u>	<u>715</u>	<u>59,500</u>	<u>49,127</u>	<u>222,543</u>	<u>195,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>237,969</u>	<u>-</u>	<u>573</u>	<u>-</u>	<u>58,035</u>	<u>(142,443)</u>	<u>(128,245)</u>
OTHER FINANCING SOURCES (USES)								
Capital leases issued	-	-	-	-	-	-	121,000	126,474
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,000</u>	<u>126,474</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>237,969</u>	<u>\$ -</u>	<u>573</u>	<u>\$ -</u>	<u>58,035</u>	<u>\$ (21,443)</u>	<u>(1,771)</u>
FUND BALANCE - MAY 1, 2011		<u>96,324</u>		<u>9,597</u>		<u>103,092</u>		<u>40,674</u>
FUND BALANCE - APRIL 30, 2012		<u>\$ 334,293</u>		<u>\$ 10,170</u>		<u>\$ 161,127</u>		<u>\$ 38,903</u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Debt Service Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	TIF District	
	Final Budget	Actual
REVENUES		
Investment income	\$ 500	\$ 1,119
Total revenues	<u>500</u>	<u>1,119</u>
EXPENDITURES		
Debt service:		
Principal	110,000	110,000
Interest	13,500	13,113
Total expenditures	<u>123,500</u>	<u>123,113</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(123,000)</u>	<u>(121,994)</u>
OTHER FINANCING SOURCES		
Transfer in	123,500	123,113
Total other financing sources	<u>123,500</u>	<u>123,113</u>
NET CHANGE IN FUND BALANCE	<u>\$ 500</u>	1,119
FUND BALANCE - MAY 1, 2011		<u>114,995</u>
FUND BALANCE - APRIL 30, 2012		<u>\$ 116,114</u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Capital Projects Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Capital Projects	
	Final Budget	Actual
REVENUES		
State grants	\$ 42,400	\$ 42,705
Investment income	-	440
Total revenues	<u>42,400</u>	<u>43,145</u>
EXPENDITURES		
Construction	<u>319,000</u>	<u>123,548</u>
Total expenditures	<u>319,000</u>	<u>123,548</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	<u>(276,600)</u>	<u>(80,403)</u>
OTHER FINANCING SOURCES		
Transfer in	<u>96,000</u>	<u>96,000</u>
Total other financing sources	<u>96,000</u>	<u>96,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (180,600)</u>	15,597
FUND BALANCE - MAY 1, 2011		<u>133,730</u>
FUND BALANCE - APRIL 30, 2012		<u>\$ 149,327</u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Permanent Fund

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended April 30, 2012

	Cemetery Trust	
	Final Budget	Actual
REVENUES		
Fees and service charges	\$ 16,000	\$ 29,005
Investment income	5,200	4,170
Total revenues	<u>21,200</u>	<u>33,175</u>
EXPENDITURES		
Office expense	<u>15,000</u>	<u>121</u>
Total expenditures	<u>15,000</u>	<u>121</u>
NET CHANGE IN FUND BALANCE	<u>\$ 6,200</u>	33,054
FUND BALANCE - MAY 1, 2011		<u>312,759</u>
FUND BALANCE - APRIL 30, 2012		<u>\$ 345,813</u>

See accompanying Independent Auditor's Report.

SUPPLEMENTAL FINANCIAL INFORMATION

VILLAGE OF CHATHAM, ILLINOIS
Electric Fund

COMPARATIVE STATEMENT OF NET ASSETS

April 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,126,882	\$ 398,445
Restricted accounts - cash	173,114	204,749
Accounts receivable	702,147	775,905
Due from other funds	150,342	278,103
Due from other government	-	194
Inventory	516,824	531,904
Total current assets	2,669,309	2,189,300
Capital Assets:		
Capital assets, not being depreciated	279,734	279,734
Property and equipment	17,338,001	17,073,825
Less: accumulated depreciation	(6,050,265)	(5,533,431)
Capital assets, net	11,567,470	11,820,128
Total assets	14,236,779	14,009,428
LIABILITIES		
Current Liabilities:		
Accounts payable	19,216	18,703
Unearned revenue	7,067	16,760
Accrued payroll	32,288	24,976
Accrued compensated absences payable	94,303	87,221
Due to other funds	11,142	379
Customer deposits	115,790	78,140
Accrued interest payable	89,764	93,671
Other payables	23,321	21,704
Current maturities of long term debt:		
Line of credit	-	175,000
G.O. bonds (Alternate Revenue Source) payable	200,000	185,000
Debt certificates	40,000	35,000
Loan payable	26,817	-
Capital lease payable	13,933	13,625
Total current liabilities	673,641	750,179
Long-Term Liabilities:		
Net OPEB obligation	36,596	25,905
G.O. bonds (Alternate Revenue Source) payable	3,990,000	4,190,000
Debt certificates	125,000	165,000
Loan payable	20,053	-
Capital lease payable	14,188	28,125
Total long-term liabilities	4,185,837	4,409,030
Total liabilities	4,859,478	5,159,209
NET ASSETS		
Invested in capital assets, net of related debt	7,137,479	7,203,378
Restricted for debt service	173,114	204,749
Unrestricted	2,066,708	1,442,092
Total net assets	\$ 9,377,301	\$ 8,850,219

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
Electric Fund

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS

For the Years Ended April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
User charges	\$ 8,293,039	\$ 8,382,811
Other income	<u>52,318</u>	<u>103,012</u>
Total revenues	<u>8,345,357</u>	<u>8,485,823</u>
EXPENSES		
Electricity purchases	5,342,242	5,431,465
Distribution and customer service	1,782,402	1,723,997
Depreciation	<u>516,834</u>	<u>513,015</u>
Total expenses	<u>7,641,478</u>	<u>7,668,477</u>
OPERATING INCOME	<u>703,879</u>	<u>817,346</u>
NONOPERATING INCOME (EXPENSE)		
Investment income	5,190	1,989
FEMA grant	2,477	26,146
Interest expense	<u>(184,464)</u>	<u>(199,714)</u>
Total nonoperating (expense)	<u>(176,797)</u>	<u>(171,579)</u>
CHANGE IN NET ASSETS	527,082	645,767
NET ASSETS - BEGINNING	<u>8,850,219</u>	<u>8,204,452</u>
NET ASSETS - ENDING	<u><u>\$ 9,377,301</u></u>	<u><u>\$ 8,850,219</u></u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
TIF District

COMPARATIVE BALANCE SHEET

April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents - restricted	\$ 660,085	\$ 334,306
Taxes receivable	<u>499,278</u>	<u>490,535</u>
Total current assets	<u>1,159,363</u>	<u>824,841</u>
TOTAL ASSETS	<u><u>\$ 1,159,363</u></u>	<u><u>\$ 824,841</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Deferred revenue	<u>\$ 499,278</u>	<u>\$ 490,535</u>
Total current liabilities	<u>499,278</u>	<u>490,535</u>
Total liabilities	<u>499,278</u>	<u>490,535</u>
FUND BALANCES		
Restricted for economic development	<u>660,085</u>	<u>334,306</u>
Total fund balances	<u>660,085</u>	<u>334,306</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,159,363</u></u>	<u><u>\$ 824,841</u></u>

See accompanying Independent Auditor's report.

VILLAGE OF CHATHAM, ILLINOIS
TIF District

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Years Ended April 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Property taxes	\$ 490,349	\$ 473,880
Investment income	<u>2,482</u>	<u>1,937</u>
Total revenues	<u>492,831</u>	<u>475,817</u>
EXPENDITURES		
Current operations:		
General government	6,578	6,563
Economic development	<u>37,361</u>	<u>130,747</u>
Total expenditures	<u>43,939</u>	<u>137,310</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>448,892</u>	<u>338,507</u>
OTHER FINANCING SOURCES (USES)		
Transfer out	<u>(123,113)</u>	<u>(175,344)</u>
Total other financing sources (uses)	<u>(123,113)</u>	<u>(175,344)</u>
NET CHANGE IN FUND BALANCE	325,779	163,163
FUND BALANCE - BEGINNING	<u>334,306</u>	<u>171,143</u>
FUND BALANCE - ENDING	<u><u>\$ 660,085</u></u>	<u><u>\$ 334,306</u></u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS

SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES

April 30, 2012

	Tax Increment Financing General Obligation (Alternative Revenue Source) Bonds, Series 2009		General Obligation Bonds Series, 2001		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	
2012-2013	\$ 110,000	\$ 11,023	\$ 30,000	\$ 8,250	\$ 159,273
2013-2014	115,000	8,459	31,000	6,750	161,209
2014-2015	120,000	5,400	33,000	5,200	163,600
2015-2016	125,000	1,875	35,000	3,550	165,425
2016-2017	-	-	36,000	1,800	37,800
	<u>\$ 470,000</u>	<u>\$ 26,757</u>	<u>\$ 165,000</u>	<u>\$ 25,550</u>	<u>\$ 687,307</u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS

SCHEDULE OF DEBT SERVICE REQUIREMENTS
BUSINESS-TYPE ACTIVITIES

April 30, 2012

	Electric Fund Debt Certificates of 2010		Electric General Obligation (Alternative Revenue Source) Bonds, Series 2006		Electric General Obligation (Alternative Revenue Source) Bonds, Series 2008		Total Debt Service Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2012-2013	\$ 40,000	\$ 5,438	\$ 140,000	\$ 110,930	\$ 60,000	\$ 62,410	\$ 418,778
2013-2014	40,000	3,938	145,000	105,694	60,000	60,370	415,002
2014-2015	40,000	2,438	150,000	100,271	60,000	58,150	410,859
2015-2016	45,000	844	155,000	94,661	65,000	55,810	416,315
2016-2017	-	-	160,000	88,787	65,000	53,145	366,932
2017-2018	-	-	170,000	82,723	70,000	50,448	373,171
2018-2019	-	-	175,000	76,195	75,000	47,473	373,668
2019-2020	-	-	185,000	69,475	75,000	44,248	373,723
2020-2021	-	-	190,000	62,371	80,000	40,984	373,355
2021-2022	-	-	200,000	54,790	80,000	37,465	372,255
2022-2023	-	-	210,000	46,810	85,000	33,785	375,595
2023-2024	-	-	215,000	38,221	90,000	29,832	373,053
2024-2025	-	-	225,000	29,427	95,000	25,602	375,029
2025-2026	-	-	235,000	20,112	100,000	21,090	376,202
2026-2027	-	-	245,000	10,266	105,000	16,290	376,556
2027-2028	-	-	-	-	110,000	11,250	121,250
2028-2029	-	-	-	-	115,000	5,750	120,750
	<u>\$ 165,000</u>	<u>\$ 12,658</u>	<u>\$ 2,800,000</u>	<u>\$ 990,733</u>	<u>\$ 1,390,000</u>	<u>\$ 654,102</u>	<u>\$ 6,012,493</u>

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS

SCHEDULE OF INVESTMENTS

April 30, 2012

	Cost	Fair Value	Interest Rate	Maturity
Police Pension Fund				
Mutual Funds:				
Allianz Fund NFJ	\$ 43,275	\$ 43,066		
Cohen & Steers Realty	9,998	11,536		
DWS Enhanced Commodity	23,523	17,191		
DWS AREEF Global	12,500	12,801		
Fidelity Advisor Leveraged	17,910	16,807		
Fidelity Advisor Technology	10,842	11,278		
Fidelity Advisor Emerging Mkts	45,224	46,373		
Fidelity Advisor New Insights	36,285	40,551		
Goldman Sachs Trust Small Cap	15,752	17,479		
Ivy Global Natural Resources	20,959	16,806		
Loomis Sayles FDS	90,689	91,420		
Oppenheimer Developing Mkts	13,142	12,441		
Oppenheimer Senior Floating Rate	67,876	68,206		
PMCO Total	90,332	91,390		
Principal High Yield	67,992	68,437		
Principal Inc	45,424	45,974		
Vanguard Short Term	45,121	45,247		
United Community Bank:				
Certificate of Deposit	126,082	126,082	2.90%	9/29/2014
Certificate of Deposit	128,776	128,776	2.50%	9/25/2015
Certificate of Deposit	111,362	111,362	3.60%	2/24/2013
Certificate of Deposit	130,461	130,461	2.45%	6/11/2014
Bank of Springfield:				
Certificate of Deposit	60,000	60,000	2.44%	9/17/2012
Certificate of Deposit	95,099	95,099	3.11%	8/28/2014
Certificate of Deposit	107,829	107,829	2.44%	12/30/2012
First Bankers Trust:				
Certificate of Deposit	101,296	101,296	2.60%	12/4/2012
Certificate of Deposit	148,704	148,704	2.60%	10/27/2014
Marine Bank:				
Certificate of Deposit	106,418	106,418	2.48%	9/18/2013
Certificate of Deposit	104,395	104,395	2.88%	8/1/2015
Certificate of Deposit	124,632	124,632	2.14%	3/8/2016
Certificate of Deposit	51,075	51,075	2.14%	1/31/2016
Certificate of Deposit	51,697	51,697	2.24%	8/31/2014
Hickory Point Bank:				
Certificate of Deposit	100,000	100,000	5.00%	11/5/2012
Bank & Trust:				
Certificate of Deposit	100,404	100,404	0.80%	8/27/2012
Certificate of Deposit	201,768	201,768	1.75%	8/27/2015
Certificate of Deposit	124,155	124,155	1.75%	3/7/2014
Certificate of Deposit	157,045	157,045	1.75%	6/23/2014
Certificate of Deposit	101,011	101,011	2.00%	8/16/2016
Certificate of Deposit	100,351	100,351	0.70%	10/24/2012
Illinois National Bank:				
Certificate of Deposit	203,100	203,100	1.55%	7/28/2012
PNC Bank:				
Certificate of Deposit	100,000	100,000	4.88%	7/28/2012
US Bank:				
Certificate of Deposit	100,000	100,000	4.40%	9/24/2013
Security Bank:				
Certificate of Deposit	204,191	204,191	1.49%	11/10/2012
Town and Country Bank:				
Certificate of Deposit	152,630	152,630	2.41%	7/23/2014
Certificate of Deposit	95,000	95,000	1.63%	4/23/2014
Carrolton Bank:				
Certificate of Deposit	105,482	105,482	3.06%	6/11/2015
Williamsville State Bank:				
Certificate of Deposit	150,000	150,000	3.21%	8/31/2014
Certificate of Deposit	100,000	100,000	3.94%	10/27/2012
Total Fiduciary Funds	\$ 4,199,807	\$ 4,199,966		
Cemetery Trust Fund				
Bank & Trust:				
Certificate of Deposit	\$ 203,574	\$ 203,574	0.85%	12/16/2012
Certificate of Deposit	100,187	100,187	0.75%	4/24/2013
Total Governmental Funds	\$ 303,761	\$ 303,761		

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM
SCHEDULE OF INSURANCE COVERAGE
April 30, 2012

Type of Coverage and Name of Company	Policy Number	Policy Period		Details of Coverage	Liability Limits	Annual Premium
From	To					
General Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Bodily Injury and Property Damage	General, Products/ Completed Operations, Advertising Injury, and Personal Injury - \$8,000,000 per occurrence Fire Damage - \$8,000,000 per occurrence Liquor Liability - \$1,000,000 per occurrence	\$ 178,766
Commercial General Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Commercial Liability	\$8,000,000 per occurrence	
Automobile Liability Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Automobile Liability	\$8,000,000 per occurrence	
Worker's Compensation Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Workers Compensation Employers Liability	\$3,000,000 per occurrence	
Property/Inland Marine/Auto Coverage Physical Damage Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Property Liability	\$250,000,000 per occurrence	
Reinsurance Illinois Municipal League Risk Management Association	0687D0105	12/31/2011	12/31/2012	Reinsurance	\$250,000,000 per occurrence	
Boiler & Machinery Cincinnati Insurance	BEP2647869	12/31/2011	12/31/2012	Boiler & Machinery	\$1,000,000	\$ 8,388

See accompanying Independent Auditor's Report.

VILLAGE OF CHATHAM, ILLINOIS
SCHEDULE OF ELECTRIC RATES CHARGED

April 30, 2012

The Electric System served 5,169 customers as of April 30, 2012. The Village provided 73,204,068 kilowatt hours to its customers during fiscal year 2012. The electric rates charged by the Village are as follows:

Standard Residential Service Rates

- (1) Rate: \$0.09825 net per kwh
- Facility Charge \$10.00

Senior Citizen Residential and Village Park Service Rate

- (1) Rate: \$0.08843 net per kwh
- Facility Charge \$10.00

Governmental Service

- (1) Rate: \$0.08843/kwh
- (2) Demand Charge: \$5.423/multiplier/demand unit (demand will be the highest average kilowatt demand measured in any 15 minute period during the month)
- (3) Facility Charge \$21.50

General Service – Commercial Without Demand

- (1) Rate: \$0.1158/kwh
- (2) Facility Charge – Commercial, institutional, and non-residential or for three phase, residential, non-residential, institutional, and commercial use taken through a single meter at the utility standard secondary voltage without Demand metering.
 - a) \$10.00 per month single phase
 - b) \$21.50 per month three phase

General Service – Commercial With Demand

- (1) Rate: \$0.0917/kwh
- (2) Demand Charge: \$5.423/multiplier/demand unit (demand will be the highest average kilowatt demand measured in any 15 minute period during the month)
- (3) Facility Charge – Commercial, institutional, and non-residential or for three phase, residential, non-residential, institutional, and commercial use taken through a single meter at the utility standard secondary voltage without Demand metering.
 - a) \$10.00 per month single phase
 - b) \$21.50 per month three phase

VILLAGE OF CHATHAM, ILLINOIS
SCHEDULE OF ELECTRIC RATES CHARGED

April 30, 2012

Industrial Service

(1) Rate

- a) \$0.0802/kwh
- b) \$7.222/multiplier/demand unit (demand will be the highest average kilowatt demand measured in any 15 minute period during the month, minimum of 70kw. The Village may determine the actual demand either by permanently installed instruments or by tests

(2) Facility Charge

- a) \$17.20 per month single phase
- b) \$43.00 per month three phase

(3) Security Lighting Rate: \$7.30 per month



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE OF ILLINOIS PUBLIC ACT 85-1142

To the President
and Board of Trustees
Village of Chatham, Illinois

We have examined management's assertion included in its representation letter dated September 12, 2012, that the Village of Chatham, Illinois, complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended April 30, 2012. As discussed in that representation letter, management is responsible for the Village of Chatham, Illinois' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village's compliance based on our examination.

Our examination was made in accordance with the standards established by the American Institute of Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village of Chatham, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village of Chatham, Illinois' compliance with statutory requirements.

In our opinion, management's assertion that the Village of Chatham, Illinois, complied with the aforementioned requirements for the year ended April 30, 2012, is fairly stated in all material respects.

This report is intended solely for the information and use of the Village Board, management and the Illinois Department of Revenue, Illinois State Comptrollers office and the Joint Review Board and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Sikich LLP', written in a cursive, stylized script.

Springfield, Illinois
September 12, 2012

VILLAGE OF CHATHAM, ILLINOIS

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS

Tax Years 2011, 2010, and 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
ASSESSED VALUATION	<u>\$ 208,597,498</u>	<u>\$ 197,979,674</u>	<u>\$ 190,969,341</u>
TAX RATES			
General	0.2139	0.2301	0.2190
Police Pension	0.1561	0.1395	0.1480
I.M.R.F.	0.0479	0.0505	0.0450
Police Protection	<u>0.0475</u>	<u>0.0453</u>	<u>0.0474</u>
	<u>0.4654</u>	<u>0.4654</u>	<u>0.4594</u>
EXTENSIONS			
General	\$ 446,190	\$ 455,551	\$ 418,223
Police Pension	325,621	276,182	282,635
I.M.R.F.	99,918	99,980	85,936
Police Protection	<u>99,084</u>	<u>89,685</u>	<u>90,519</u>
	<u>\$ 970,813</u>	<u>\$ 921,398</u>	<u>\$ 877,313</u>
COLLECTIONS			
General (includes I.M.R.F. and Police Protection)		\$ 644,650	\$ 595,480
Police Pension		<u>275,939</u>	<u>283,016</u>
		<u>\$ 920,589</u>	<u>\$ 878,496</u>
Village share of road and bridge taxes		<u>\$ 58,708</u>	<u>\$ 56,786</u>

Note: The Village does not levy for TIF District property tax collections.

VILLAGE OF CHATHAM, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

Tax Year 2011

Assessed valuation - 2011 levy		<u>\$ 208,597,498</u>
Statutory debt limitation (8.625% of valuation)		\$ 17,991,534
Total debt:		
General obligation bonds	\$ 165,000	
Electric debt certificates	165,000	
Tax increment financing general obligation (alternative revenue source) bonds	470,000	
Electric general obligation (alternative revenue source) bonds	<u>4,190,000</u>	
	4,990,000	
Less debt paid from other sources	<u>(4,825,000)</u>	<u>(165,000)</u>
LEGAL DEBT MARGIN		<u>\$ 17,826,534</u>

See accompanying Independent Auditor's Report.