

# MATHIESON MOYSKI·CELER & Co., LLP

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Certified Public Accountants  
211 South Wheaton Avenue, Suite 300  
Wheaton, IL 60187

January 24, 2014

To the Board of Trustees  
Joseph J. McDonnell, Township School Treasurer

We have audited the financial statements of the governmental activities and the general fund of Joseph J. McDonnell, Township School Treasurer for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 17, 2013. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Joseph J. McDonnell, Township School Treasurer are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the government-wide financial statements was:

Management's estimate of the depreciation provision on capital assets is based on the estimated useful lives of those assets. We evaluated the key factors and assumptions used to develop the depreciation provision on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 10, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information

is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Trustees and management of Joseph J. McDonnell, Township School Treasurer and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Mathieson, Moyski, Celer & Co. LLP".

Mathieson, Moyski, Celer & Co., LLP



JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST,  
COOK COUNTY, ILLINOIS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013

DISTRICT NUMBER 142  
DISTRICT NUMBER 143  
DISTRICT NUMBER 143½  
DISTRICT NUMBER 144  
DISTRICT NUMBER 145  
DISTRICT NUMBER 160  
DISTRICT NUMBER 228  
SOUTHWEST COOK COUNTY  
COOPERATIVE ASSOCIATION  
FOR SPECIAL EDUCATION  
CAREER DEVELOPMENT SYSTEM

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# MATHIESON MOYSKI·CELER & Co., LLP

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Certified Public Accountants  
211 South Wheaton Avenue, Suite 300  
Wheaton, IL 60187

## **Independent Auditors' Report**

Trustees of Schools  
Joseph J. McDonnell, Bremen Township School Treasurer  
Township 36 North, Range 13 East  
Cook County, Illinois

We have audited the accompanying modified-cash basis financial statements of the governmental activities and the General Fund of Joseph J. McDonnell, Bremen Township School Treasurer Township 36 North, Range 13 East (Treasurer), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Treasurer's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified-cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Treasurer's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Treasurer's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the modified-cash basis financial statements referred to above present fairly, in all material respects, the respective modified-cash basis financial position of the governmental activities and the General Fund of the Treasurer, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Treasurer's basic financial statements. The other supplementary information, other information and management's discussion and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, other information and management's discussion and analysis have 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 them.

#### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified-cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Matheson, Mayhew, Allen & Co. LLP*

Wheaton, Illinois  
January 10, 2014



JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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The discussion and analysis of the Bremen Township School Treasurer's financial performance provides an overall review of the School Treasurer's financial activities for the fiscal year ended June 30, 2013. The intent of this management discussion and analysis is to look at the School Treasurer's financial performance as a whole. Readers are encouraged to consider the information presented herein in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of the School Treasurer's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A").

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Bremen Township School Treasurer's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

In order to simplify the presentation of the basic financial statements, the Government-wide financial statements and the Fund financial statements are presented on the same pages, but in separate columns, with a single column between them which bears the heading "Adjustments". The columns on the left which bear the headings "Statement of Net Position" and "Statement of Activities", on pages 10 thru 12, represent the Government-wide financial statements. The columns on the right, which bear the headings "Governmental Fund – General Fund", on pages 10 thru 12, represent the Fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

#### *Government-wide Financial Statements*

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

The Statement of Net Position – Modified Cash Basis presents information on all of the School Treasurer's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School Treasurer is improving or deteriorating.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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The Statement of Activities – Modified Cash Basis presents information showing how the net position of the School Treasurer changed during the fiscal year being reported. Since these financial statements are prepared on the modified cash basis of accounting, except for assets and liabilities which arise from cash transactions and for the recognition of depreciation, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

The government-wide financial statements present the functions of the School Treasurer that are principally supported by intergovernmental revenues (governmental activities). The School Treasurer has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. The School Treasurer's governmental activities include providing investing, accounting and financial reporting services for member school districts.

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School Treasurer uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School Treasurer can be divided into categories: governmental funds and fiduciary funds. The School Treasurer has no proprietary 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 provide a detailed view of the School Treasurer's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School Treasurer's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship (or differences) between governmental activities, reported in the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, and governmental funds is reconciled in the financial statements.

The School Treasurer maintains one individual governmental fund – General Fund, which the School Treasurer considers to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School Treasurer's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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*Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14 of this report.

*Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information – the fiduciary fund activity and financial information for all School Districts within the jurisdiction of the Bremen Township School Treasurer, and other information – the schedule of IMRF funding progress.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School Treasurer, total assets exceeded total liabilities by \$151,092 at June 30, 2013. In comparison, total assets at June 30, 2012 exceeded total liabilities by \$403,964.

**TABLE 1**  
Condensed Statement of Net Position

	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$ 138,264	\$ 386,669
Capital assets	<u>23,380</u>	<u>31,077</u>
Total assets	<u>161,644</u>	<u>417,746</u>
Liabilities	<u>10,552</u>	<u>13,782</u>
Net Position:		
Net investment in capital assets	12,828	31,077
Unrestricted	<u>138,264</u>	<u>372,887</u>
Total net position	<u>\$ 151,092</u>	<u>\$ 403,964</u>

The majority of the School Treasurer's net position reflects cash and investments included in current and other assets. For the year ended June 30, 2013, total current and other assets included undistributed interest earnings of \$57,950 and billings in excess of actual costs to the School Districts of \$73,374. Billings during the year are based on estimated costs that will be incurred in that year; any variance between the estimated and actual costs are billed, or refunded, in the following year. In comparison, total current and other assets at June 30, 2012 included undistributed interest earnings of \$313,215 and billings in excess of actual costs to the School Districts of \$68,263. The decrease in undistributed interest earnings reflects lower interest earnings in the current fiscal year, mainly due to the continued lower interest rate environment.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

The total net position of the School Treasurer for the fiscal year ended June 30, 2013 decreased by \$252,872. Comparatively, for the fiscal year ended June 30, 2012, total net position decreased by \$237,740.

Governmental Activities

The key elements of the change in the School Treasurer's net position for the fiscal years ended June 30, 2013 and 2012 are as follows:

TABLE 2  
Changes in Net Position

	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues	\$ 762,250	\$ 683,098
Other revenues:		
Earnings on Investments	438,156	758,944
Distribution of investment income	<u>(693,420)</u>	<u>(840,767)</u>
Total other revenues	<u>(255,264)</u>	<u>(81,823)</u>
Total revenues	<u>506,986</u>	<u>601,275</u>
Expenditures:		
Support services	752,161	827,316
Depreciation	<u>7,697</u>	<u>11,699</u>
Total expenditures	<u>759,858</u>	<u>839,015</u>
Change in net position	(252,872)	(237,740)
Net position at July 1 <sup>st</sup>	<u>403,964</u>	<u>641,704</u>
Net position at June 30 <sup>th</sup>	<u>\$ 151,092</u>	<u>\$ 403,964</u>

For the fiscal year ended June 30, 2013, the decrease in net position was primarily attributed to the distribution of accumulated interest earnings of \$693,420 in excess of current year interest earnings of \$438,156. This excess resulted from lower interest earnings in the current fiscal year, mainly due to the continued lower interest rate environment.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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Financial Review of Fiscal Year 2013

Short-term interest rates remained at historically low levels throughout the 2013 fiscal year, while longer-term rates experienced relatively significant increases. Although short-term interest rates remained at near-zero percent, longer-term interest rates increased dramatically, causing the yield curve to shift higher beyond the three-year maturity range. Short-term rates are primarily impacted by statements made, and actions taken, by the Federal Reserve. During the fiscal year, the Federal Reserve maintained its stated policy of keeping short-term interest rates low, into 2015 or beyond. Specifically, the FOMC (the policy-making arm of the Federal Reserve) has said it will keep its benchmark rate close to zero, as long as unemployment exceeds 6.5%, and the outlook for inflation is no more than 2.5%. The purpose of such action is to stimulate an economy that has seen little signs of growth over the past several years.

Longer-term interest rates are driven more by perceived economic growth, inflation and global credit demand. While current inflation levels remain low (1.7% CPI in 2012 versus 3.0% CPI in 2011), modest signs of economic growth are signaling the possibility of inflation beginning to increase over the next few years. In an attempt to slow down rising longer-term interest rates, the Federal Reserve has embarked on an aggressive stimulus plan that involves purchasing \$85 billion per month in longer-term U.S. Treasury and Agency securities from the marketplace. The theory goes that, by artificially creating demand, bond prices will increase and interest rate levels will decrease. Many areas of economic growth are closely related to longer-term interest rates. In particular, home mortgage rates, which are closely tied to the ten-year Treasury rate, have a major impact on real estate purchases and new home growth. In order to curb the concern that rising rates will discourage economic growth, the Federal Reserve has embarked on this unprecedented action, in order to keep longer rates low, until the economy has gained sufficient velocity to enjoy long-term stable growth, without artificial assistance.

Most experts are projecting short-term interest rates to remain very low, at the current rates of under 20 basis points (twenty hundredths of one percent). While the unemployment rate is in fact declining, much of it is due to shrinking labor force participation. Even so, the U.S. jobless rate continues to be well below targets established by the Fed. Inflation also remains tame and is projected to remain below the level identified as a concern by the Federal Reserve for the foreseeable future.

Capital Assets

At the end of the fiscal year, the School Treasurer had invested \$23,380 in capital assets, net of depreciation. Depreciation expense for the year was \$7,697. The School Treasurer did not acquire or dispose of any capital assets during the fiscal year ended June 30, 2013. More information about the capital assets can be obtained from Note 3 of the financial statements.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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TABLE 3  
Capital Assets (net of depreciation)

	<u>2013</u>	<u>2012</u>
Equipment & furniture	\$ 23,380	\$ 31,077
Total	<u>\$ 23,380</u>	<u>\$ 31,077</u>
Percentage change vs. prior year	-24.8%	26.1%

Capital Leases

The School Treasurer has entered into an agreement with an unrelated party to lease a Toshiba printer/copier/scanner. The balance of the lease obligation at June 30, 2013 is \$10,552. More information about the capital lease can be obtained from Note 6 of the financial statements.

Factors Bearing on the School Treasurer's Future

The major issue that continues to impact the direction of interest rates on future investments purchased by the pooled funds, managed by the School Treasurer, will be the timing and magnitude of an economic recovery. Interest rate levels will likely not increase until a sustainable economic recovery is achieved. The Federal Reserve has pumped significant money into our economy and has taken action to maintain near-zero interest rates to accomplish this objective. The Federal Reserve is very concerned about the fragile recovery of our economy and seems to be willing to take an active role in ensuring that any growth is not disrupted by their actions, including raising short-term rates or tapering its bond purchase program prematurely.

This concern is evidenced in their decision to delay tapering of bond purchases. The Fed's \$85 billion-a-month bond buying program is one of the last sources of economic stimulus for the Country. In May 2013, Fed Chairman Ben Bernanke made reference to the possibility of tapering down its bond purchases as the economy begins to show economic strength. Although not referencing specific action, the market reacted dramatically and longer-term interest rose much higher. To put the increase in perspective, the five-year Treasury increased from 0.68%, before Bernanke's statement, to 1.40% shortly thereafter. The Federal Reserve was forced to clarify its statement and state that it will maintain the program and delay the tapering, expressing concern that the spike in rates could disrupt the rebound in the housing market. Most experts currently believe that the tapering will begin late in 2014.

As we head into 2014, there are many conflicting indicators to consider and monitor. The strength of both the global and U.S. economies, the policy direction taken by the Federal Reserve and its new Chairperson, Janet Yellen, and political uncertainty and chaos in Washington related to our Country's budget and our debt ceiling, all may play a factor in the direction of interest rates.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013

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Cognizant of the fact that we are still in the midst of an extraordinary time of economic crisis and credit turbulence, we continue our strategy of maintaining liquidity and preserving capital with very low tolerance for risk. Since the spring of 2008, nearly all revenues have been invested at the shorter end of the yield curve and our emphasis has been predominantly on safety and taking advantage of new government guarantees and assurances in making investment decisions. We anticipate that we will continue to keep the portfolio in the shorter end of the yield curve in the near future, as we monitor how the bond markets react to the many challenges facing our economy.

While risk in the credit markets seems to have diminished, we still respect the uncertainty that exists in the near future. We are concerned about the possibility of either an unintended prolonged run of increased inflation and interest rates or, conversely, a double-dip recession and its potential impact on the credit quality of many assets within the fixed income markets. We will continue to strongly weigh all investment decisions towards maximum safety and liquidity, until we are confident in the overall direction of our Federal, State and local economies.

On December 8, 2011, the Governor of Illinois signed into law Public Act 097-0631, which amended Section 5 of the Illinois School Code by adding Section 5-2.2. – Designation of Trustees in Township 36 North, Range 13 East (105 ILCS 5/5-2.2.). The law states that, after the April 5, 2011 Consolidated Election, the Trustees of Schools in Township 36 North, Range 13 East shall no longer be elected. Any trustees elected before this date may complete their elected term, but will not be succeeded by election. Instead, the Board of Education of each of the elementary and high school districts, subject to the jurisdiction of Township 36 North, Range 13 East, shall appoint one of their members to serve as a Trustee of Schools.

The effect of this legislation was to add seven appointed Trustees of Schools to the then current three elected Trustees of Schools. As each of the elected Trustees of Schools terms are set to expire in 2013, 2015 and 2017, the total number of trustees will be reduced by one elected member, until the seven appointed Trustees of Schools remain. During the fiscal year, one of the elected Trustees of Schools term expired and was not succeeded by election. As of June 30, 2013, the Trustees of Schools are comprised of two remaining elected trustees and seven appointed school board members.

#### Requests for Information

This financial report is designed to provide Bremen Township School Treasurer's citizens, taxpayers, and creditors with a general overview of the School Treasurer's finances and to demonstrate the School Treasurer's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Mr. Joseph J. McDonnell at:

Bremen Township School Treasurer  
6109 W. 175<sup>th</sup> Street  
Tinley Park, Illinois 60477

**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS AND STATEMENT OF ASSETS**  
**AND LIABILITIES ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>Statement of Net Position</u>	<u>Adjustments (See Notes)</u>	<u>Governmental Fund General Fund</u>
<b>ASSETS:</b>			
Cash and investments	\$ 132,015	\$ -	\$ 132,015
Due from districts	-	-	-
Prepaid interest on investment purchases	6,249	-	6,249
Capital assets, net of depreciation			
Furniture and equipment	<u>23,380</u>	<u>(23,380)</u>	<u>-</u>
Total assets	<u>\$ 161,644</u>	<u>\$ (23,380)</u>	<u>\$ 138,264</u>
<b>LIABILITIES</b>			
Capital lease payable:			
Due within one year	3,536	(3,536)	-
Due greater than one year	<u>7,016</u>	<u>(7,016)</u>	<u>-</u>
Total liabilities	<u>\$ 10,552</u>	<u>\$ (10,552)</u>	<u>\$ -</u>
<b>NET POSITION / FUND BALANCE:</b>			
Net position:			
Net investment in capital assets	12,828	(12,828)	
Unrestricted	<u>138,264</u>	<u>(138,264)</u>	
Total net position	<u>\$ 151,092</u>	<u>\$ (151,092)</u>	
Fund balance:			
Unassigned		<u>138,264</u>	<u>138,264</u>
Total fund balance		<u>138,264</u>	<u>138,264</u>
Total liabilities and fund balance		<u>\$ (12,828)</u>	<u>\$ 138,264</u>

The accompanying notes are an integral part of this statement.



**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS AND STATEMENT OF REVENUES RECEIVED,**  
**EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	Statement of Activities	Adjustments (See Notes)	Governmental Fund General Fund
<b>EXPENDITURES DISBURSED / EXPENSES:</b>			
Services to Districts / Joint Agreements			
Data processing	\$ 869	\$ -	\$ 869
Depreciation expense	7,697	(7,697)	-
Direct deposit and other bank service charges	10,540	-	10,540
Dues, fees and subscriptions	3,114	-	3,114
Employee training	9,752	-	9,752
Insurance	15,162	-	15,162
Maintenance and repairs	2,987	-	2,987
Office rent	20,100	-	20,100
Office supplies and postage	12,995	-	12,995
Pension contribution and other benefits	224,191	-	224,191
Professional fees	58,435	-	58,435
Publication expenses	6,617	-	6,617
Salaries	369,626	-	369,626
Telephone and communications	7,828	-	7,828
Travel expenses	3,379	-	3,379
Treasurer's surety bond	5,445	-	5,445
Debt service payments:			
Principal	-	3,230	3,230
Interest	1,121	-	1,121
Total expenditures disbursed / expenses	<u>759,858</u>	<u>(4,467)</u>	<u>755,391</u>
<b>REVENUES RECEIVED / PROGRAM REVENUES:</b>			
Charges for Services / Reimbursements Received from:			
Bremen Township School Districts / Joint Agreements	751,050	-	751,050
Midlothian Park District	11,200	-	11,200
Total revenues received / program revenues	<u>762,250</u>	<u>-</u>	<u>762,250</u>
Net program revenue	<u>2,392</u>	<u>4,467</u>	<u>6,859</u>

(cont.)

The accompanying notes are an integral part of this statement.

**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS AND STATEMENT OF REVENUES RECEIVED,**  
**EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	Statement of Activities	Adjustments (See Notes)	Governmental Fund General Fund
<b>INVESTMENT EARNINGS / DISTRIBUTION:</b>			
Earnings on investments	438,156	-	438,156
Distribution of investment income:			
Earned during the six months ended June 30, 2012	(313,215)	-	(313,215)
Earned during the six months ended December 31, 2012	(380,205)	-	(380,205)
Total Net Revenues Received / Expenditures Disbursed from Investment Income on Pooled Funds	(255,264)	-	(255,264)
Change in net position/Net change in fund balance	(252,872)	4,467	(248,405)
<b>NET POSITION / FUND BALANCE:</b>			
Balance at July 1, 2012	403,964	(17,295)	386,669
Balance at June 30, 2013	<u>\$ 151,092</u>	<u>\$ (12,828)</u>	<u>\$ 138,264</u>

The accompanying notes are an integral part of this statement.

**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**STATEMENT OF FIDUCIARY NET POSITION AND LIABILITIES ARISING FROM CASH TRANSACTIONS**  
**JUNE 30, 2013**

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	Agency Funds
<b>ASSETS:</b>	
Cash and investments	\$ 85,691,628
Interfund loans receivable	731,538
Other miscellaneous receivables	<u>28,251</u>
 Total assets	 <u>\$ 86,451,417</u>
<b>LIABILITIES:</b>	
Interfund loans payable	\$ 731,538
Other payable	25,018
Cash overdraft	144,889
Insurance and payroll withholdings	<u>431,403</u>
	<u>1,332,848</u>
 Due to districts	
District Number 142	7,683,885
District Number 143	15,983,385
District Number 143½	6,893,966
District Number 144	4,360,943
District Number 145	7,904,298
District Number 160	7,533,709
District Number 228	29,758,481
Southwest Cook County Cooperative Association for Special Education	4,885,900
Career Development System	109,362
Unallocated	<u>4,640</u>
 Total due to districts	 <u>85,118,569</u>
 Total liabilities	 <u>\$ 86,451,417</u>

The accompanying notes are an integral part of this statement.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
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June 30, 2013

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**NOTE 1. SUMMARY OF ACCOUNTING POLICIES**

The office of Joseph J. McDonnell, Township School Treasurer (the Treasurer), is located in Bremen Township, in southern Cook County, Illinois. The Treasurer's office processes financial transactions and manages the cash and investments of the public school districts and joint agreements located in Bremen Township. Governance is provided by a representative from the school board of each public school district serviced by the Treasurer and two trustees elected by the voters of the Township. As the elected trustees' terms expire, they will not be replaced.

The accompanying financial statements of the Treasurer have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies, consistently applied in the preparation of the accompanying financial statements is described below.

**a. The Reporting Entity**

The Treasurer includes all funds of its governmental operations that are controlled by or dependent upon the Treasurer as determined on a basis of financial accountability. Financial accountability includes appointment of the organization's governing body, imposition of will and fiscal dependency. The accompanying financial statements include only those funds of the Treasurer as there are no other organizations for which it has financial accountability.

As prescribed by Chapter 105, Section 5, Article 8 of the Illinois Compiled Statutes, the Township School Treasurer is the official custodian of funds for, and maintains the accounting records for the following entities:

School District Number 142, Cook County, Illinois  
School District Number 143, Cook County, Illinois  
School District Number 143½, Cook County, Illinois  
School District Number 144, Cook County, Illinois  
School District Number 145, Cook County, Illinois  
School District Number 160, Cook County, Illinois  
School District Number 228, Cook County, Illinois  
Southwest Cook County Cooperative Association for Special Education  
Career Development System

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
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These financial statements reflect only the Treasurer's accountability for the assets and liabilities of those entities under his stewardship as defined by the Illinois Compiled Statutes. These financial statements do not reflect certain assets and liabilities of those entities arising from cash transactions and the revenues received and expenditures disbursed during the year which may not have been turned over to the Treasurer.

**b. Basis of Presentation**

The Treasurer's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-wide Financial Statements (GWFS):**

The statement of net position and the statement of activities display information about the Treasurer as a whole. These statements include the financial activities of the Treasurer, except for fiduciary funds. The effects of interfund activity have been eliminated.

The statement of net position presents the financial condition of the governmental activities of the Treasurer at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Treasurer's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes and other revenues which are not classified as program revenues are presented as general revenues of the Treasurer. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Treasurer.

**2. Fund Financial Statements (FFS):**

The accounts of the Treasurer are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the GWFS. Major individual governmental funds are reported as separate columns in the FFS. The Treasurer reports the following major governmental fund:

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
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The General Fund (Township Distributive Fund) is the Treasurer's primary operating fund. It accounts for all financial resources of the Treasurer, except those required to be accounted for in another fund.

Additionally, the Treasurer reports the following fund types (not included in the GWFS):

The School Districts and Joint Agreement Agency Funds (a fiduciary fund) accounts for assets held on behalf of the public school districts and joint agreements located in the Treasurer's township.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

*Government-wide financial statements*

The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

*Fund financial statements*

Governmental fund financial statements are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting.

*Fiduciary financial statements*

Fiduciary fund reporting focuses on net position and changes in net position. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

*Basis of accounting*

The financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, receipts and disbursements when they result from cash transactions. The basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this basis of accounting, certain assets (such as accounts receivable) and their related revenues and certain liabilities (such as accounts payable) and their related expenditures are not recorded in these financial statements.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
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**d. Investments**

Investments held by the Treasurer which are short-term highly liquid investments having a remaining maturity of one year or less at the time of purchase are reported by the Treasurer at amortized cost. All other investments are reported at fair value. Gains or losses on the sale of investments are recognized upon realization. Unrealized gains and losses are realized for those investments valued at fair value.

**e. Capital Assets**

Capital assets, which include furniture and computer equipment, are reported in the government-wide financial statements. The Treasurer defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture	20
Computer equipment and other	5

**f. Fund Equity**

In the GWFS, net assets are reported as restricted when constraints placed on net position are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Treasurer's policy is to apply restricted net position first.

**g. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
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June 30, 2013

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**NOTE 2. CASH AND INVESTMENTS**

The Township School Treasurer's Office has adopted a formal written investment and cash management policy. The policy provides that available funds be invested to the maximum extent possible at the highest possible rates obtainable at the time of investment in conformance with applicable State statutes and written administrative guidelines. Although current statutes do not require collateralization of deposits and investments in amounts which exceed insurance coverage, the investment policy of the Township School Treasurer's Office does provide for the Township School Treasurer to request collateralization in certain situations. The Township Trustees of Schools approve the financial institutions in which investments are made. Due to the nature of the pooled system, specific investment and related collateralization detail for each individual district is not available.

A summary of cash and investments of the Township School Treasurer at June 30, 2013 is as follows:

		<u>Carrying Amount</u>
Deposits		\$ 58,460,510
Investments		
U.S. Treasury Securities	\$ 2,005,714	
U.S. Government Agency Securities	24,590,478	
Investments in External Investment Pools	<u>621,952</u>	
Total Investments		<u>27,218,144</u>
Total Cash and Investments		<u>\$ 85,678,654</u>

The Treasurer is allowed to invest in securities as authorized by the Illinois Compiled Statutes, Chapter 30, Sections 235/2 and 235/6 (the Public Funds Investment Act); and Chapter 105, Section 5/8-7.

As of June 30, 2013 the Township School Treasurer held the following deposits in his cash and investments pool:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and money market accounts	\$ 21,483,341	\$ 21,533,807
Certificates of deposit	<u>36,977,169</u>	<u>36,977,169</u>
	<u>\$ 58,460,510</u>	<u>\$ 58,510,976</u>



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*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure, the Township School Treasurer's deposits may not be recovered. As of June 30, 2013, all of the bank balance was covered by either FDIC insurance, or by collateral held at a third party financial institution, pledged to the Township School Treasurer.

As of June 30, 2013, the Township School Treasurer held the following investments:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury Securities	\$ 2,005,714	4.74
U.S. Govt. Agency Securities	24,590,478	3.52
External Pools:		
Illinois School District Liquid Asset Fund	368,963	under 6 months
Illinois Institutional Investors Trust	96,365	under 6 months
Morgan Stanley Liquid Asset Fund	77,791	under 6 months
The Illinois Funds Money Market Fund	78,833	under 6 months
Total	<u>\$ 27,218,144</u>	

The weighted average maturity of the Township School Treasurer's cash and investment portfolio as of June 30, 2013 was 1.33 years.

*Interest Rate Risk - Investments.* The formal investment policy of the Township School Treasurer does not limit the investment portfolio to specific maturities. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. Investments are diversified to minimize the risk of loss resulting from overconcentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

The U.S. Government Agency securities include investments in various mortgage-backed securities, such as collateralized mortgage obligations. These securities are based on cash flows from payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. Certain other U.S. Government Agency securities are subject to call features. Accordingly, the timing of future cash flows from such investments and the effective maturities of such investments are based on independent market assumptions.

*Credit Risk - Investments.* State statutes and the formal investment policy of the Township School Treasurer authorize the investment in direct obligations of, or obligations guaranteed by, the United States Treasury or agencies of the United States, and short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000. The Township School Treasurer is also authorized to invest in the Illinois School District Liquid Asset Fund, the Illinois Institutional Investors Trust, and the Illinois Funds Money Market.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
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The investments in U.S. government agency securities, Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal Farm Credit Bank (FFCB), were rated AA+ by Standard and Poor's and Aaa by Moody's. The Illinois School District Liquid Asset Fund, Illinois Institutional Investors Trust, and The Illinois Funds Money Market were all rated AAAm by Standard and Poor's. No rating was available from Standard & Poor's for The Morgan Stanley Liquid Asset Fund.

*Concentration of Credit Risk - Investments.* The formal investment policy of the Township School Treasurer does not limit the amount which may be invested in any one issuer. More than 5% of the Township School Treasurer's investments are in securities issued by the FHLB, FHLMC and FFCB. These investments are 50.33%, 21.57% and 8.89%, respectively, of the Township School Treasurer's investments.

**NOTE 3. CAPITAL ASSETS**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 55,546	\$ -	\$ -	\$ 55,546
Computer equipment	<u>204,779</u>	<u>-</u>	<u>-</u>	<u>204,779</u>
Total capital assets being depreciated	<u>260,325</u>	<u>0</u>	<u>0</u>	<u>260,325</u>
Less accumulated depreciation for:				
Furniture and fixtures	45,512	1,287	-	46,799
Computer equipment	<u>183,736</u>	<u>6,410</u>	<u>-</u>	<u>190,146</u>
Total accumulated depreciation	<u>229,248</u>	<u>7,697</u>	<u>0</u>	<u>236,945</u>
Total capital assets being depreciated, net	<u>31,077</u>	<u>(7,697)</u>	<u>-</u>	<u>23,380</u>
Governmental activity capital assets, net	<u>\$ 31,077</u>	<u>\$ (7,697)</u>	<u>\$ -</u>	<u>\$ 23,380</u>

Depreciation expense is reported on the Statement of Activities – Modified Cash Basis as an expense related to providing services to districts and joint agreements.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2013

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**NOTE 4. RETIREMENT FUND COMMITMENTS**

**Illinois Municipal Retirement Fund:**

*Plan Description.* The Treasurer'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 plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the Treasurer's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires the Treasurer to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2012 used by the employer was 3.98% of annual covered payroll. The Treasurer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For calendar year ending December 31, 2012, the employer's actual contributions for pension cost were \$15,512.

**Three-Year Trend Information for the Regular Plan**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
12/31/12	\$15,512	100%	\$0
12/31/11	17,141	100	0
12/31/10	21,187	100	0

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Notes to Financial Statements  
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The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, included (a) 7.5% 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% 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 Treasurer'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 Treasurer's Regular plan's unfunded actuarial accrued liability at December 31, 2010 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 126.51% funded. The actuarial accrued liability for benefits was \$1,281,492 and the actuarial value of assets was \$1,621,222, resulting in an overfunded actuarial accrued liability (UAAL) of \$339,730. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$389,747. Because the plan is overfunded, there is no ratio of the UAAL to the covered payroll.

The schedule of funding progress, presented as other information 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.

#### **NOTE 5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

##### **Retiree Health Benefit Plan**

The Bremen Township School Treasurer's Office provides limited health care insurance coverage for its eligible retired employees until Medicare eligibility is attained at age 65. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2013, the Township School Treasurer's Office contributed an insignificant amount to the plan.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
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**NOTE 6. CAPITAL LEASES**

The Treasurer has entered into an agreement with an unrelated party to lease equipment. Capital lease obligations at June 30, 2013, and changes for the fiscal year then ended are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Toshiba copier/printer	\$ 13,782	\$ -	\$ 3,230	\$ 10,552

The following presents future minimum lease payments as of June 30, 2013:

Year Ended June 30,	Amount
2014	\$ 4,351
2015	4,351
2016	3,265
	11,967
Less: Interest	1,415
	<u>\$ 10,552</u>

Equipment leased through capital leases included in capital assets at June 30, 2013, include the following:

Computer equipment	\$ 13,573
Less: Accumulated amortization	4,072
Net	<u>\$ 9,501</u>

Amortization of leased equipment is included with depreciation expense.

**NOTE 7. COMMITMENTS / OPERATING LEASE**

Under the terms of the intergovernmental agreement with Bremen Community High School District #228, the Treasurer leases a total of 2,062 square feet of space in the Tinley Park High School building. The current lease was signed on September 20, 2011, and covers the period July 1, 2011 through June 30, 2016.

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TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2013

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Future minimum rentals under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 20,520
2015	21,000
2016	<u>21,420</u>
Total	<u>\$ 62,940</u>

**NOTE 8. INTERGOVERNMENTAL AGREEMENT**

In accordance with an intergovernmental agreement dated January 7, 2013 between the Midlothian, Illinois Park District and the Bremen Township Trustees of Schools, the Township School Treasurer serves as treasurer for the Park District and performs all financial functions of the Park District. The term of the agreement is for one year ending December 31, 2013. A fee of \$11,300 per year is paid in two equal installments on January 1 and July 1, 2013. The fee for the prior year's agreement was \$11,100 per year paid in two equal installments on January 1 and July 1, 2012.

**NOTE 9. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF POSITION AND LIABILITIES ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUND AND THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**

On page 10 of these financial statements, the "total fund balance" in the "governmental fund" column (\$138,264) differs from "total net position" in the "statement of net position" column (\$151,092). The difference (\$12,828) results from the long-term economic focus of the "statement of net position" column versus the current financial resources focus of the "governmental fund" column.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of capital assets	\$ 260,325	
Accumulated depreciation	<u>(236,945)</u>	\$ 23,380

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Capital leases payable	<u>(10,552)</u>
	<u>\$ 12,828</u>

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
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**NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES DISBURSED AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND AND THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

On page 12 of these financial statements, the “net change in fund balance” in the “governmental fund” column (\$248,405) differs from the “change in net position” in the “statement of activities” column (\$252,872). The difference (\$4,467) results from the long-term economic focus of the “statement of activities” column versus the current financial resources focus of the “governmental fund” column.

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$	-	
Depreciation expense		<u>(7,697)</u>	\$ (7,697)

The governmental funds report bond and other debt issuance proceeds as an other financing source, while repayment of principal is reported as an expenditure. The net effect of these differences in the treatment of general obligation bonds, other debt and related items is as follows:

Principal payments of capital lease	<u>3,230</u>	<u>3,230</u>
		<u>\$ (4,467)</u>

**NOTE 11. FUND BALANCES – GOVERNMENTAL FUNDS**

The Treasurer’s fund balances for Governmental Funds are classified as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the use of the modified cash basis of accounting by the Treasurer, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

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**Restricted Fund Balance** – The restricted fund balance classification refers to amounts that are subject to outside restrictions, not controlled by the Treasurer. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Special Revenue Funds are by definition restricted for those specified purposes.

**Committed** – The committed fund balance classification refers to amounts that can only be used for specific purposes as determined by a formal action of the Treasurer's highest level of decision making authority (the Board of Trustees). Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – The assigned fund balance classification refers to amounts that are constrained by the Treasurer's intent to be used for a specific purpose, but are neither restricted nor committed. Intent may be expressed by the Board of Trustees itself or the Board of Trustees may delegate the authority to assign amounts. Currently the Board of Trustees has not delegated the authority.

**Unassigned** – The unassigned fund balance classification is the residual classification for amounts in the General Fund that have not been restricted, committed, or assigned to specific purposes and any deficit fund balances in other funds.

As of June 30, 2013, all of the Treasurer's fund balances were Unassigned.

**NOTE 12. RISK MANAGEMENT**

The Treasurer has purchased insurance from private insurance companies. Risks covered include general liability, workers compensation, and other. Premiums have been reported as expenditures disbursed in appropriate funds.

No material decreases in insurance coverage have occurred nor have any insurance claims in excess of insurance coverage been paid or reported during the last three fiscal years.



## **OTHER SUPPLEMENTARY INFORMATION**

**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**COMBINING SCHEDULE OF ASSETS AND LIABILITIES ARISING FROM**  
**CASH TRANSACTIONS - AGENCY FUNDS**  
**JUNE 30, 2013**

	DISTRICT				
	Forest Ridge #142	Midlothian #143	Posen - Robbins #143½	Prairie-Hills #144	Arbor Park #145
<b>ASSETS:</b>					
Cash and investments:					
Held by township treasurer	\$ 7,708,903	\$ 15,970,925	\$ 7,058,419	\$ 4,757,051	\$ 7,904,298
Held by districts	<u>2,822</u>	<u>16,299</u>	<u>410,002</u>	<u>2,825</u>	<u>8,000</u>
Total Cash and investments	7,711,725	15,987,224	7,468,421	4,759,876	7,912,298
Interfund loans receivable	-	-	481,775	-	-
Other current assets	<u>-</u>	<u>27,929</u>	<u>304</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 7,711,725</b></u>	<u><b>\$ 16,015,153</b></u>	<u><b>\$ 7,950,500</b></u>	<u><b>\$ 4,759,876</b></u>	<u><b>\$ 7,912,298</b></u>
<b>LIABILITIES:</b>					
Interfund loans payable	\$ -	\$ -	\$ 481,775	\$ -	\$ -
Other payable	25,018	-	-	-	-
Cash overdraft	-	-	-	144,889	-
Insurance and payroll withholdings	-	15,469	164,757	251,219	-
Held by districts	2,822	16,299	410,002	2,825	8,000
Due to districts	<u>7,683,885</u>	<u>15,983,385</u>	<u>6,893,966</u>	<u>4,360,943</u>	<u>7,904,298</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 7,711,725</b></u>	<u><b>\$ 16,015,153</b></u>	<u><b>\$ 7,950,500</b></u>	<u><b>\$ 4,759,876</b></u>	<u><b>\$ 7,912,298</b></u>

Country Club Hills #160	Bremen High School #228	DISTRICT		Unallocated	Total
		Southwest Cook County Cooperative	Career Development System		
\$ 7,533,709	\$ 29,758,481	\$ 4,885,882	\$ 109,320	\$ 4,640	\$ 85,691,628
10,000	871,343	4,858	-	-	1,326,149
7,543,709	30,629,824	4,890,740	109,320	4,640	87,017,777
-	249,763	-	-	-	731,538
-	-	18	-	-	28,251
<u>\$ 7,543,709</u>	<u>\$ 30,879,587</u>	<u>\$ 4,890,758</u>	<u>\$ 109,320</u>	<u>\$ 4,640</u>	<u>\$ 87,777,566</u>
\$ -	\$ 249,763	\$ -	\$ -	\$ -	\$ 731,538
-	-	-	-	-	25,018
-	-	-	-	-	144,889
-	-	-	(42)	-	431,403
10,000	871,343	4,858	-	-	1,326,149
<u>7,533,709</u>	<u>29,758,481</u>	<u>4,885,900</u>	<u>109,362</u>	<u>4,640</u>	<u>85,118,569</u>
<u>\$ 7,543,709</u>	<u>\$ 30,879,587</u>	<u>\$ 4,890,758</u>	<u>\$ 109,320</u>	<u>\$ 4,640</u>	<u>\$ 87,777,566</u>

**JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER**  
**TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS**  
**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES ARISING FROM**  
**CASH TRANSACTIONS - AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	DISTRICT			
	Forest Ridge #142	Midlothian #143	Posen - Robbins #143½	Prairie-Hills #144
<b>REVENUES RECEIVED</b>				
Local sources	\$ 9,956,397	\$ 7,518,013	\$ 3,571,203	\$ 12,019,354
Flow-through sources	-	-	146,304	-
State sources	5,269,029	9,750,703	13,550,311	16,163,828
Federal sources	1,130,728	1,563,150	2,243,318	3,283,036
<b>TOTAL DIRECT REVENUES RECEIVED</b>	<b>16,356,154</b>	<b>18,831,866</b>	<b>19,511,136</b>	<b>31,466,218</b>
State on-behalf TRS pension contributions	2,164,525	2,610,240	1,975,228	3,596,012
<b>TOTAL REVENUES RECEIVED</b>	<b>18,520,679</b>	<b>21,442,106</b>	<b>21,486,364</b>	<b>35,062,230</b>
<b>EXPENDITURES DISBURSED</b>				
Instruction	7,305,028	10,057,391	8,129,236	15,892,928
Supporting services	6,185,770	7,539,703	8,514,203	18,536,126
Community services	302,753	112,570	98,757	27,349
Nonprogrammed charges	625,260	1,308,822	1,079,391	1,493,055
Debt service	2,484,801	942,305	1,332,622	1,969,010
<b>TOTAL DIRECT EXPENDITURES DISBURSED</b>	<b>16,903,612</b>	<b>19,960,791</b>	<b>19,154,209</b>	<b>37,918,468</b>
State on-behalf TRS pension contributions	2,164,525	2,610,240	1,975,228	3,596,012
<b>TOTAL EXPENDITURES DISBURSED</b>	<b>19,068,137</b>	<b>22,571,031</b>	<b>21,129,437</b>	<b>41,514,480</b>
Excess of revenues received over (under) expenditures disbursed	(547,458)	(1,128,925)	356,927	(6,452,250)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	825,146	4,085,537	-	-
Interfund transfers in	-	369,366	247,000	2,450,000
Interfund transfers (out)	-	(369,366)	(247,000)	(2,450,000)
Other sources (uses)	(825,146)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>4,085,537</b>	<b>-</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures disbursed and other financing uses	(547,458)	2,956,612	356,927	(6,452,250)
District activity not under Treasurer's authority	177	1	23,222	173
Due to Districts at July 1, 2012	8,231,166	13,026,772	6,513,817	10,813,020
<b>Due to Districts at June 30, 2013</b>	<b>\$ 7,683,885</b>	<b>\$ 15,983,385</b>	<b>\$ 6,893,966</b>	<b>\$ 4,360,943</b>

Arbor Park #145	Country Club Hills #160	Bremen High School #228	Southwest Cook County Cooperative	Career Development System	Unallocated	Total
\$ 9,679,894	\$ 7,221,957	\$ 57,938,541	\$ 16,895,831	\$ 98,852	\$ -	\$124,900,042
-	-	-	6,133,216	1,255,576	-	7,535,096
5,558,631	7,956,894	23,439,020	1,392,192	164,691	-	83,245,299
861,277	1,470,337	2,594,270	1,654,623	53,431	-	14,854,170
16,099,802	16,649,188	83,971,831	26,075,862	1,572,550	-	230,534,607
1,684,506	2,138,809	10,744,787	2,073,916	39,576	-	27,027,599
17,784,308	18,787,997	94,716,618	28,149,778	1,612,126	-	257,562,206
7,237,049	7,962,159	42,501,673	10,142,335	-	-	109,227,799
6,154,701	8,991,877	29,725,454	7,991,465	314,299	-	93,953,598
107,068	61,957	45,252	337	-	-	756,043
285,123	502,454	7,708,099	7,431,449	1,305,478	-	21,739,131
2,336,200	1,049,290	9,794,566	-	-	-	19,908,794
16,120,141	18,567,737	89,775,044	25,565,586	1,619,777	-	245,585,365
1,684,506	2,138,809	10,744,787	2,073,916	39,576	-	27,027,599
17,804,647	20,706,546	100,519,831	27,639,502	1,659,353	-	272,612,964
(20,339)	(1,918,549)	(5,803,213)	510,276	(47,227)	-	(15,050,758)
297,980	-	443,700	-	-	-	5,652,363
100,000	497,000	8,000,000	-	-	-	11,663,366
(100,000)	(497,000)	(8,000,000)	-	-	-	(11,663,366)
-	-	(443,700)	-	-	-	(1,268,846)
297,980	-	-	-	-	-	4,383,517
277,641	(1,918,549)	(5,803,213)	510,276	(47,227)	-	(10,667,241)
(1)	-	(630,009)	442	-	-	(605,995)
7,626,658	9,452,258	36,191,703	4,375,182	156,589	4,640	96,391,805
\$ 7,904,298	\$ 7,533,709	\$ 29,758,481	\$ 4,885,900	\$ 109,362	\$ 4,640	\$ 85,118,569



## **OTHER INFORMATION**

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Other Information  
Schedule of Funding Progress  
June 30, 2013

Illinois Municipal Retirement Fund:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/12	\$ 1,621,222	\$ 1,281,492	\$ (339,730)	126.51%	\$ 389,747	0.00%
12/31/11	1,453,409	1,188,799	(264,610)	122.26	380,062	0.00
12/31/10	1,431,533	1,098,918	(332,615)	130.27	376,991	0.00

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$1,662,554. On a market basis, the funded ratio would be 129.74%.

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