

JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST,  
COOK COUNTY, ILLINOIS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015

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



## TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report on Financial Statements	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis and Statement of Assets and Liabilities Arising from Cash Transactions – Governmental Funds	10
Statement of Activities – Modified Cash Basis and Statement of Revenues Received, Expenditures Disbursed and Changes in Fund Balances – Governmental Funds	11-12
Statement of Fiduciary Net Position and Liabilities Arising from Cash Transactions	13
Notes to the Basic Financial Statements	14-30
SUPPLEMENTARY INFORMATION	
Other Supplementary Information	
Combining Schedule of Assets and Liabilities Arising from Cash Transactions – Agency Funds	31-32
Combining Schedule of Changes in Assets and Liabilities from Cash Transactions – Agency Funds	33-34
Other Information	
Schedule of Changes in Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund	35
Schedule of Contributions – Illinois Municipal Retirement Fund	36
Notes to Other Information	37

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## **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 General Fund of Joseph J. McDonnell, Bremen Township School Treasurer (Treasurer), as of and for the year ended June 30, 2015, 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 modified-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, 2015, 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.

*Mathiasen, Mospki, Austin & Co. LLP*

Wheaton, Illinois  
January 28, 2016

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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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, 2015. 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 is 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, 2015

---

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 generally accepted accounting principles requires 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, 2015

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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 related to the Illinois Municipal Retirement Fund.

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 \$400,183 at June 30, 2015. In comparison, total assets at June 30, 2014 exceeded total liabilities by \$401,798.

TABLE 1  
Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$ 381,512	\$ 391,370
Capital assets	<u>21,815</u>	<u>17,444</u>
Total assets	<u>403,327</u>	<u>408,814</u>
Liabilities	<u>3,144</u>	<u>7,016</u>
Net Position:		
Net investment in capital assets	18,671	10,428
Unrestricted	<u>381,512</u>	<u>391,370</u>
Total net position	<u>\$ 400,183</u>	<u>\$ 401,798</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, 2015, total current and other assets included undistributed interest earnings of \$274,362 and billings in excess of actual costs to the School Districts of \$100,209. 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, 2014 included undistributed interest earnings of \$342,409 and billings in excess of actual costs to the School Districts of \$42,023. The decrease in undistributed interest earnings reflects lower interest earnings in the last half of 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, 2015

The total net position of the School Treasurer for the fiscal year ended June 30, 2015 decreased by \$1,615. Comparatively, for the fiscal year ended June 30, 2014, total net position increased by \$250,706.

Governmental Activities

The key elements of the change in the School Treasurer's net position for the fiscal years ended June 30, 2015 and 2014 are as follows:

TABLE 2  
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues	\$ 873,795	\$ 736,442
Other revenues:		
Earnings on Investments	643,471	578,994
Distribution of investment income	<u>(711,517)</u>	<u>(294,539)</u>
Total other revenues	<u>(68,046)</u>	<u>284,455</u>
Total revenues	<u>805,749</u>	<u>1,020,897</u>
Expenditures:		
Support services	801,475	763,434
Depreciation	<u>5,889</u>	<u>6,757</u>
Total expenditures	<u>807,364</u>	<u>770,191</u>
Change in net position	(1,615)	250,706
Net position at July 1 <sup>st</sup>	<u>401,798</u>	<u>151,092</u>
Net position at June 30 <sup>th</sup>	<u>\$ 400,183</u>	<u>\$ 401,798</u>

For the fiscal year ended June 30, 2015, the decrease in net position was primarily attributed to the distribution of accumulated interest earnings of \$711,517 in excess of current year interest earnings of \$643,471. This excess resulted from lower interest earnings in the last half of the current fiscal year, mainly due to a 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, 2015

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Financial Review of Fiscal Year 2015

Throughout fiscal year 2015, volatility in interest rates has been rooted in a phantom rate hike from the Federal Reserve, which has been giving indications that they were on the verge of raising rates for the first time since 2006. The rapidly changing belief, back and forth, on whether, when and at what magnitude this rate increase would occur, has caused ripple effects throughout global financial markets. Examples of this volatility on interest rates can be seen with the movement in five-year Treasury Notes. Growing skepticism on the belief that the Fed would take action to raise rates at the end of 2014 or early 2015, resulted in the yield on the five-year Treasury decreasing from 1.66% in July 2014 to 1.18% in January 2015. As expectations then changed towards a likely rate hike, the five-year Treasury yield rose to 1.80% in June 2015.

Despite great volatility during the fiscal year, the Treasury yield curve ended the year at similar levels as they began the fiscal year. The yield on U.S. Treasury securities maturing in less than one year, remained at near zero percent levels. Investors would have had to invest out beyond three years to get a yield of over 1%, and approximately seven years to obtain a yield in excess of 2%. For the fiscal year, the three-year Treasury note increased 14 basis points from 0.87% to 1.01%, yields on the ten-year Treasury note decreased 18 basis points, from 2.53% to 2.35%, and yields on the thirty-year Treasury bond decreased 25 basis points, from 3.36% to 3.11%.

Over the past fiscal year, we have continued to maintain a significant position in the shorter end of the yield curve, due to the uncertainty in market risk and revenue collections, from the State, to the school districts. We continue to maintain a significant percentage of the portfolio maturing in under one year. This is mainly due to cash flow needs, resulting primarily from delays in State funding and the timing of real estate tax revenues in Cook County. From a cash flow perspective, we need to ensure that sufficient funds are available to meet school district cash flow needs, with the understanding that there exists many cash flow uncertainties to school districts. In fact, the revenue stream from State and local sources is as uncertain as ever.

Although funds received by this office must be invested to meet short-term cash flow needs, we have a portfolio that gives us the opportunity to consider current interest rate conditions, yield curves and interest rate trends in determining the overall desired duration of the portfolio. As of June 30, 2015, these indicators implied the use of a more liquid portfolio, which would afford us more flexibility in implementing our investment strategy. As such, we have slightly increased investments within the one to three year duration range, in order to capture rising interest rate levels in these maturity ranges. There was a slight decrease in longer duration ranges above three years, which reflected several bond investments being called, in addition to principal payments on investments. The weighted average maturity of the portfolio was 0.89 years on June 30, 2015, as compared to 0.83 years on June 30, 2014.

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

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TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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end of the yield curve in the near future, as we monitor how the bond markets react to the many challenges facing our economy.

#### Capital Assets

At the end of the fiscal year, the School Treasurer had invested \$21,815 in capital assets, net of depreciation. Depreciation expense for the year was \$5,889. During the fiscal year ended June 30, 2015, the School Treasurer added \$10,260 in capital assets and disposed of some fully depreciated capital assets, which did not have an impact on capital assets, net of depreciation. More information about the capital assets can be obtained from Note 3 of the financial statements.

TABLE 3  
Capital Assets (net of depreciation)

	<u>2015</u>	<u>2014</u>
Equipment & furniture	\$ 21,815	\$ 17,444
Total	<u>\$ 21,815</u>	<u>\$ 17,444</u>
Percentage change vs. prior year	25.1%	-25.4%

#### 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, 2015 is \$3,144. 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, and managed by the School Treasurer, will be the timing and magnitude of an economic recovery. Statements made and actions taken by the Federal Reserve primarily impact short and intermediate term rates, and subsequently the yield on our pooled investments. It is therefore relevant to monitor and assess both actions and inaction taken by the Fed.

The major objectives of the Federal Reserve, when making policy, are to maximize employment while keeping a lid on inflation. The Fed's objective is an unemployment rate of between 5% and 5.2%, with inflation levels in the range of 2%. Although the unemployment rate has reached desired levels, inflation continues to be significantly below targeted levels, reducing the urgency to raise rates. With the lack of urgency generated from little inflation, the Fed has determined its desired course of action to be cautious on taking any action that can adversely impact what it perceives to be an improving but vulnerable economy.

Although there is good news about U.S. consumers and the economy, it comes at a time when the rest of the global economy is not doing so well. Risks to the economic outlook

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015

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continue to come from outside the United States. Sluggish performance in the Eurozone and moderating growth in China are two primary concerns. Current focus within the Eurozone center around the potential for economically damaging deflation throughout Europe. Economic reports from China continue to be disappointing, and there is concern about China's ability to navigate through economic rebalancing without adversely affecting its growth trajectory and employment conditions. Heightened geopolitical risks will also weigh on economic growth and interest rate direction. Tensions from Ukraine to Syria to Iraq to Russia have added to a flight-to-quality trade, furthering demand for U.S. Treasuries.

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 possible effects of unforeseen events on our economy and our 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.

Most experts are projecting short-term interest rates to remain very low, for at least the near future, with the first increase in the Fed Funds rate occurring in late 2015 or early 2016. Long-term interest rates are more uncertain, as the key risks stated above can dramatically change the direction of these rates, at least in the short run. The traditional factors that would lead to an extended period of rising interest rates, which include economic growth and rising inflation, do not seem to be of major concern at this present time.

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 May of 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 terms expired and the remaining elected trustee had resigned. Therefore, none of the elected Trustees of Schools remain. As of June 30, 2015, the Trustees of Schools are comprised of 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, 2015**

	Statement of Net Position	Adjustments (See Notes)	Governmental Fund General Fund
<b>ASSETS:</b>			
Cash and investments	\$ 369,063	\$ -	\$ 369,063
Due from districts	9,880	-	9,880
Prepaid interest on investment purchases	2,569	-	2,569
Capital assets, net of depreciation			
Furniture and equipment	<u>21,815</u>	<u>(21,815)</u>	<u>-</u>
Total assets	<u>\$ 403,327</u>	<u>\$ (21,815)</u>	<u>\$ 381,512</u>
<b>LIABILITIES:</b>			
Capital lease payable:			
Due within one year	<u>3,144</u>	<u>(3,144)</u>	<u>-</u>
Total liabilities	<u>\$ 3,144</u>	<u>\$ (3,144)</u>	<u>\$ -</u>
<b>NET POSITION / FUND BALANCE:</b>			
Net position:			
Net investment in capital assets	18,671	(18,671)	
Unrestricted	<u>381,512</u>	<u>(381,512)</u>	
Total net position	<u>\$ 400,183</u>	<u>\$ (400,183)</u>	
Fund balance:			
Unassigned		<u>381,512</u>	<u>381,512</u>
Total fund balance		<u>(18,671)</u>	<u>381,512</u>
Total liabilities and fund balance		<u>\$ (21,815)</u>	<u>\$ 381,512</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, 2015**

	Statement of	Adjustments	Governmental Fund General Fund
	Activities	(See Notes)	
<b>EXPENDITURES DISBURSED / EXPENSES:</b>			
Services to Districts / Joint Agreements			
Depreciation expense	\$ 5,889	\$ (5,889)	\$ -
Direct deposit and other bank service charges	11,855	-	11,855
Dues, fees and subscriptions	2,611	-	2,611
Equipment	-	10,260	10,260
Insurance	9,070	-	9,070
Maintenance and repairs	2,895	-	2,895
Office rent	21,000	-	21,000
Office supplies and postage	14,090	-	14,090
Pension contribution and other benefits	224,170	-	224,170
Professional fees	56,701	-	56,701
Publication expenses	7,107	-	7,107
Salaries	436,550	-	436,550
Telephone and communications	5,499	-	5,499
Travel expenses	3,304	-	3,304
Treasurer's surety bond	6,144	-	6,144
Debt service payments:			
Principal	-	3,872	3,872
Interest	479	-	479
Total expenditures disbursed / expenses	<u>807,364</u>	<u>8,243</u>	<u>815,607</u>
<b>REVENUES RECEIVED / PROGRAM REVENUES:</b>			
Charges for Services / Reimbursements Received from:			
Bremen Township School Districts / Joint Agreements	859,495	-	859,495
Midlothian Park District	<u>14,300</u>	<u>-</u>	<u>14,300</u>
Total revenues received / program revenues	<u>873,795</u>	<u>-</u>	<u>873,795</u>
Net program revenue (expense)	<u>66,431</u>	<u>(8,243)</u>	<u>58,188</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, 2015**

	Statement of Activities	Adjustments (See Notes)	Governmental Fund General Fund
<b>INVESTMENT EARNINGS / DISTRIBUTION:</b>			
Earnings on investments	643,471	-	643,471
Distribution of investment income:			
Earned during the six months ended June 30, 2014	(342,409)	-	(342,409)
Earned during the six months ended December 31, 2014	<u>(369,108)</u>	<u>-</u>	<u>(369,108)</u>
Total Net Revenues Received / Expenditures Disbursed from Investment Income on Pooled Funds	<u>(68,046)</u>	<u>-</u>	<u>(68,046)</u>
Change in net position/Net change in fund balance	(1,615)	(8,243)	(9,858)
<b>NET POSITION / FUND BALANCE:</b>			
Balance at July 1, 2014	<u>401,798</u>	<u>(10,428)</u>	<u>391,370</u>
Balance at June 30, 2015	<u>\$ 400,183</u>	<u>\$ (18,671)</u>	<u>\$ 381,512</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, 2015**

	Agency Funds
<b>ASSETS:</b>	
Cash and investments	\$ 126,022,888
Interfund loans receivable	685,157
Other current assets	<u>267,077</u>
Total assets	<u>\$ 126,975,122</u>
<b>LIABILITIES:</b>	
Interfund loans payable	\$ 685,157
Insurance and payroll withholdings	<u>44,199</u>
	<u>729,356</u>
Due to districts	
District Number 142	9,624,069
District Number 143	13,699,693
District Number 143½	12,137,809
District Number 144	11,716,851
District Number 145	9,327,504
District Number 160	6,350,569
District Number 228	58,778,358
Southwest Cook County Cooperative Association for Special Education	4,577,847
Career Development System	28,426
Unallocated	<u>4,640</u>
Total due to districts	<u>126,245,766</u>
Total liabilities	<u>\$ 126,975,122</u>

The accompanying notes are an integral part of this statement.



## **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.

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  
Notes to Financial Statements  
June 30, 2015

---

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  
Notes to Financial Statements  
June 30, 2015

---

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, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition,

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

Notes to Financial Statements

June 30, 2015

---

other economic assets, deferred outflows, liabilities and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

**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 position is 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  
Notes to Financial Statements  
June 30, 2015

---

**h. New Accounting Pronouncements**

During the current year, the Treasurer implemented *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions*, as amended by *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date* pertaining to the Treasurer's participation in the Illinois Municipal Retirement Fund (IMRF)

**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, 2015 is as follows:

	<u>Carrying Amount</u>
Deposits	\$ 90,534,487
Cash on Hand	100
Investments:	
U.S. Treasury Securities	\$ 2,918,454
U.S. Government Agency Securities:	
Federal Home Loan Bank Notes	5,559,914
Federal Home Loan Mortgage Corp. Notes	19,007,332
Federal Farm Credit Bank	2,995,090
Government National Mortgage Assoc. Notes	592,613
Investments in External Investment Pools	<u>4,783,961</u>
Total Investments	<u>35,857,364</u>
 Total Cash and Investments	 <u>\$ 126,391,951</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.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

As of June 30, 2015 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	\$ 26,857,804	\$ 25,621,811
Certificates of deposit	<u>63,676,683</u>	<u>63,676,683</u>
	<u>\$ 90,534,487</u>	<u>\$ 89,298,494</u>

*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, 2015, 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, 2015, 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	\$ 2,918,454	5.04
U.S. Govt. Agency Securities:		
Federal Home Loan Bank Notes	5,559,914	2.01
Federal Home Loan Mortgage Corp. Notes	19,007,332	2.86
Federal Farm Credit Bank Notes	2,995,090	0.70
Government National Mortgage Assoc. Notes	592,613	3.17
External Pools:		
Illinois School District Liquid Asset Fund	1,322,147	under 6 months
Illinois Institutional Investors Trust	29,053	under 6 months
Morgan Stanley Liquid Asset Fund	74,938	under 6 months
The Illinois Funds Money Market Fund	<u>3,357,823</u>	under 6 months
Total	<u>\$ 35,857,364</u>	

The weighted average maturity of the Township School Treasurer's cash and investment portfolio as of June 30, 2015 was 0.89 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

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

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.

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. The Township School Treasurer held investments greater than 5% of total investments in the following: US Treasury Notes of 8.1%, FHLB of 15.5%, FHLMC of 53.0%, and FFCB of 8.4%.

**NOTE 3. CAPITAL ASSETS**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<u>Governmental activities:</u>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 56,027	\$ 3,350	\$ 5,300	\$ 54,077
Computer equipment	<u>204,779</u>	<u>6,910</u>	<u>18,965</u>	<u>192,724</u>
Total capital assets being depreciated	<u>260,806</u>	<u>10,260</u>	<u>24,265</u>	<u>246,801</u>
Less accumulated depreciation for:				
Furniture and fixtures	47,863	1,428	5,300	43,991
Computer equipment	<u>195,499</u>	<u>4,461</u>	<u>18,965</u>	<u>180,995</u>
Total accumulated depreciation	<u>243,362</u>	<u>5,889</u>	<u>24,265</u>	<u>224,986</u>
Total capital assets being depreciated, net	<u>17,444</u>	<u>4,371</u>	<u>-</u>	<u>21,815</u>
Governmental activity capital assets, net	<u>\$ 17,444</u>	<u>\$ 4,371</u>	<u>\$ -</u>	<u>\$ 21,815</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.

#### **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 Treasurer's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section below. Details of all benefits are available from IMRF. 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 Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at [www.imrf.org](http://www.imrf.org).

*Benefits Provided:* IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP). The Sheriff's Law Enforcement Personnel (SLEP) plan is for sheriffs, deputy sheriffs, and selected police chiefs. Counties could adopt the Elected County Official (ECO) plan for officials elected prior to August 8, 2011 (the ECO plan was closed to new participants after that date).

All three IMRF benefit plans have two tiers. Employees hired before January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1 every year after retirement.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3% of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96.



JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

---

Under Tier 2, the pension is increased on January 1 every year after retirement, upon reaching age 67, by the lesser of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

*Employees Covered by Benefit Terms:* At December 31, 2014, the number of Treasurer employees covered by IMRF were:

Active members	6
Retirees and beneficiaries	5
Inactive, non-retired members	<u>1</u>
Total	<u>12</u>

*Contributions:* As set by statute, the Treasurer's regular plan members are required to contribute 4.5% 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 2014 was 3.46% 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. Required contributions were \$14,705 and actual contributions were \$14,703, or 100% of required contributions.

*Net Pension Liability:* The Treasurer's net pension liability was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

*Actuarial Assumptions:* The following are the methods and assumptions used to determine the Total Pension Liability at December 31, 2014:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	3.5%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based Table of Rates that are specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, the IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience.
Disabled Retirees	For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives.
Active Members	For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

---

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Approximate Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.0%	7.6%
International equity	17.0	7.8
Fixed income	27.0	3.0
Real estate	8.0	6.15
Alternative investments	9.0	5.25-8.50
Cash equivalents	1.0	2.25

*Single Discount Rate:* A Single Discount Rate of 7.50% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects: (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.56%; and the resulting single discount rate is 7.50%.

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

*Changes in the Treasurer's Net Pension Liability:* Changes in the Treasurer's Net Pension Liability for the year ended December 31, 2014 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance, December 31, 2013	\$ 1,991,392	\$ 2,690,347	\$ (698,955)
Charges for the year:			
Service cost	47,705	-	47,705
Interest	148,791	-	148,791
Difference between expected and actual experience	(171,375)	-	(171,375)
Changes in assumptions	84,329	-	84,329
Net investment income	-	163,229	(163,229)
Contributions – employees	-	19,124	(19,124)
Contributions – employers	-	14,703	(14,703)
Benefit payments including refunds of employee contributions	(62,736)	(62,736)	-
Administrative expenses	-	-	-
Other changes	-	(130,274)	130,274
Net changes	46,714	4,046	42,668
Balance, December 31, 2014	\$ 2,038,106	\$ 2,694,393	\$ (656,287)

*Sensitivity of the Net Pension Liability to Changes in the Single Discount Rate:* The following presents the Net Pension Liability calculated using the single discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a single discount rate that is 1% higher and lower:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.50%	\$ (394,968)
Current discount rate	7.50	(656,287)
1% increase	8.50	(875,346)

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

*Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2015, the Treasurer recognized pension expense of \$94,381. At June 30, 2015, the Treasurer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Net Deferred Outflows / (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 124,175	\$ (124,175)
Changes of assumptions	61,103	-	61,103
Net difference between projected and actual earnings on Plan investments	<u>26,062</u>	<u>-</u>	<u>26,062</u>
Total	<u>\$ 87,165</u>	<u>\$ 124,175</u>	<u>\$ (37,010)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	Net Deferred Outflows (Inflows)
2015	\$ (17,458)
2016	(17,458)
2017	(8,607)
2018	<u>6,513</u>
Total	<u>\$ (37,010)</u>

**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, 2015, 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  
Notes to Financial Statements  
June 30, 2015

**NOTE 6. CAPITAL LEASES**

The Treasurer has entered into an agreement with an unrelated party to lease equipment. Capital lease obligations at June 30, 2015, and changes for the fiscal year then ended are as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Toshiba copier/printer	\$ 7,016	\$ -	\$ 3,872	\$ 3,144

The following presents future minimum lease payments as of June 30, 2015:

Year Ended June 30, 2016	Amount
	\$ 3,264
Less: Interest	120
	<u>\$ 3,144</u>

Equipment leased through capital leases included in capital assets at June 30, 2015, include the following:

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

Future minimum rentals under the lease agreement are as follows:

Year Ending June 30, 2016	Amount
	<u>\$ 21,420</u>

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

---

**NOTE 8. INTERGOVERNMENTAL AGREEMENT**

In accordance with an intergovernmental agreement dated October 23, 2014 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 October 31, 2015. A fee of \$15,300 per year is paid in two equal installments on January 15 and July 15, 2015. The fee for the prior year's agreement was \$13,300 per year paid in two equal installments on January 15 and July 15, 2014.

**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 (\$381,512) differs from “total net position” in the “statement of net position” column (\$400,183). The difference (\$18,671) 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	\$ 246,801	
Accumulated depreciation	<u>(224,986)</u>	\$ 21,815

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>(3,144)</u>
	<u>\$ 18,671</u>

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

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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 (\$9,858) differs from the “change in net position” in the “statement of activities” column (\$1,615). The difference (\$8,243) 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	\$ (10,260)	
Depreciation expense	<u>5,889</u>	\$ (4,371)

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>(3,872)</u>	<u>(3,872)</u>
		<u>\$ (8,243)</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.

**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.



JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
Notes to Financial Statements  
June 30, 2015

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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, 2015, 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**

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**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, 2015**

	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	\$ 9,624,069	\$ 13,488,757	\$ 12,181,704	\$ 11,661,014	\$ 9,327,504
Held by districts	<u>1,886</u>	<u>16,300</u>	<u>11,000</u>	<u>829</u>	<u>8,005</u>
Total Cash and investments	9,625,955	13,505,057	12,192,704	11,661,843	9,335,509
Interfund loans receivable	-	-	685,157	-	-
Other current assets	<u>-</u>	<u>210,936</u>	<u>304</u>	<u>55,837</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,625,955</u>	<u>\$ 13,715,993</u>	<u>\$ 12,878,165</u>	<u>\$ 11,717,680</u>	<u>\$ 9,335,509</u>
<b>LIABILITIES:</b>					
Interfund loans payable	\$ -	\$ -	\$ 685,157	\$ -	\$ -
Insurance and payroll withholdings	-	-	44,199	-	-
Held by districts	1,886	16,300	11,000	829	8,005
Due to districts	<u>9,624,069</u>	<u>13,699,693</u>	<u>12,137,809</u>	<u>11,716,851</u>	<u>9,327,504</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 9,625,955</u>	<u>\$ 13,715,993</u>	<u>\$ 12,878,165</u>	<u>\$ 11,717,680</u>	<u>\$ 9,335,509</u>

DISTRICT					
Country Club Hills #160	Bremen High School #228	Southwest Cook County Cooperative	Career Development System	Unallocated	Total
\$ 6,350,569	\$ 58,778,358	\$ 4,577,847	\$ 28,426	\$ 4,640	\$ 126,022,888
10,003	1,122,499	3,533	-	-	1,174,055
6,360,572	59,900,857	4,581,380	28,426	4,640	127,196,943
-	-	-	-	-	685,157
-	-	-	-	-	267,077
<u>\$ 6,360,572</u>	<u>\$ 59,900,857</u>	<u>\$ 4,581,380</u>	<u>\$ 28,426</u>	<u>\$ 4,640</u>	<u>\$ 128,149,177</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 685,157
-	-	-	-	-	44,199
10,003	1,122,499	3,533	-	-	1,174,055
6,350,569	58,778,358	4,577,847	28,426	4,640	126,245,766
<u>\$ 6,360,572</u>	<u>\$ 59,900,857</u>	<u>\$ 4,581,380</u>	<u>\$ 28,426</u>	<u>\$ 4,640</u>	<u>\$ 128,149,177</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, 2015**

	DISTRICT			
	Forest Ridge #142	Midlothian #143	Posen - Robbins #143½	Prairie-Hills #144
REVENUES RECEIVED				
Local sources	\$ 10,312,455	\$ 7,640,245	\$ 3,504,019	\$ 12,782,588
Flow-through sources	-	-	-	-
State sources	4,066,245	9,066,076	12,805,334	14,520,541
Federal sources	1,117,812	1,825,949	2,152,636	3,967,577
TOTAL DIRECT REVENUES RECEIVED	15,496,512	18,532,270	18,461,989	31,270,706
State on-behalf TRS pension contributions	2,303,655	4,699,413	3,376,615	6,290,733
TOTAL REVENUES RECEIVED	17,800,167	23,231,683	21,838,604	37,561,439
EXPENDITURES DISBURSED				
Instruction	4,272,892	9,590,951	8,167,733	12,945,497
Supporting services	6,441,816	8,049,029	8,940,263	14,542,196
Community services	199,423	119,672	116,097	46,274
Nonprogrammed charges	2,831,003	1,258,089	824,914	1,061,112
Debt service	2,007,713	875,975	1,116,384	2,291,712
TOTAL DIRECT EXPENDITURES DISBURSED	15,752,847	19,893,716	19,165,391	30,886,791
State on-behalf TRS pension contributions	2,303,655	4,699,413	3,376,615	6,290,733
TOTAL EXPENDITURES DISBURSED	18,056,502	24,593,129	22,542,006	37,177,524
Excess of revenues received over (under) expenditures disbursed	(256,335)	(1,361,446)	(703,402)	383,915
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	2,225,000	-	-	-
Interfund transfers in	545,062	219,015	-	140,899
Interfund transfers (out)	(545,062)	(219,015)	-	(140,899)
Other sources (uses)	(25,561)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,199,439	-	-	-
Excess of revenues and other financing sources over (under) expenditures disbursed and other financing uses	1,943,104	(1,361,446)	(703,402)	383,915
District activity not under Treasurer's authority	1,114	15	374,001	681
Due to Districts at July 1, 2014	7,679,851	15,061,124	12,467,210	11,332,255
Due to Districts at June 30, 2015	\$ 9,624,069	\$ 13,699,693	\$ 12,137,809	\$ 11,716,851

Arbor Park #145	Country Club Hills #160	Bremen High School #228	Southwest Cook County Cooperative	Career Development System	Unallocated	Total
\$ 9,996,065	\$ 7,618,979	\$ 59,867,550	\$ 17,619,818	\$ 74,564		\$ 129,416,283
-	-	-	5,605,884	1,202,156	-	6,808,040
5,092,725	6,868,965	21,365,617	974,545	163,890	-	74,923,938
966,154	1,273,429	2,428,606	1,089,369	40,879	-	14,862,411
16,054,944	15,761,373	83,661,773	25,289,616	1,481,489	-	226,010,672
3,077,871	3,464,090	19,066,305	3,638,627	72,983	-	45,990,292
19,132,815	19,225,463	102,728,078	28,928,243	1,554,472	-	272,000,964
7,079,070	6,940,088	41,937,929	11,147,899	-	-	102,082,059
6,781,883	8,185,518	29,032,004	9,439,624	276,485	-	91,688,818
138,305	8,284	53,101	652	-	-	681,808
638,655	707,263	7,089,140	5,626,377	1,269,670	-	21,306,223
2,362,576	1,002,336	9,692,200	-	-	-	19,348,896
17,000,489	16,843,489	87,804,374	26,214,552	1,546,155	-	235,107,804
3,077,871	3,464,090	19,066,305	3,638,627	72,983	-	45,990,292
20,078,360	20,307,579	106,870,679	29,853,179	1,619,138	-	281,098,096
(945,545)	(1,082,116)	(4,142,601)	(924,936)	(64,666)	-	(9,097,132)
1,500,467	-	-	-	-	-	3,725,467
647,716	150,000	6,000,000	-	-	-	7,702,692
(647,716)	(150,000)	(6,000,000)	-	-	-	(7,702,692)
446,505	-	13,400	-	-	-	434,344
1,946,972	-	13,400	-	-	-	4,159,811
1,001,427	(1,082,116)	(4,129,201)	(924,936)	(64,666)	-	(4,937,321)
(7)	(1)	(128,295)	(74)	-	-	247,434
8,326,084	7,432,686	63,035,854	5,502,857	93,092	4,640	130,935,653
\$ 9,327,504	\$ 6,350,569	\$ 58,778,358	\$ 4,577,847	\$ 28,426	\$ 4,640	\$ 126,245,766

## **OTHER INFORMATION**



JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
JUNE 30, 2015

Calendar year ending December 31,	<u>2014</u>
<u>Total pension liability:</u>	
Service cost	\$ 47,705
Interest on the total pension liability	148,791
Benefit changes	-
Difference between expected and actual experience	(171,375)
Assumption changes	84,329
Benefit payments and refunds	<u>(62,736)</u>
Net change in total pension liability	46,714
Total pension liability, beginning	<u>1,991,392</u>
Total pension liability, ending	<u>\$ 2,038,106</u>
 <u>Plan fiduciary net position</u>	
Employer contributions	\$ 14,703
Employee contributions	19,124
Pension plan net investment income	163,229
Benefit payments and refunds	(62,736)
Other	<u>(130,274)</u>
Net change in plan fiduciary net position	4,046
Plan fiduciary net position, beginning	<u>2,690,347</u>
Plan fiduciary net position, ending	<u>\$ 2,694,393</u>
 Net pension liability/(asset), ending	 <u>\$ (656,287)</u>
 Plan fiduciary net position as a percentage of total pension liability	 <u>132.20%</u>
 Covered valuation payroll	 <u>\$ 424,982</u>
 Net pension liability as a percentage of covered valuation payroll	 <u>-154.43%</u>

JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
SCHEDULE OF CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND  
JUNE 30, 2015

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Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Valuation Payroll	Actual Contribution as a % of Covered Valuation Payroll
2014	\$ 14,705	\$ 14,703	\$ 2	\$ 424,982	3.46%

JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER  
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS  
NOTES TO OTHER INFORMATION  
JUNE 30, 2015

**NOTE 1. SCHEDULE OF CONTRIBUTIONS – ILLINOIS MUNICIPAL RETIREMENT FUND:**

The following describes the summary of actuarial methods and assumptions used in the calculation of the 2014 contribution rate:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies: 29-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage Growth	4.00%
Price Inflation	3.0% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men 120% of the table rates were used. For women 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.
Valuation Date	Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.
Other Information	There were no benefit changes during the year.

\*Based on Valuation Assumptions used in the December 31, 2012, actuarial valuation; note two year lag between valuation and rate setting.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years for which information is available.

