

JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER
TOWNSHIP 36 NORTH, RANGE 13 EAST,
COOK COUNTY, ILLINOIS
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011

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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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and fund information, which collectively comprise the basic financial statements of Joseph J. McDonnell, Township School Treasurer, Township 36 North, Range 13 East, Cook County, Illinois, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Township School Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, these basic financial statements were prepared on the modified cash basis, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and funds of Joseph J. McDonnell, Township School Treasurer, Township 36 North, Range 13 East, Cook County, Illinois, as of June 30, 2011, and the respective changes in financial position of those activities and funds –modified cash basis thereof for the year then ended on the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the historical pension information on pages 3 through 8, and page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed as "Other Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mathison, Mayhew, Cole & Co. LLP

February 16, 2012

JOSEPH J. McDONNELL, TOWNSHIP SCHOOL TREASURER
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 Assets" and "Statement of Activities", on pages 9 and 10 respectively, represent the Government-wide financial statements. The columns on the right, which bear the headings "Governmental Fund – General Fund" on pages 9 and 10 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 Assets – Modified Cash Basis presents information on all of the School Treasurer's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School Treasurer is improving or deteriorating.

The Statement of Activities – Modified Cash Basis presents information showing how the net assets 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

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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 Assets – 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.

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 12 of this report.

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Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information – the schedule of IMRF funding progress on page 24 and other supplementary information - the fiduciary fund activity and financial information for all School Districts within the jurisdiction of the Bremen Township School Treasurer on pages 25 and 26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$617,055 at June 30, 2011. In comparison, total assets at June 30, 2010 exceeded total liabilities by \$604,891.

TABLE 1
Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Assets:		
Current and other assets	\$ 617,055	\$ 573,276
Capital assets	<u>24,649</u>	<u>31,615</u>
Total assets	<u>641,704</u>	<u>604,891</u>
Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in capital assets	\$ 24,649	\$ 31,615
Unrestricted	<u>617,055</u>	<u>573,276</u>
Total net assets	<u>\$ 641,704</u>	<u>\$ 604,891</u>

The majority of the School Treasurer's net assets reflect cash and investments included in current and other assets. For the year ended June 30, 2011, total current and other assets included undistributed interest earnings of \$395,038 and billings in excess of actual costs to the School Districts of \$215,076. 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, 2010 included undistributed interest earnings of \$558,601 and billings in excess of actual costs to the School Districts of \$7,735.

The total net assets of the School Treasurer for the fiscal year ended June 30, 2011 increased by \$36,813. Comparatively, for the fiscal year ended June 30, 2010, total net assets decreased by \$504,681.

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Governmental Activities

The key elements of the change in the School Treasurer's net assets for the fiscal year ended June 30, 2011 and 2010 are as follows:

TABLE 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues	\$ 1,041,665	\$ 793,470
Other revenues:		
Earnings on Investments	1,262,200	1,448,280
Distribution of investment income	<u>(1,425,762)</u>	<u>(1,954,072)</u>
Total other revenues	<u>(163,562)</u>	<u>(505,792)</u>
Total revenues	<u>878,103</u>	<u>287,678</u>
Expenditures:		
Support services	827,901	776,890
Depreciation	<u>13,389</u>	<u>15,469</u>
Total expenditures	<u>841,290</u>	<u>792,359</u>
Change in net assets	36,813	(504,681)
Net assets at July 1 st	<u>604,891</u>	<u>1,109,572</u>
Net assets at June 30 th	<u>\$ 641,704</u>	<u>\$ 604,891</u>

For the fiscal year ended June 30, 2011, the increase in net assets was primarily attributed to the billings in excess of actual costs to the School Districts of \$215,076. This increase was partially offset by the distribution of accumulated interest earnings of \$1,425,762 in excess of current year interest earnings of \$1,262,200 due to the year's second installment of interest earnings being paid out in the year following the year it was earned.

Financial Review of Fiscal Year 2011

Interest rates remained at historically low levels throughout the 2011 fiscal year, as economic growth continued to be sluggish. The United States economy continued to be dragged down by historically high unemployment rates and a real estate market that has been depressed for several years. The United States Government and the Federal Reserve continued to use both fiscal and monetary policy to stimulate the economy and get people to begin spending again.

In November 2010, the Federal government enacted yet another bold plan to kick-start the economy by implementing a second injection of billions of dollars into the economy, commonly referred to as "QE2". The first round of quantitative easing, known as "QE1",

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terminated at the end of March 2010, with over \$1.7 trillion being injected into the system. These actions appear to have slowed the economic free fall, according to some analysts, but have produced marginal results and has dramatically added to the United States' soaring debt levels.

Since December 2008, the FOMC has had a targeted Federal Funds Rate between 0% and 0.25%. In January 2012, the Federal Reserve announced that it expects that economic weakness will continue into 2014. As a result, the Federal Reserve has indicated that it will keep interest rates low through that time. The Fed has maintained the low rate in an effort to stimulate the stagnant economy and they appear willing to maintain these low levels until such time as inflationary fears become greater than recessionary fears. The continued flight to quality and uncertainty of the markets has further flattened the yield curve out until about three years.

Capital Assets

At the end of the fiscal year, the School Treasurer had invested \$24,649 in capital assets, net of depreciation. Depreciation expense for the year was \$13,389, which was \$6,966 more than the cost of equipment acquired during the fiscal year. The School Treasurer did not dispose of any capital assets during the fiscal year ended June 30, 2011. More information about the capital assets can be obtained from Note 3 of the financial statements.

TABLE 3
Capital Assets (net of depreciation)

	<u>2011</u>	<u>2010</u>
Equipment & furniture	\$ <u>24,649</u>	\$ <u>31,615</u>
Total	\$ <u>24,649</u>	\$ <u>31,615</u>
Percentage change vs. prior year	-22.0%	-19.3%

Factors Bearing on the School Treasurer's Future

The challenges to economic growth are many. In the near term, the Eurozone sovereign debt crisis is perhaps the major event that could impact our economy and the economies of the world. Greece, Ireland and Portugal are all facing debt crises that could result in economic collapse and shock the banking system that currently supports their debt. This could spill over to the United States, as the global banking system has become interconnected. France, Italy and Spain, three of the four largest Eurozone countries, are also being pressured to cut budget deficits and debt levels. Another significant risk from a global perspective would be a sharp slowdown in China's economic growth, possibly triggered by a bursting of its real estate bubble. This could have a major impact on the global economy and is something that must be closely monitored.

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

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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 quantitative easing and other efforts to spur the economy.

While risk in the credit markets seems to have diminished since last fiscal year, 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 new 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 new legislation will add seven appointed Trustees of Schools to the current three elected Trustees of Schools. As each of the elected Trustees of Schools terms 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.

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. 175th Street
Tinley Park, Illinois 60477

JOSEPH J. MCDONNELL, TOWNSHIP SCHOOL TREASURER
TOWNSHIP 36 NORTH, RANGE 13 EAST, COOK COUNTY, ILLINOIS
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS AND STATEMENT OF ASSETS
AND LIABILITIES ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
JUNE 30, 2011

	Statement of Net Assets	Adjustments (See Notes)	Governmental Fund General Fund
ASSETS:			
Cash and investments	\$ 587,477	\$ -	\$ 587,477
Other current assets	29,578	-	29,578
Capital assets, net of depreciation			
Furniture and equipment	24,649	(24,649)	-
Total assets	\$ 641,704	\$ (24,649)	\$ 617,055
LIABILITIES	\$ -	\$ -	\$ -
NET ASSETS / FUND BALANCE:			
Net assets:			
Invested in capital assets	24,649	(24,649)	-
Unrestricted	617,055	(617,055)	-
Total net assets	\$ 641,704	\$ (641,704)	\$ -
Fund balance:			
Unassigned	-	617,055	617,055
Total fund balance	-	617,055	617,055
Total liabilities and fund balance	\$ -	\$ (24,649)	\$ 617,055

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, 2011

	Statement of Activities	Adjustments (See Notes)	Governmental Fund General Fund
EXPENDITURES DISBURSED / EXPENSES:			
Services to Districts / Joint Agreements			
Data processing	\$ 9,764	\$ -	\$ 9,764
Depreciation expense	13,389	(13,389)	-
Direct deposit and other bank service charges	10,599	-	10,599
Dues, fees and subscriptions	4,798	-	4,798
Employee training	375	-	375
Equipment	-	6,423	6,423
Insurance	14,539	-	14,539
Maintenance and repairs	21,980	-	21,980
Office rent	19,200	-	19,200
Office supplies and postage	21,491	-	21,491
Pension contribution and other benefits	231,312	-	231,312
Professional fees	97,701	-	97,701
Publication expenses	5,797	-	5,797
Salaries	355,914	-	355,914
Telephone and communications	25,606	-	25,606
Travel expenses	3,227	-	3,227
Treasurer's surety bond	4,700	-	4,700
Trustees' and Treasurer's expenses	898	-	898
Total expenditures disbursed / expenses	<u>841,290</u>	<u>(6,966)</u>	<u>834,324</u>
REVENUES RECEIVED / PROGRAM REVENUES:			
Charges for Services / Reimbursements Received from:			
Bremen Township School Districts / Joint Agreements	1,031,065	-	1,031,065
Midlothian Park District	10,600	-	10,600
Total revenues received / program revenues	<u>1,041,665</u>	<u>-</u>	<u>1,041,665</u>
Net program revenue (expense)	<u>200,375</u>	<u>6,966</u>	<u>207,341</u>
INVESTMENT EARNINGS / DISTRIBUTION:			
Earnings on investments	1,262,200	-	1,262,200
Distribution of investment income:			
Earned during the six months ended June 30, 2010	(558,601)	-	(558,601)
Earned during the six months ended December 31, 2010	(867,161)	-	(867,161)
Total Net Revenues Received / Expenditures Disbursed from Investment Income on Pooled Funds	<u>(163,562)</u>	<u>-</u>	<u>(163,562)</u>
Change in net assets	36,813	(36,813)	-
Excess of revenues received over expenditures disbursed	-	43,779	43,779
FUND BALANCE / NET ASSETS:			
Balance at July 1, 2010	604,891	(31,615)	573,276
Balance at June 30, 2011	<u>\$ 641,704</u>	<u>\$ (24,649)</u>	<u>\$ 617,055</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 ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
JUNE 30, 2011

	Agency Funds
ASSETS:	
Cash and investments	\$ 122,908,777
Interfund loans receivable	542,210
Other miscellaneous receivables	10,805
Total assets	\$ 123,461,792
LIABILITIES:	
Interfund loans payable	\$ 542,210
Other payable	103,293
Insurance and payroll withholdings	708
	646,211
Due to districts	
District Number 142	7,155,777
District Number 143	13,444,768
District Number 143½	5,206,556
District Number 144	33,666,183
District Number 145	7,342,281
District Number 160	10,086,234
District Number 228	41,828,384
Southwest Cook County Cooperative Association for Special Education	3,954,319
Career Development System	126,439
Unallocated	4,640
Total due to districts	122,815,581
Total liabilities	\$ 123,461,792

The accompanying notes are an integral part of this statement.

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Notes to Financial Statements
June 30, 2011

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 three elected trustees serving staggered six year terms.

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 applies 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

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

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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 assets 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 assets 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 assets 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: