

**LYONS TOWNSHIP SCHOOL TREASURER
TOWNSHIP 38 NORTH, RANGE 12 EAST**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2005
AND
INDEPENDENT AUDITOR'S REPORT**

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LYONS TOWNSHIP SCHOOL TREASURER

FOR THE FISCAL YEAR ENDED JUNE 30, 2005
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditor's Report.....	1
Required Supplementary Information:	
Management's Discussion and Analysis (MD&A)	3
Basic Financial Statements:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets	9
Statement of Activities	10
<u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance – General (Distributive) Fund	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Basic Financial Statements	16
Required Supplementary Information:	
<u>Historical Pension Information:</u>	
Illinois Municipal Retirement Fund – Schedule of Employer's Contributions and Analysis of Funding Progress (Unaudited).....	25
Notes to Required Supplementary Information	26
Supplementary Schedules:	
Schedule of Assets and Liabilities Arising from Cash Transactions – Medical Account.....	27

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LYONS TOWNSHIP SCHOOL TREASURER

FOR THE FISCAL YEAR ENDED JUNE 30, 2005
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Supplementary Schedules (concluded):	
Schedule of Cash Receipts, Expenditures, and Changes in Account Balances – Medical Account	28
Schedule of Changes in Assets and Liabilities - All Participating School Districts	29

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INDEPENDENT AUDITOR'S REPORT

December 15, 2005

To the Board of Trustees
Lyons Township School Treasurer
Township 38 North, Range 12 East
930 Barnsdale Road
LaGrange Park, Illinois 60526

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyons Township School Treasurer, as of and for the year ended June 30, 2005, which collectively comprise Lyons Township School Treasurer's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lyons Township School Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lyons Township School Treasurer, as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the historical pension information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township School Treasurer's basic financial statements. The financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

William F. Gurrie & Co Ltd

WILLIAM F. GURRIE & CO., LTD.

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Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2005

The discussion and analysis of Lyons Township School Treasurer's (LTST) financial performance provides an overall review of LTST's financial activities for the year ended June 30, 2005. The management of LTST encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of LTST's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Certain comparative information between the current year and the prior 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 LTST'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.

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 LTST's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of LTST'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 LTST is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the fiscal year being reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present the functions of LTST that are principally supported by intergovernmental revenues (governmental activities). LTST 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. LTST's governmental activities include providing investing and accounting services for member school districts.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2005

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. LTST uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of LTST can be divided into two categories: governmental funds and fiduciary funds (LTST maintains 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 focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

LTST maintains one individual governmental fund – Distributive Fund, which LTST considers to be a major fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support LTST'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.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning LTST's progress in funding its obligation to provide pension benefits to its non-certified employees.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2005

District-Wide Financial Analysis

LTST's combined net assets decreased to (\$1,754,847) as a result of operations in fiscal year 2005.

**Table 1
Condensed Statement of Net Assets**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,034,823	\$ 1,322,250
Capital assets	<u>67,645</u>	<u>63,490</u>
Total assets	<u>1,102,468</u>	<u>1,385,740</u>
Liabilities	<u>2,857,315</u>	<u>3,055,735</u>
Total liabilities	<u>2,857,315</u>	<u>3,055,735</u>
Net assets:		
Invested in capital assets	67,645	63,490
Unrestricted	<u>(1,822,492)</u>	<u>(1,733,485)</u>
Total net assets	<u>\$ (1,754,847)</u>	<u>\$ (1,669,995)</u>

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

Table 2 Changes in Net Assets		
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 447,636	\$ 489,814
Total program revenues	447,636	489,814
General revenues:		
Investment earnings	5,306,963	3,709,561
Investment earnings paid out	<u>(4,941,917)</u>	<u>(6,003,344)</u>
Total general revenues	<u>365,046</u>	<u>(2,293,783)</u>
Total revenues	<u>812,682</u>	<u>(1,803,969)</u>
Expenses:		
Treasurer's office services	<u>897,534</u>	<u>923,515</u>
Total expenses	<u>897,534</u>	<u>923,515</u>
Increase (decrease) in net assets	\$ <u>(84,852)</u>	\$ <u>(2,727,484)</u>

Financial Analysis of LTST's Funds

The financial position of LTST as a whole is reflected in its governmental funds as well. As LTST completed the year, the governmental fund balances increased to (\$2,583,300). The prior year fund balance was \$(2,722,471).

The increase was primarily attributed to investment earnings exceeding the amount of investment earnings paid out to member districts.

Financial Review of 2005

Although tightening by the Federal Reserve continued over the past twelve months, medium and long term rates actually declined. A perceived benign inflation outlook by financial investors and strong buying from overseas, especially foreign central banks, kept long term rates at historically low levels. This scenario has dominated fixed income markets since 2003.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2005

Led by Alan Greenspan, the Federal Reserve methodically raised short term rates, erasing any fear of inflation. This persistence rightly or wrongly allows investors to accept a much lower interest rate than would otherwise be prudent. Money continues to flow into the long term bonds although returns are only a few basis points above one year rates. This risk/reward scenario was unheard of a few years ago, but is fully accepted today.

At the same time, there is a large flow of funds back into the United States of America from foreign entities that receive a huge surplus of dollars resulting from our massive foreign trade imbalance. All of these dollars spent on foreign products, especially China and Japan, find their way back to our fixed income market. This pushes up prices and lowers yields.

The situation is now stable and predictable and is very likely to persist for another six months. This forces the school districts to remain in short-dated instruments that yield close to money market returns. The flattish yield curve does not offer any reward for those extending durations, so we will continue to shun them. Therefore, we maintain the same strategy as last year and invest in short-dated investments over-weighted in Treasuries.

Capital Assets

At the end of the year, LTST had invested \$67,645 in equipment. Depreciation expense for the year was \$6,964, which was \$4,155 less than the cost of equipment acquired during the year. LTST retired computers carried at a combined historical cost of \$4,000 during the year. More information about the capital assets can be obtained from Note 3 of the financial statements.

	<u>2005</u>	<u>2004</u>	<i>Percentage Change</i>
Equipment & furniture	\$ 67,645	\$ 63,490	6.5%
Total	\$ <u>67,645</u>	\$ <u>63,490</u>	

Factors Bearing on LTST's Future

The current economic situation appears firmly entrenched with interest rates low and stable. Firms are making profits yet refusing to reinvest in new projects, instead returning capital to shareholders. This means that companies will grow, but assets will not.

With corporations shunning expansion and growth, they are paying out dividends or extending stock buybacks with their profits. This puts capital in the hands of investors, not companies. Much of this excess capital seeks return in the fixed income market elevating prices and pushing down yields. It also forces up prices of assets all over the globe. As this may not change over the next twelve months, investing becomes easier.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2005

With inflation in check and most of the Federal Reserve's tightening behind us, yields are likely to remain in the 3.5% to 4.5% range for the foreseeable future. Therefore, investing in fixed income instruments, especially U.S. Treasuries, is most likely the only choice for the 2005-2006 fiscal year. At the time these financial statements were prepared and audited, LTST was unaware of any other circumstances that may significantly affect its future financial position.

Requests for Information

This financial report is designed to provide LTST's citizens, taxpayers, and creditors with a general overview of LTST's finances and to demonstrate LTST's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Mr. Robert G. Healy at:

Lyons Township School Treasurer
P.O. Box 1246
930 Barnsdale Road
La Grange Park, Illinois 60526

BASIC FINANCIAL STATEMENTS

LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF NET ASSETS

JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES (DISTRIBUTIVE) FUND
<hr/>	
Assets	
Petty cash	\$ 200
Accounts receivable:	
Interest	300,822
Pro-rata billings	715,130
Prepaid items	18,671
Capital assets, net of accumulated depreciation	<u>67,645</u>
Total assets	<u>1,102,468</u>
Liabilities	
Cash deficit	2,747,100
Accounts payable	28,927
Accrued salaries	8,966
Long-term liabilities:	
Other long-term liabilities due within one year	21,697
Other long-term liabilities due after one year	<u>50,625</u>
Total liabilities	<u>2,857,315</u>
Net assets	
Investment in capital assets	67,645
Unrestricted	<u>(1,822,492)</u>
Total net assets	<u>\$ (1,754,847)</u>

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
Governmental activities			
Treasurer's office services	\$ 897,534	\$ 447,636	\$ (449,898)
	General revenues:		
			5,306,963
			(4,941,917)
			<u>365,046</u>
			(84,852)
			<u>(1,669,995)</u>
			\$ <u>(1,754,847)</u>

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2005
WITH COMPARATIVE TOTALS FOR JUNE 30, 2004

	GENERAL (DISTRIBUTIVE) FUND	
	2005	2004
Assets		
Petty cash	\$ 200	\$ 200
Accounts receivable:		
Interest	300,822	391,340
Pro-rata billings	715,130	901,204
Prepaid items	18,671	29,506
Total assets	\$ 1,034,823	\$ 1,322,250
Liabilities		
Cash deficit	\$ 2,747,100	\$ 2,998,306
Accounts payable	28,927	17,785
Accrued salaries	8,966	9,304
Deferred revenue	833,130	1,019,326
Total liabilities	3,618,123	4,044,721
Fund balance		
Reserved for prepaid items	18,671	29,506
Unrestricted	(2,601,971)	(2,751,977)
Total fund balance	(2,583,300)	(2,722,471)
Total liabilities and fund balance	\$ 1,034,823	\$ 1,322,250

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2005

Total fund balances - governmental funds \$ (2,583,300)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the School District as a whole.

Cost of capital assets	\$	85,505	
Depreciation expense to date		<u>(17,860)</u>	
			67,645

Interest and pro-rata billings revenue that are deferred in the fund financial statement because it is not available and recognized as revenue in the government-wide financial statements.

Pro-rata billings	\$	663,839	
Interest		<u>169,291</u>	
			833,130

Long-term liabilities applicable to the Treasurer's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Assets. The balance of compensated absences at June 30, 2005 is \$72,322.

(72,322)

Net assets of governmental activities \$ (1,754,847)

LYONS TOWNSHIP SCHOOL TREASURER

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2004

	GENERAL (DISTRIBUTIVE) FUND	
	2005	2004
Receipts		
Earnings on investments	\$ 5,320,575	\$ 3,726,085
(Earnings on investments paid out to school districts)	(4,941,917)	(6,003,344)
Net earnings on investments	378,658	(2,277,259)
Pro-rata billings	619,644	589,285
Other	576	19,354
Total receipts	998,878	(1,668,620)
Expenditures		
Current:		
Administrative:		
Salaries	317,143	334,302
Benefits	181,307	162,865
Purchased service	288,313	339,793
Supplies	55,540	68,108
Other	6,285	7,754
Capital outlay	11,119	46,580
Total expenditures	859,707	959,402
Excess (deficiency) of receipts over expenditures	139,171	(2,628,022)
Fund balance, beginning of year	(2,722,471)	(94,449)
Fund balance, end of year	\$ (2,583,300)	\$ (2,722,471)

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net changes in fund balances - total governmental funds \$ 139,171

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Depreciation expense	\$ (6,964)	
Capital outlays	<u>11,119</u>	4,155

Interest and pro-rata billings revenue deferred in the governmental funds are recognized as revenue in the government-wide statements. government-wide financial statements.

Pro-rata billings	\$ (172,584)	
Interest	<u>(13,612)</u>	(186,196)

In the Statement of Activities, certain operating expenses - compensated absences and retirement benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources that are used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts paid by \$41,982.

(41,982)

Change in net assets of governmental activities \$ (84,852)

LYONS TOWNSHIP SCHOOL TREASURER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
COMBINED BALANCE SHEET AS OF JUNE 30, 2005

	AGENCY FUND
<hr/>	
Assets	
Cash and investments	<u>\$ 152,197,698</u>
Liabilities	
Due to the participating school districts	<u>\$ 152,197,698</u>

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES

The Lyons Township School Treasurer (the "Treasurer") oversees the treasury functions of School Districts No. 101, 102, 103, 104, 105, 106, 107, 108, 109, 204, 217 and LADSE (the "Participating Districts") through the activities of the assistant school treasurer at each participating district. In this capacity, funds are received by the Treasurer from various sources which are distributed to the Participating Districts on a current basis to meet operating needs. Excess funds are invested by the Treasurer with District approval.

The accounting policies of the Treasurer conform to accounting principles generally accepted in the United States of America, as applicable to local governmental units of this type. The following is a summary of the more significant accounting policies of the Treasurer:

Reporting Entity

In evaluating how to define the Treasurer for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The definition of a component unit is a legally separate organization for which the Treasurer is financially accountable and other organizations for which the nature and significance of their relationship with the Treasurer are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Treasurer is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Treasurer. The Treasurer also may be financially accountable if an organization is fiscally dependent on the Treasurer, regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board. There are no component units, as defined by GASB, which are included in the Treasurer's reporting entity. Even though there are local government agencies within the geographic area served by the Treasurer, such as the municipality, library and park treasurer, these agencies have been excluded from the report because they are legally separate and the Treasurer is not financially accountable for them.

Also, the Treasurer is not included as a component unit in any other governmental reporting entity, as defined by GASB pronouncements.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Treasurer. The governmental activities column reports activities that are supported by charges for the Treasurer's services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

Fund Financial Statements

The accounts of the Treasurer in the governmental fund financial statements 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 that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. 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 is maintained consistent with legal and managerial requirements.

Separate financial statements are provided for all governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds are used to account for the Treasurer's general government activities. Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they are both "measurable and available". "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Treasurer considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Interest on investments and pro-rata billings are susceptible to accrual. Other receipts become measurable and available when cash is received by the Treasurer and are recognized as revenue at that time.

Governmental funds include the following major funds:

General (Distributive) Fund - The General Fund is the general operating fund of the Treasurer. It is used to account for all financial resources except those required to be accounted for in another fund. This account is used for most of the administrative aspects of the Treasurer's operations. The revenue consists primarily of interest on investments and pro-rata billings from member School Districts.

Fiduciary Fund - is used to account for assets held by the Treasurer in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds.

Agency Funds - The Agency Funds are custodial in nature and do not involve the measurement of results of operations.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2005

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

State statutes authorize the Treasurer to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool and money market mutual funds registered under the Investment Company Act of 1940, with certain restrictions. Investments are stated at fair value. Changes in fair value of investments are recorded as investment income.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column in the statement of net assets.

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which consists entirely equipment, are reported in the government-wide financial statements. Capital assets are defined by the Treasurer as assets with an initial individual cost of more than \$1,000. 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 assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	8 - 15 years

Compensated Absences

Employees who have completed at least 60 work days are entitled to be compensated for vacation time. Vacations are to be taken in the following year in which they are earned. Unused vacation time may be taken as comparable time off or paid at the discretion of the Treasurer. Employees who resign or whose employment is terminated for any reason will be paid for unused vacation time.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

For governmental funds, the current portion of the compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated vacation leave are paid from. Of the June 30, 2005 liability balance, none is considered to be current. The entire liability is reported as a long-term liability in the statement of net assets.

Sick leave of 10 days is provided on a pro-rata basis to all employees. Unused sick leave can accumulate up to 240 days. Due to the nature of the policies on sick leave, and the fact that any liability is contingent upon future events and cannot be reasonably estimated, no liability is provided in the financial statements for accumulated unpaid sick leave.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Comparative Data

Comparative totals for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Treasurer's financial position and operations.

Eliminations and Reclassifications

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances were eliminated or reclassified.

Deficit Fund Equity

The General Fund had a deficit fund balance of \$2,583,300 as of June 30, 2005. The fund incurred expenditures that will be funded by future receipts from participating districts and future interest earnings on investments.

NOTE 2 – DEPOSITS AND INVESTMENTS

Under the Illinois Compiled Statutes, the Lyons Township School Treasurer is the lawful custodian of all Participating Districts' funds. The Treasurer is appointed by the Township School Trustees, an independently elected body, to serve the school treasurers in the township. The Treasurer is the direct recipient of property taxes, replacement taxes and most state and federal aid and disburses school funds upon lawful order of the school board. The Treasurer invests excess funds at his discretion, subject to the legal restrictions discussed below. For these purposes, the Treasurer is permitted to combine monies from more than one fund of a single treasurer and to combine monies of more than one treasurer in the township. Monies combined under these circumstances, as well as investment earnings, are accounted for separately for each fund and/or treasurer.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2005

The Treasurer's investment policies are established by the Lyons Township School Trustees as prescribed by the Illinois School Code and the Illinois Compiled Statutes. The Treasurer is authorized to invest in obligations of the U.S. Treasury, backed by the full faith and credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, and commercial paper rated within the three highest classifications by at least two standard rating services (subject to certain limitations).

At June 30, 2005, the Treasurer's cash and investments, for disclosure purposes, is segregated into four components: 1) cash on hand 2) deposits with financial institutions, which include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit 3) mutual funds and money market accounts; and 4) investments, which consist of all investments other than certificates of deposit, as follows:

	<i>Cash and Investments</i>
Cash on hand	\$ 200
Deposits with financial institutions	25,638,055
Mutual funds and money market accounts	71,296,404
Other investments	52,573,294
Total	<u>\$ 149,507,953</u>

At June 30, 2005, the Treasurer's other investments included two commercial papers and the remainder consisted entirely of U.S. government agency securities. The weighted average to maturity all of these investments was 3.02 years.

Interest Rate Risk. The Treasurer's investment policy seeks to ensure preservation of capital in the Treasurer's overall portfolio. The safety of principal is the foremost object of the Treasurer's investment program. The policy requires operating funds to be invested primarily in shorter-term securities, money market mutual funds, or similar investment pools. In addition, the policy requires the Treasurer's investment portfolio to be sufficiently liquid to enable both the Treasurer and the participating districts to meet all operating requirements as they come due.

Credit Risk. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized rating organizations (NRSRO's). The Treasurer's investment policy further minimizes credit risk by pre-qualifying the financial institutions, brokers, dealers, intermediaries, and advisors with which the Treasurer does business. Allowable investments include the following:

- Bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the full faith and credit of the United States of America.
- Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
- Interest bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act.
- Collateralized repurchase agreements which conform to the requirements of section 2(g) or 2(h) of the Illinois Public Funds Investment Act.
- Money market mutual funds registered under the Investment Company Act of 1940.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

- Federal Deposit Insurance Corp. (FDIC) banks, short-term discount obligations of the Federal National Mortgage Association, and securities issuable by savings banks or savings and loan associations insured by the FDIC.
- Short-term obligations of corporations (commercial paper) organized in the United States of America with assets exceeding \$500,000,000 and one of the three highest rating classifications of at least two standard services.
- Illinois Public Treasurer's Investment Pool.

As of June 30, 2005, all the Treasurer's investments exposed to credit risk had an "A-1" rating by Standard & Poor's and a "P-1" rating by Moodys.

Concentration of Credit Risk. The Treasurer's policy states that it shall diversify its investment portfolio so that potential losses on individual securities will be minimized. Diversification can be by type of investment, number of institutions invested in, and length of maturity. The Treasurer's Investment Policy limits investment in commercial paper to 33% of the Treasurer's total portfolio.

At June 30, 2005, the UBS Financial (DE) LLC Commercial Paper and DaimlerChrysler Holdings Commercial Paper investments made up 11.4% and 9.5%, respectively, of the total other investments within the Treasurer's portfolio.

Custodial Credit Risk - Deposits

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the Treasurer's deposits may not be returned to it. The Treasurer's investment policy states that funds will only be maintained in financial institutions that are members of the Federal Deposit Insurance Corporation. Collateralizing all funds in excess of FDIC or insurable limits is desirable but is at the discretion of the Treasurer. At June 30, 2005, the bank balance of the Treasurer's deposits with financial institutions totaled \$33,135,350; of this amount, \$16,533,010 was uncollateralized and uninsured.

Custodial Credit Risk - Investments

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not require investments to be collateralized.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the Treasurer for the year ended June 30, 2005 was as follows:

	<i>Balance July 1, 2004</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2005</i>
<i>Capital assets being depreciated:</i>				
Equipment	\$ 78,386	\$ 11,119	\$ 4,000	\$ 85,505
<i>Less accumulated depreciation for:</i>				
Equipment	<u>(14,896)</u>	<u>(6,964)</u>	<u>(4,000)</u>	<u>(17,860)</u>
Net governmental activities capital assets	<u>\$ 63,490</u>	<u>\$ 4,155</u>	<u>\$ -</u>	<u>\$ 67,645</u>

NOTE 4 – LONG-TERM LIABILITIES

Changes in General Long-term Liabilities. During the year ended June 30, 2005, the following is the long-term activity for the Treasurer:

	<i>Balance July 1, 2004</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2005</i>	<i>Due Within One Year</i>
<i>Governmental Activities:</i>					
Compensated absences	\$ 30,340	\$ 41,982	\$ -	\$ 72,322	\$ 21,697
Total long-term liabilities – governmental activities	<u>\$ 30,340</u>	<u>\$ 41,982</u>	<u>\$ -</u>	<u>\$ 72,322</u>	<u>\$ 21,697</u>

The obligation for the compensated absences will be repaid from the General (Distributive) Fund.

NOTE 5 – RISK MANAGEMENT

The Treasurer is exposed to various risks of loss related to employee health benefits; workers' compensation claims; theft of, damage to, and destruction of assets; and natural disasters. The Treasurer has purchased insurance from private insurance companies for general liability, workers' compensation and other coverages to mitigate these risks. Premiums have been recorded as expenditures in the appropriate fund. There have been no significant reductions in insurance coverage from coverage in prior years.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 6 – RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund

The Treasurer's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by state statute. The Treasurer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 14.95 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2004 was 28 years.

For December 31, 2004, the Treasurer's annual pension cost of \$45,827 was equal to the Treasurer's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 experience study.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Lyons Township School Treasurer collects both pro-rata billings and insurance premiums from each member school district. Billings are used to pay for each District's pro-rata share of Township expenditures and insurance premiums are used to pay the insurance provider for monthly premiums to cover medical and dental claims. Due to the timing lag between billing each District and actual collections, some revenues collected after fiscal year end are considered receivable as of fiscal year end. As of June 20, 2005, the Treasurer's revenue receivables include the following:

LYONS TOWNSHIP SCHOOL TREASURER

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

Pro-Rata Billings Receivable

In prior years, certain participating districts failed to pay all or part of their pro-rata share of Township expenditures. The amount owed to the Treasurer's Office at June 30, 2005 is \$715,130, which relates to all billing periods through June 30, 2005. Approximately \$215,000 of this amount is expected to be collected within a year. The remainder relates to pro-rata for 2005, which will be billed in 2006, however mostly collected in 2007.

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REQUIRED SUPPLEMENTARY INFORMATION

LYONS TOWNSHIP SCHOOL TREASURER

ILLINOIS MUNICIPAL RETIREMENT FUND

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND ANALYSIS OF FUNDING PROGRESS (UNAUDITED)

JUNE 30, 2005

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 45,827	100%	\$ -
12/31/03	45,099	100%	-
12/31/02	26,267	100%	-
12/31/01	30,427	100%	-
12/31/00	29,074	100%	-
12/31/99	25,401	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$ 437,901	\$ 634,370	\$ 196,469	69.03%	\$ 306,537	64.09%
12/31/03	367,290	599,035	231,745	61.31%	292,280	79.29%
12/31/02	531,233	752,261	221,028	70.62%	284,891	77.58%
12/31/01	410,594	634,461	223,867	64.72%	298,309	75.05%
12/31/00	712,436	753,591	41,155	94.54%	260,517	15.80%
12/31/99	590,235	674,109	83,874	87.56%	220,693	38.00%

On a market value basis, the actuarial value of assets as of December 31, 2004 is \$439,466. On a market basis, the funded ratio would be 69.28%.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2004 are based on the 1999-2001 Experience Study.

The principal changes were:

- Fewer members are expected to take refunds early their career.
- For Regular members, fewer normal and early retirements are expected to occur.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

Deficit Fund Equity

The General (Distributive) Fund had a deficit fund balance of \$2,583,300 as of June 30, 2005. The fund incurred expenditures that will be funded by future receipts from participating districts and future interest earnings on investments.

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SUPPLEMENTARY SCHEDULES

LYONS TOWNSHIP SCHOOL TREASURER

SCHEDULE OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS - MEDICAL ACCOUNT

JUNE 30, 2005

	MEDICAL SELF INSURANCE
<hr/>	
Assets	
Cash and investments	\$ 132,061
Total assets	\$ 132,061
Account balance	
Account balance	132,061
Total liabilities and account balance	\$ 132,061

LYONS TOWNSHIP SCHOOL TREASURER

SCHEDULE OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN ACCOUNT BALANCES - MEDICAL ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2005

	MEDICAL SELF INSURANCE
Receipts	
Contributions from participating districts	\$ 1,073,619
Net interest on investments	<u>7,122</u>
Total receipts	<u>1,080,741</u>
Expenditures	
Claims by employees	379,572
Co-insurance costs	153,500
Consulting costs	11,002
Alternative insurance costs	717,893
HMO program	330
Other	<u>22,495</u>
Total expenditures	<u>1,284,792</u>
Excess (deficiency) of receipts over expenditures	(204,051)
Account balance, beginning of year	<u>336,112</u>
Account balance, end of year	<u>\$ 132,061</u>

LYONS TOWNSHIP SCHOOL TREASURER

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
ALL PARTICIPATING SCHOOL DISTRICTS**

JUNE 30, 2005

	Total	#101	#102	#103	#104	#105	#106	#107
Assets								
Cash and Investments held by Treasurer	\$ 153,778,273	\$ 8,662,003	\$ 22,917,341	\$ 7,822,758	\$ 2,286,967	\$ 3,470,046	\$ 8,760,033	\$ 6,403,614
Cash and Investments held by District	73,980	5,000	-	7,980	-	6,000	-	-
Receivables (net of allowance for uncollectibles)								
Property taxes	91,731,038	5,457,877	11,442,234	8,549,279	5,667,080	7,269,423	4,670,603	4,742,420
Replacement taxes	1,663,382	48,691	34,125	305,190	227,199	166,820	9,160	70,015
Intergovernmental	2,823,190	67,340	375,066	266,484	462,218	107,395	90,057	52,577
Tuition	448,560	-	-	-	-	-	-	-
Interest	300,822	-	-	-	-	-	-	-
Other current assets	2,075,595	-	-	389,067	91,895	-	-	36,329
Due from Administratvie agent	108,908	-	-	-	-	-	-	-
Total assets	\$ 253,003,748	\$ 14,240,911	\$ 34,768,766	\$ 17,340,758	\$ 8,735,359	\$ 11,019,684	\$ 13,529,853	\$ 11,304,955
Liabilities and fund balance								
Liabilities:								
Cash deficit	\$ 2,747,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll								
Deductions payable	135,128	20,288	23,801	7,479	15,885	(27,317)	10,193	-
Accounts payable	7,244,110	191,542	1,697,642	386,681	233,467	279,654	98,488	133,232
Salaries and wages payable	1,384,771	14,911	-	25,513	12,571	-	-	-
Deferred revenue	91,512,769	5,494,598	11,278,563	8,330,018	5,606,726	7,258,689	4,593,537	4,652,855
Other current liabilities	1,722,058	-	89,214	260,000	-	-	7,424	6,395
Due to joint agreements	33,030	-	-	-	-	-	-	-
Total liabilities	104,778,966	5,721,339	13,089,220	9,009,691	5,868,649	7,511,026	4,709,642	4,792,482
Fund balance:								
Total fund balance	148,224,782	8,519,572	21,679,546	8,331,067	2,866,710	3,508,658	8,820,211	6,512,473
Total liabilities and fund balance	\$ 253,003,748	\$ 14,240,911	\$ 34,768,766	\$ 17,340,758	\$ 8,735,359	\$ 11,019,684	\$ 13,529,853	\$ 11,304,955

#108	#109	#204	#217	HEADSTART	BASE	WEST 40	LADSE	MEDICAL ACCOUNT	TREASURER'S OFFICE
\$ 4,670,450	\$ 19,871,169	\$ 42,152,463	\$ 22,503,016	\$ -	\$ -	\$ 908,081	\$ 3,218,071	\$ 132,061	\$ 200
-	-	-	50,000	-	-	-	5,000	-	-
1,941,227	6,225,375	24,168,863	11,596,657	-	-	-	-	-	-
9,030	77,026	455,188	260,938	-	-	-	-	-	-
37,742	312,658	173,560	113,445	-	-	-	49,518	-	715,130
-	-	-	-	-	-	-	448,560	-	-
-	-	-	-	-	-	-	-	-	300,822
3,819	-	1,039,480	496,334	-	-	-	-	-	18,671
-	-	-	-	-	108,908	-	-	-	-
<u>\$ 6,662,268</u>	<u>\$ 26,486,228</u>	<u>\$ 67,989,554</u>	<u>\$ 35,020,390</u>	<u>\$ -</u>	<u>\$ 108,908</u>	<u>\$ 908,081</u>	<u>\$ 3,721,149</u>	<u>\$ 132,061</u>	<u>\$ 1,034,823</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,747,100
(5,036)	-	77,561	-	-	-	8,585	3,689	-	-
1,108,206	580,364	2,133,428	275,361	-	-	-	97,118	-	28,927
-	1,138,112	150,665	34,033	-	-	-	-	-	8,966
1,941,227	6,092,806	23,938,266	11,336,641	-	-	-	155,713	-	833,130
-	198,056	912,842	-	-	-	-	248,127	-	-
-	-	-	-	33,030	-	-	-	-	-
<u>3,044,397</u>	<u>8,009,338</u>	<u>27,212,762</u>	<u>11,646,035</u>	<u>33,030</u>	<u>-</u>	<u>8,585</u>	<u>504,647</u>	<u>-</u>	<u>3,618,123</u>
<u>3,617,871</u>	<u>18,476,890</u>	<u>40,776,792</u>	<u>23,374,355</u>	<u>(33,030)</u>	<u>108,908</u>	<u>899,496</u>	<u>3,216,502</u>	<u>132,061</u>	<u>(2,583,300)</u>
<u>\$ 6,662,268</u>	<u>\$ 26,486,228</u>	<u>\$ 67,989,554</u>	<u>\$ 35,020,390</u>	<u>\$ -</u>	<u>\$ 108,908</u>	<u>\$ 908,081</u>	<u>\$ 3,721,149</u>	<u>\$ 132,061</u>	<u>\$ 1,034,823</u>

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