

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011
AND
INDEPENDENT AUDITOR'S REPORT

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LYONS TOWNSHIP SCHOOL TREASURER

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

PAGE(S)

Independent Auditor's Report.....	1 - 2
-----------------------------------	-------

Required Supplementary Information:

Management's Discussion and Analysis (MD&A) (Unaudited)	3 - 8
---	-------

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets.....	9
------------------------------	---

Statement of Activities	10
-------------------------------	----

Fund Financial Statements:

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 – Governmental Fund	13
--	----

Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
--	----

Statement of Fiduciary Assets and Liabilities.....	15
--	----

Notes to Basic Financial Statements.....	16 - 27
--	---------

Required Supplementary Information:

Historical Pension Information:

Illinois Municipal Retirement Fund – Schedule of Employer's Contributions and Analysis of Funding Progress (Unaudited).....	28
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INDEPENDENT AUDITOR'S REPORT

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, the major fund, and the aggregate remaining fund information of the Lyons Township School Treasurer, as of and for the year ended June 30, 2011, which collectively comprise the Lyons Township School Treasurer's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lyons Township School Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information included in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances has been derived from the Lyons Township School Treasurer's 2010 financial statements. In our report dated March 12, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Lyons Township School Treasurer, as of June 30, 2011 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.

As described in Note 3, the Lyons Township School Treasurer adopted the provision of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective July 1, 2010.

Board of Trustees
Lyons Township School Treasurer

The Lyons Township School Treasurer has not presented budgetary comparison information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Oak Brook, Illinois
March 8, 2012

Robert Telly Vrečko Krause, LLP

Lyons Township School Treasurer

Management's Discussion and Analysis (unaudited)

For the Year Ended June 30, 2011

The discussion and analysis of the Lyons Township School Treasurer's (LTST) financial performance provides an overall review of LTST's financial activities for the year ended June 30, 2011. 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. 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").

Financial Highlights

- > In total, net assets decreased by \$46,092. This was the result of lower than anticipated pro-rata billings versus current year operating expenditures.
- > LTST had \$1,258,063 in expenses related to government activities. \$1,202,818 of these expenses was offset by program specific charges for services.

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 basic 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.

Lyons Township School Treasurer

Management's Discussion and Analysis (unaudited)

For the Year Ended June 30, 2011

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.

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, the General (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 LTST. 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.

Lyons Township School Treasurer

Management's Discussion and Analysis (unaudited)

For the Year Ended June 30, 2011

Notes to basic 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.

District-Wide Financial Analysis

LTST's combined net assets decreased by \$46,092 as a result of operations in fiscal year 2011.

Table 1
Condensed Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,702,176	\$ 1,595,083
Capital assets	<u>63,347</u>	<u>103,395</u>
Total assets	<u>1,765,523</u>	<u>1,698,478</u>
Current liabilities	1,804,397	1,732,553
Long-term liabilities	<u>124,268</u>	<u>83,375</u>
Total liabilities	<u>1,928,865</u>	<u>1,815,928</u>
Net assets:		
Invested in capital assets	63,347	103,395
Unrestricted	<u>(226,689)</u>	<u>(220,645)</u>
Total net assets	\$ <u>(163,342)</u>	\$ <u>(117,250)</u>

Lyons Township School Treasurer
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2011

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,202,818	\$ 1,933,065
General Revenues		
Interest and Other Income	<u>9,153</u>	<u>23,227</u>
Total revenues	1,211,971	1,956,292
Expenses:		
Treasurer's office services	1,258,063	1,202,386
Total expenses	<u>1,258,063</u>	<u>1,202,386</u>
Increase (decrease) in net assets	\$ (46,092)	\$ 753,622
Beginning Net Assets	<u>(117,250)</u>	<u>(870,872)</u>
Ending Net Assets	<u>(163,342)</u>	<u>(117,250)</u>

Financial Analysis of LTST's Funds

The financial position of LTST as a whole is reflected in its governmental fund as well. As LTST completed the year, the governmental fund balance deficit increased to (\$1,682,915). The prior year fund deficit was (\$1,590,390).

The increase was primarily attributed to the amount of operating expenditures exceeding pro-rata billings of member districts.

Financial Review of 2010-2011

The nascent recovery remained muted all through the past 12 months. The Federal Reserve Bank continued to pump reserves into the banking system to spur growth under the moniker QE II with minimal effect. Some aspects of the economy showed life such as vehicle sales, but the housing market and employment struggled mightily. Home sales lagged even as prices continued to drop while unemployment remained obdurately above 9%. The machinations by both monetary and fiscal policy failed to produce the desired growth.

Lyons Township School Treasurer

Management's Discussion and Analysis (unaudited)

For the Year Ended June 30, 2011

Short term interest rates held close to 0% while the markets hoped that easy money would stimulate spending and hiring. Although there was some evidence of increased capital expenditures and an increase in consumer spending, GDP was lethargic remaining under 1.5% for the second quarter of 2011. The slight uptick in consumer prices in particular foodstuff was dismissed by the Fed as temporary.

Europe's reckoning with its liability crisis grew larger with Greece the most likely EU member to default on its sovereign debt. Meanwhile the rating agencies began to review US debt for possible downgrade. Still money rushed into US treasuries as the only real safe haven for money. The talk of the Euro or the Yuan being a new reserve currency was not taken seriously by money managers or investors.

Although short rates in the US did not increase, the yield curve did flatten. Longer rates approached historic lows as investor accepted minuscule returns to keep their cash safe. Moody might question the ability of the government to pay back its debt, but no one else did.

Capital Assets

At the end of the year, LTST had compiled a total investment of \$91,528 (\$63,347) net of depreciation) in equipment. Total depreciation expense for the year was \$7,844. More detailed information about capital assets can be found in Note 3 of the basic financial statements.

Table 3
Capital Assets (net of depreciation)

	<u>2011</u>	<u>2010</u>	<u>Percentage</u> <u>Change</u>
Equipment & furniture	\$ 63,347	\$ 103,395	(40%)
Total	\$ <u>63,347</u>	\$ <u>103,395</u>	

Factors Bearing on LTST's Future

Looking forward, short term rates appear anchored near zero for the foreseeable future. Return on any US government issue will return a paltry sum for all of our excess money. The problems in Europe are intractable and redirecting money to the US keeping rates low throughout the yield curve. Since their situation is far from settled and the US economy still limping, expect the current conditions to endure for at least the next six months if not through 2012.

The excess reserves of the township will most likely return under 1% considering our restrictions on investments and the very tight returns from the banking sector. If the US economy does turn around faster than predicted, we may enjoy slightly higher yields albeit in the 1.25% range.

Lyons Township School Treasurer
Management's Discussion and Analysis (unaudited)
For the Year Ended June 30, 2011

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:

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

LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF NET ASSETS

JUNE 30, 2011

	GOVERNMENTAL ACTIVITIES (DISTRIBUTIVE) FUND
Assets	
Cash	\$ 57,355
Accounts receivable:	
Pro-rata billings	1,622,797
Prepaid items	22,024
Capital assets, net of accumulated depreciation	<u>63,347</u>
Total assets	<u>1,765,523</u>
Liabilities	
Due to Agency Funds	1,767,113
Accounts payable	16,792
Accrued salaries	20,492
Long-term liabilities:	
Other long-term liabilities due within one year	11,190
Other long-term liabilities due after one year	<u>113,278</u>
Total liabilities	<u>1,928,865</u>
Net assets	
Investment in capital assets	63,347
Unrestricted	<u>(226,689)</u>
Total net assets	<u>\$ (163,342)</u>

See Notes to Basic Financial Statements

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LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES
Governmental activities			
Treasurer's office services	\$ 1,258,063	\$ 1,202,818	\$ (55,245)
General Revenues:			
	Interest and Other Income		\$ 9,153
	Total General Revenue		\$ 9,153
	Change in net assets		(46,092)
	Net assets July 1, 2010		(117,250)
	Net assets June 30, 2011		\$ (163,342)

LYONS TOWNSHIP SCHOOL TREASURER

GOVERNMENTAL FUND

BALANCE SHEET

JUNE 30, 2011

WITH COMPARATIVE TOTALS FOR JUNE 30, 2010

	GENERAL (DISTRIBUTIVE) FUND 2011	GENERAL (DISTRIBUTIVE) FUND 2010
Assets		
Cash	\$ 57,355	\$ 64,099
Accounts receivable:		
Pro-rata billings	1,622,797	1,524,272
Prepaid items	<u>22,024</u>	<u>6,912</u>
Total assets	<u>\$ 1,702,176</u>	<u>\$ 1,595,283</u>
Liabilities		
Due to Agency Funds	\$ 1,767,113	\$ 1,705,272
Accounts payable	16,792	5,649
Accrued salaries	20,492	14,224
Deferred revenue	<u>1,580,694</u>	<u>1,460,528</u>
Total liabilities	<u>3,385,091</u>	<u>3,185,673</u>
Fund balance		
Nonspendable	22,024	6,912
Unassigned	<u>(1,704,939)</u>	<u>(1,597,302)</u>
Total fund balance (deficit)	<u>(1,682,915)</u>	<u>(1,590,390)</u>
Total liabilities and fund balance	<u>\$ 1,702,176</u>	<u>\$ 1,595,283</u>

LYONS TOWNSHIP SCHOOL TREASURER
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2011

Total fund balances - governmental fund \$ (1,682,915)

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

The cost of capital assets (furniture and equipment) purchased is reported
as an expenditure in the governmental fund. The Statement of Net Assets
includes those capital assets among the assets of the Treasurer as a whole.

Cost of capital assets	\$	91,528	
Depreciation expense to date		<u>(28,181)</u>	
			63,347

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

Pro-rata billings		<u>1,580,694</u>	
			1,580,694

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.

(124,468)

Net assets of governmental activities \$ (163,342)

LYONS TOWNSHIP SCHOOL TREASURER

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2011

WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2010

	GENERAL (DISTRIBUTIVE) FUND 2011	GENERAL (DISTRIBUTIVE) FUND 2010
Receipts		
Pro-rata billings	\$ 1,073,263	\$ 960,466
Prior year pro-rata billings not previously recognized	-	906,727
Other investment income	9,153	23,227
Total receipts	1,082,416	1,890,420
Expenditures		
Current:		
Administrative:		
Salaries	459,839	445,077
Benefits	217,445	213,445
Purchased services	431,561	443,877
Supplies	56,917	59,723
Other	2,935	2,671
Capital outlay	6,244	23,664
Total expenditures	1,174,941	1,188,457
Net change in fund balances	(92,525)	701,963
Fund balance, beginning of year	(1,590,390)	(2,292,353)
Fund balance, end of year	\$ (1,682,915)	\$ (1,590,390)

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
 RECONCILIATION OF THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balance - governmental fund	\$	(92,525)
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Amounts reported for governmental activities in the Statement of
 Activities are different because:

Capital outlays are reported in governmental fund 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
 depreciation exceeded capital outlay in the current period.

Depreciation expense	\$	(7,844)	
Capital outlay		-	
			(7,844)

The net effect of various miscellaneous transactions involving capital assets (sale, disposal, transfer, etc.) is to decrease net assets.		(32,204)
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Pro-rata billings revenue deferred in the governmental
 fund is recognized as revenue in the government-wide statements.

Pro-rata billings	120,166	
		120,166

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 fund, 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.

	(33,685)
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Change in net assets of governmental activities	\$	(46,092)
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LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

COMBINED BALANCE SHEET AS OF JUNE 30, 2011

	AGENCY FUND
Assets	
Cash and investments	\$ 213,232,179
Due from Distributive Fund	<u>1,767,113</u>
Total pooled assets held by the Treasurer	<u>\$ 214,999,292</u>
Liabilities	
Due to participating members	
Cook County School District 101	\$ 9,332,220
Elementary School District 102	21,172,015
Lyons Elementary School District 103	13,131,769
Cook County School District 104	9,356,136
Cook County School District 105	21,635,066
LaGrange Highlands School District 106	10,465,969
West 40 School District 106. 5	105,900
Pleasantview School District 107	12,697,475
Cook County School District 108	5,150,844
Indian Springs School District 109	26,016,139
Lyons Township School District 204	37,747,857
The LaGrange Area for Special Education	3,125,287
Argo Community School District 217	41,527,347
Lyons Township Elementary District Medical Fund	<u>2,713,828</u>
	214,177,852
Undistributed Interest	<u>821,440</u>
Total Liabilities	<u>\$ 214,999,292</u>

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES

The Lyons Township School Treasurer (the "Treasurer") oversees the treasury functions of Cook County School Districts No. 101, 102, 103, 104, 105, 106, 107, 108, 109, 204, 217 as well as the Lagrange Area Department of Special Education, the Lyons Township Elementary School Districts' Employee Benefit Co-operative and the West 40 Intermediate Service Center (collectively the "Participating Districts"). 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

Accounting principles generally accepted in the United States of America require that the financial statements of the reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria have been considered and there are no agencies or entities which should be presented with the Treasurer. Using the same criteria, the Treasurer is not included as a component unit of any other governmental entity.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONTINUED)

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 non-fiduciary activities of the Treasurer. All of the Treasurer's operating activities are considered "governmental activities". The Treasurer has no operating activities that would be considered "business activities".

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.

Governmental Fund Financial Statements

The accounts of the Treasurer in the governmental fund financial statements are organized and operated on the basis of funds. 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. 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. The minimum number of funds maintained is consistent with legal and managerial requirements.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Revenues are recognized 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 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. However, expenditures for unmatured principal and interest on general long-term debt are recognized when due; and certain compensated absences, claims and judgments 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.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONTINUED)

Major Governmental Fund

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 Types

Fiduciary Funds - 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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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/expenses during the reporting period. Actual results could differ from those estimates.

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 "due to/from other funds". These amounts are eliminated in the governmental activities column in the statement of net assets.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONTINUED)

Deferred Revenue

The governmental fund reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental fund were as follows:

	<i>Unavailable</i>	<i>Totals</i>
Pro-rata billings receivable	\$ 1,580,694	\$ 1,580,694
Total	\$ 1,580,694	\$ 1,580,694

Prepaid Items

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid assets.

Capital Assets

Capital assets, which consist entirely of equipment, are reported in the government-wide financial statements. Capital assets are defined by the Treasurer as assets with an initial useful life in excess of one year and an 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:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONTINUED)

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.

For the governmental fund, 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, 2011 liability balance, \$11,190 is considered to be current.

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 obligations are reported as liabilities in the statement of net assets.

Equity Classifications

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less than any unspent debt proceeds.

Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONTINUED)

Equity is classified as fund balance in the fund financial statements and displayed in five components

Nonspendable - includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually (principal endowment) (e.g., inventory, pre-paid items, permanent scholarships).

Restricted - includes amounts constrained for a specific purpose by external parties (e.g., Debt Service, Capital Projects, State and Federal Grant Funds).

Committed - includes amounts constrained for a specific purpose by a government using its highest level of decision making authority, the Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board of Education board that originally created the commitment.

Assigned - includes general fund amounts constrained for a specific purpose by the Board of Trustees or by an official that has been delegated authority to assign amounts.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes in its General Fund. As of June 30, 2011, the Treasurer had \$22,024 in nonspendable fund balance in the General Fund related to prepaid expenditures. The Treasurer has not adopted a flow of fund policy, but has no restricted, committed or assigned balances, leaving the remaining General Fund balance, which was in a deficit position, as unassigned.

Comparative Data

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Treasurer's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

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.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Assets and Fund Equity

The Treasurer had deficit net assets of \$163,342 as of June 30, 2011. In addition, the General Fund had a deficit fund balance of \$1,682,915 as of June 30, 2011. Both amounts will be funded by future receipts from the 2011 pro-rata billings due from participating districts, which are billed a year in arrears.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2011, the District has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

NOTE 4 – 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 as the school treasurer 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 district and to combine monies of more than one district in the township. Monies combined under these circumstances, as well as investment earnings, are accounted for separately for each fund and/or district.

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, commercial paper rated within the three highest classifications by at least two standard rating services (subject to certain limitations), and other limited investments.

At June 30, 2011, the Treasurer's cash and investments, for disclosure purposes, are segregated into two components: 1) deposits with financial institutions, which include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit; and 2) investments, which consist of all investments other than those listed above, as follows:

	<i>Cash and Investments</i>
Deposits with financial institutions	\$ 48,157,192
Other investments	<u>165,132,342</u>
Total	<u><u>\$ 213,289,534</u></u>

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2011, other investments consisted of the following:

<i>Investment</i>	<i>Fair Value</i>	<i>% of Portfolio</i>	<i>Weighted Average to Maturity</i>
Federal Farm Credit Bureau (FFCB)	\$ 2,895,086	1.75%	0.11
Federal Home Loan Bank (FHLB)	14,052,803	8.51%	1.22
Federal Home Loan Mortgage Corporation (FHLMC)	10,269,050	6.22%	0.98
Federal National Mortgage Association (FNMA)	24,107,482	14.60%	2.35
Government National Mortgage Association (GNMA)	2,559,883	1.55%	0.91
Allstate Annuities	9,406,994	5.70%	0.00
United States Treasury Bills	5,006,875	3.03%	0.67
United States Treasury Notes	9,657,591	5.85%	0.65
Illinois Institutional Investors Fund (IIIT)	152,285	0.09%	0.00
Mutual Funds	81,114,361	49.11%	0.00
Money Market Funds	3,533,443	2.14%	0.00
Commercial Paper – Goldman Sachs	752,766	0.46%	0.00
Illinois Funds	423	0.01%	0.00
Government Bonds	<u>1,623,300</u>	<u>0.98%</u>	0.55
Total	\$ 165,132,342	100.00%	

The weighted average maturity of the total pool is 7.43 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.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.
- > 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, 2011, all the Treasurer's investments exposed to credit risk had the highest rating by Standard & Poor's and Moodys.

Illinois Institutional Investors Fund (IIIT) is a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from participating members. IIIT is not registered with the SEC as an investment company. Investments are each rated AAAM and are valued at share price, which is the price for which the investment could be sold.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are rated AAAM and are valued at Illinois Funds' share price, which is the price for which the investment could be sold for.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2011, investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, United States Treasury Notes, Mutual Funds and Allstate Annuities exceeded 5% of the Treasurer's portfolio of other investments.

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, 2011, the bank balance of the Treasurer's deposits with financial institutions totaled \$58,795,835; of this amount, \$30,170,220 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 Treasurer's investment policy does not require investments to be collateralized.

NOTE 5 – ACCOUNTS RECEIVABLE

The Lyons Township School Treasurer collects pro-rata billings from each member school district. Billings are used to pay for each District's pro-rata share of the Treasurer's expenditures. 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. The amount owed to the Treasurer's Office at June 30, 2011 is \$1,622,797, which relates to all billing periods through June 30, 2011. Approximately, \$1,152,820 of this amount, which relates to pro-rata billings for fiscal years 2009 and 2010, is expected to be collected within a year. The remainder relates to the pro-rata billings for fiscal year 2011, which will be billed in 2012.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Treasurer for the year ended June 30, 2011, was as follows:

	<i>Balance July 1, 2010</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2011</i>
<u><i>Capital assets being depreciated:</i></u>				
Equipment	\$ 168,139	\$ -	\$ 76,611	\$ 91,528
<u><i>Less accumulated depreciation for:</i></u>				
Equipment	64,744	7,844	44,407	28,181
Net governmental activities capital assets	\$ 103,395	\$ 12,098	\$ 26,483	\$ 63,347

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 7 – OPERATING LEASES

The Treasurer leases equipment under non-cancelable operating leases. Total costs for such leases were \$8,690 for the year ended June 30, 2011. At June 30, 2011, future minimum lease payments for these leases are as follows:

<i>Year Ending June 30</i>	<i>Amount</i>
2012	\$ 4,488
2013	748
Total	<u>\$ 5,236</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in General Long-term Liabilities. During the year ended June 30, 2011, the following is the long-term activity for the Treasurer:

	<i>Balance July 1, 2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2011</i>	<i>Due Within One Year</i>
<i>Governmental Activities:</i>					
Compensated absences	\$ 90,783	\$ 27,987	\$ 3,615	\$ 124,467	\$ 11,190
Total long-term liabilities – governmental activities	<u>\$ 90,783</u>	<u>\$ 27,987</u>	<u>\$ 3,615</u>	<u>\$ 124,467</u>	<u>\$ 11,190</u>

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

NOTE 9 – 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. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 – RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund

The Treasurer's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school Treasurers in Illinois. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The Treasurer is required to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2010 was 14.24 percent of annual covered payroll. The required contribution rate for calendar year 2010 was 18.74%. The employer 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.

For December 31, 2010, December 31, 2009 and December 31, 2008, the Treasurer's annual pension cost of \$80,192, \$63,760, and \$58,957, respectively, was equal to the Treasurer's required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the age normal 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 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the Treasurer's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The Treasurer's Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The employer Regular plans unfunded actuarial accrued liability as of December 31, 2008 is being amortized as a level percentage of projected payroll on an open 30 year basis.

As of December 31, 2010, the most recent actuarial valuation date, the Regular plan was 59.55 percent funded. The actuarial accrued liability for benefits was \$1,191,396 and the actuarial value of assets was \$709,490 resulting in an underfunded actuarial accrued liability (UAAL) of \$481,906. The covered payroll (annual payroll of active employees covered by the plan) was \$427,921 and the ratio of the UAAL to the covered payroll was 112.62 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

LYONS TOWNSHIP SCHOOL TREASURER

ILLINOIS MUNICIPAL RETIREMENT FUND

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

JUNE 30, 2011

Actuarial Valuation Date	Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$ 80,192	76%	\$ 19,256
12/31/09	63,760	100%	-
12/31/08	58,957	100%	-
12/31/07	47,683	100%	-
12/31/06	51,955	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)
12/31/10	\$ 709,490	\$ 1,191,396	\$ 481,906	59.55%	\$ 427,921	112.62%
12/31/09	581,606	1,160,464	578,858	50.12%	441,249	131.19%
12/31/08	413,312	1,004,928	591,616	41.13%	415,773	142.29%
12/31/07	587,662	747,566	159,904	78.61%	331,826	48.19%
12/31/06	652,532	792,473	139,941	82.34%	324,716	43.10%
12/31/05	524,799	700,454	175,655	74.92%	310,591	56.56%

On a market value basis, the actuarial value of assets as of December 31, 2010, is \$762,224. On a market basis, the funded ratio would be 63.98%.

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