

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

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2004
AND
INDEPENDENT AUDITORS' REPORT**

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

	<u>PAGE(S)</u>
Independent Auditors' 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	8
Statement of Activities	9
<u>Fund Financial Statements:</u>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental (Distributive) Fund.....	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Statement of Fiduciary Assets and Liabilities.....	14
Notes to Financial Statements	15
Required Supplementary Information:	
<u>Historical Pension Information:</u>	
Illinois Municipal Retirement Fund – Schedule of Employer's Contributions and Analysis of Funding Progress (Unaudited).....	23
Supplementary Schedules:	
Schedule of Assets and Liabilities Arising from Cash Transactions – Medical and Dental Accounts	24

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

Supplementary Schedules (concluded):

	<u>PAGE(S)</u>
Schedule of Cash Receipts, Expenditures, and Changes in Account Balances – Medical and Dental Accounts	25
Schedule of Changes in Assets and Liabilities - All Participating School Districts	26

This page was intentionally left blank.



INDEPENDENT AUDITORS' REPORT

November 5, 2004

To the Board of Trustees
Lyons Township School Treasurer
Township 38 North, Range 12 East
930 Barnsdale Road
LaGrange Park, Illinois 60525

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lyons Township School Treasurer, as of and for the year ended June 30, 2004, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

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 the Lyons Township School Treasurer as of June 30, 2004 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.

As described in Note 2, the Lyons Township School Treasurer has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2004.

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 inquires 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.

This page was intentionally left blank.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lyons Township School Treasurer 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 to 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.

This page was intentionally left blank.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2004

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, 2004. 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"). However, because this is the first year of implementing the new model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits omission of the comparative information in the first year of adoption of the new reporting model, subsequent reports will include the comparative information.

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.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2004

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 – Distributive Fund, which LTST considers to be major fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of cash receipts, 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.

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2004

Other information

In addition to the basic financial statement 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 to (\$1,669,995) as a result of operations in fiscal year 2004.

Table 1
Condensed Statement of Net Assets
(in thousands of dollars)

	<u>2004</u>	<u>Percentage of Total</u>
Current assets	\$ 1,324	95%
Capital assets	<u>63</u>	5%
Total assets	<u>1,386</u>	100%
Liabilities	<u>3,056</u>	100%
Total liabilities	<u>3,056</u>	100%
Net assets:		
Invested in capital assets	63	(4%)
Unrestricted	<u>(1,733)</u>	104%
Total net assets	<u>\$ (1,670)</u>	100%

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

**Table 2
Changes in Net Assets
(in thousands of dollars)**

	<u>2004</u>	<u>Percentage Of Total</u>
Revenues:		
Program revenues:		
Charges for services	\$ 490	
Total program revenues	490	(27.18%)
General revenues:		
Investment earnings	3,710	
Investment earnings paid out	<u>(6,003)</u>	
Total general revenues	<u>(2,293)</u>	127.18%
Total revenues	<u>(1,803)</u>	100.00%
Expenses:		
Treasurer's office services	<u>924</u>	100.00%
Total expenses	<u>924</u>	100.00%
Increase (decrease) in net assets	\$ <u>(2,727)</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 decreased to (\$2,722,471). The prior year fund balance was \$(94,449).

The decrease was primarily attributed to the larger amount of investment earnings paid out to member districts.

Illinois State Statutes mandate the instruments which the Treasurer can invest funds. The four major categories of investment are certificates of deposit, commercial paper, bank and corporate notes, and government and government agency guaranteed and collateralized obligations. The majority of the portfolio is invested in government instruments, which are of the lowest risk quotient.

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

Excess saving around the globe coupled with the surplus of dollars from our huge trade imbalance is causing massive cash flows into the US seeking higher rates than available over seas. This substantial money surge is forcing down US interest rates to the lowest levels in decades especially in the safest instruments, US Treasuries.

The Federal Reserve has raised short term rates, but this has had the unintended effect of flattening the yield causing the famous "conundrum" that vexes Chairman Alan Greenspan. And despite a spike in energy cost, inflation remains somnolent further allowing overall rates to decline to today's current levels of 3-4%.

With all these factors firmly entrenched, we expect rates to remain at current, meager levels for the next 12 months. Therefore, our strategy will continue to be investing the excess funds in Treasuries in the 2-5 year sector. With the ten year instrument yielding a mere 20-30 basis point more, it is certainly not worth the risk going out the "curve".

Capital Asset

At the end of the year, LTST had invested \$63,490 in equipment. Depreciation expense for the year was \$4,561, \$42,019 less than the cost of equipment acquired during the year. More information about the capital assets can be obtained from Note 4 of the financial statements.

Table 3		
Capital Assets (net of depreciation)		
	<u>2004</u>	<u>Percentage of Total</u>
Equipment & furniture	\$ <u>63,490</u>	100%
Total	\$ <u>63,490</u>	100%

Factors Bearing on LTST's Future

At the time these financial statements were prepared and audited, LTST was not aware of any circumstances that may significantly affect its financial position in the future.

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

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

STATEMENT OF NET ASSETS

JUNE 30, 2004

GOVERNMENTAL
ACTIVITIES
(DISTRIBUTIVE)
FUND

Assets

Petty cash	\$	200
Accounts receivable:		
Interest		391,340
Pro-rata billings		901,204
Prepaid items		29,506
Capital assets, of net accumulated depreciation		<u>63,490</u>
Total assets		<u>1,385,740</u>

Liabilities

Cash deficit		2,998,306
Accounts payable		17,785
Accrued salaries		9,304
Long-term liabilities:		
Other long-term liabilities due within one year		27,306
Other long-term liabilities due after one year		<u>3,034</u>
Total liabilities		<u>3,055,735</u>

Net assets

Investment in capital assets		63,490
Unrestricted		<u>(1,733,485)</u>
Total net assets	\$	<u>(1,669,995)</u>

See Notes to Basic Financial Statements

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER
GENERAL (DISTRIBUTIVE) FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
Governmental activities			
Treasurer's office services	\$ 923,515	\$ 489,814	\$ (433,701)
General revenues:			
Investment earnings			3,709,561
Investment earnings paid out			(6,003,344)
Total general revenues			(2,293,783)
Change in net assets			(2,727,484)
Net assets July 1, 2003			1,057,489
Net assets June 30, 2004			\$ (1,669,995)

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

	GENERAL FUND (DISTRIBUTIVE) FUND
<hr/>	
Assets	
Petty cash	\$ 200
Accounts receivable:	
Interest	391,340
Pro-rata billings	901,204
Prepaid items	<u>29,506</u>
Total assets	<u>\$ 1,322,250</u>
 Liabilities	
Cash deficit	\$ 2,998,306
Accounts payable	17,785
Accrued salaries	9,304
Deferred revenue	<u>1,019,326</u>
Total liabilities	<u>4,044,721</u>
 Fund balance	
Reserved for prepaid items	29,506
Unrestricted	<u>(2,751,977)</u>
Total fund balance	<u>(2,722,471)</u>
Total liabilities and fund balance	<u>\$ 1,322,250</u>

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, 2004

Total fund balances - governmental funds \$ (2,722,471)

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	\$	78,386	
Depreciation expense to date		<u>(14,896)</u>	
			63,490

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	\$	836,423	
Interest		<u>182,903</u>	
			1,019,326

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, 2004 is \$30,340.

(30,340)

Net assets of governmental activities \$ (1,669,995)

LYONS TOWNSHIP SCHOOL TREASURER
GENERAL (DISTRIBUTIVE) FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	ACTUAL
Receipts	
Earnings on investments	\$ 3,726,085
(Earnings on investments paid out to school districts)	<u>(6,003,344)</u>
Net earnings on investments	<u>(2,277,259)</u>
Pro-rata billings	589,285
Other	<u>19,354</u>
Total Receipts	<u>(1,668,620)</u>
Expenditures	
Current:	
Administrative:	
Salaries	334,302
Benefits	162,865
Purchased service	339,793
Supplies	68,108
Other	7,754
Capital Outlay	<u>46,580</u>
Total Expenditures	<u>959,402</u>
Excess (Deficiency) of receipts over expenditures	(2,628,022)
Fund balance, beginning of year	<u>(94,449)</u>
Fund balance, end of year	<u>\$ (2,722,471)</u>

See Notes to Basic Financial Statements

LYONS TOWNSHIP SCHOOL TREASURER
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004

Net changes in fund balances - total governmental funds \$ (2,628,022)

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 depreciation exceeds capital outlays in the current period.

Depreciation expense	\$	(4,561)	
Capital outlays		<u>46,580</u>	
			42,019

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	\$	(118,825)	
Interest		<u>(16,524)</u>	
			(135,349)

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 exceeded the amounts earned by \$6,132.

(6,132)

Change in net assets of governmental activities \$ (2,727,484)

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
COMBINED BALANCE SHEET AS OF JUNE 30, 2004

**AGENCY
FUND**

Assets

Cash and investments \$ 163,788,623

Liabilities

Due to the participating school districts \$ 163,788,623

This page was intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 FINANCIAL STATEMENTS

JUNE 30, 2004

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 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. The General Fund consists of the following:

Distributive 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 Funds - Fiduciary Funds are 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.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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

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, and the State Treasurer's Investment Pool. 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

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

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 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, 2004 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 \$2,722,471 as of June 30, 2004. The fund incurred expenditures that will be funded by future receipts from participating districts and future interest earnings on investments.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2004, the Treasurer has implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis, for State and Local Governments, GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. At June 30, 2004, there was no effect on fund balances as a result of implementing GASB 33.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS

Under the Illinois Compiled Statutes, the Lyons Township School Treasurer is the lawful custodian of all school 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.

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 year-end, the Treasurer's cash and investments totaled \$163,845,978. For disclosure purposes, this amount is segregated into three 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; and 3) investments, which consist of all investments other than certificates of deposit. The carrying amount of cash on hand, deposits with financial institutions, and investments at year-end was \$200, \$25,642,168 and \$138,203,610, respectively.

At year-end, the bank balance of the Treasurer's deposits with financial institutions was \$33,705,389. Of this bank balance, \$16,305,612 was covered by federal depository insurance, or collateralized with securities held by the Treasurer or its agent in the Treasurer's name. Of the remaining balance, \$350,653 was collateralized with securities held by the pledging financial institution's trust department or agent in the Treasurer's name, and \$17,049,124 was uncollateralized, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Treasurer's name.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Treasurer or its agent in the Treasurer's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Treasurer's name.

LYONS TOWNSHIP SCHOOL TREASURER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the Treasurer's name. At year-end, the Treasurer's investment balances, exclusive of certificates of deposit, were as follows:

	<i>Category</i>			<i>Total</i>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government Securities	\$ -	\$ 60,518,262	\$ -	\$ 60,518,262
Commercial Paper	-	10,000,955	-	10,000,955
Money Market Funds	-	8,454	-	8,454
Mutual Funds	-	<u>67,675,939</u>	-	<u>67,675,939</u>
Total	<u>\$ -</u>	<u>\$ 138,203,610</u>	<u>\$ -</u>	<u>\$ 138,203,610</u>
Investments not subject to categorization (Included as Deposits with Financial Institutions):				
Certificates of Deposit				15,399,929
Illinois Funds				<u>362</u>
Total Investments				<u>\$ 153,603,901</u>

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 valued at Illinois Funds' share price, which is the price the investment could be sold for.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Treasurer for the year ended June 30, 2004 was as follows:

	<i>Balance July 1, 2003</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance June 30, 2004</i>
<u>Capital assets being depreciated:</u>				
Equipment	\$ 31,806	\$ 46,580	\$ -	78,386
<u>Less accumulated depreciation for:</u>				
Equipment	<u>(10,335)</u>	<u>(4,561)</u>	<u>-</u>	<u>(14,896)</u>
Net Governmental activities capital assets	<u>\$ 21,471</u>	<u>\$ 42,019</u>	<u>\$ -</u>	<u>\$ 63,490</u>

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 – LONG-TERM LIABILITIES

Changes in General Long-term Liabilities. During the year ended June 30, 2004, the following is the long-term activity for the Treasurer:

	<i>Balance July 1, 2003</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2004</i>	<i>Due Within One Year</i>
<i>Governmental Activities:</i>					
Compensated absences	\$ 24,208	\$ 36,964	\$ 30,832	\$ 30,340	\$ 27,306
Total long-term liabilities – governmental activities	<u>\$ 24,208</u>	<u>\$ 36,964</u>	<u>\$ 30,832</u>	<u>\$ 30,340</u>	<u>\$ 27,306</u>

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

NOTE 6 – 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.

NOTE 7 – 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 is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school treasurers 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 publicly available financial report that includes financial statements and required supplementary information. That report may be obtained 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 2003 was 15.43 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. The remaining amortization period at December 31, 2003 was 29 years.

LYONS TOWNSHIP SCHOOL TREASURER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

For December 31, 2003, the Treasurer's annual pension cost of \$45,099 was equal to the Treasurer's required and actual contributions. The required contribution was determined as part of the December 31, 2001 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 4.0% 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. The assumptions used for the 2003 actuarial valuation were based on the 1999-2001 experience study.

NOTE 8 – 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, 2004, the Treasurer's revenue receivables include the following:

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, 2004 is \$901,204, which relates to all billing periods through June 30, 2004. Approximately \$260,000 of this amount is expected to be collected within a year. The remainder relates to pro-rata for 2004, which will be billed in 2005, however mostly collected in 2006.

LYONS TOWNSHIP SCHOOL TREASURER

ILLINOIS MUNICIPAL RETIREMENT FUND

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

JUNE 30, 2004

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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%	-
12/31/98	26,443	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)
12/31/03	\$ 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%
12/31/98	452,816	583,432	130,616	77.61%	200,329	65.20%

On a market value basis, the actuarial value of assets as of December 31, 2003 is \$304,661. On a market basis, the funded ratio would be 50.86%.

***Digest of Changes**

The actuarial assumptions used to determine the actuarial accrued liability for 2003 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.

This page has been intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

SCHEDULE OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS - MEDICAL AND DENTAL ACCOUNTS

JUNE 30, 2004

	MEDICAL SELF INSURANCE	DENTAL SELF INSURANCE	TOTAL INSURANCE ACCOUNTS
Assets			
Cash and investments	\$ 336,112	\$ -	\$ 336,112
Total Assets	<u>\$ 336,112</u>	<u>\$ -</u>	<u>\$ 336,112</u>
Account balance			
Account balance	<u>336,112</u>	<u>-</u>	<u>336,112</u>
Total liabilities and account balance	<u>\$ 336,112</u>	<u>\$ -</u>	<u>\$ 336,112</u>

This page has been intentionally left blank.

LYONS TOWNSHIP SCHOOL TREASURER

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

FOR THE YEAR ENDED JUNE 30, 2004

	MEDICAL SELF INSURANCE	DENTAL SELF INSURANCE	TOTAL INSURANCE ACCOUNTS
Receipts			
Contributions from participating districts	\$ 3,285,746	\$ -	\$ 3,285,746
Net interest on investments	<u>13,557</u>	<u>1,988</u>	<u>15,545</u>
Total Receipts	<u>3,299,303</u>	<u>1,988</u>	<u>3,301,291</u>
Expenditures			
Claims by employees	2,175,937	36,859	2,212,796
Co-insurance costs	267,730	-	267,730
Consulting costs	8,360	-	8,360
Administrative costs	36,081	-	36,081
Alternative insurance costs	654,715	-	654,715
Residual equity payment to member districts		133,151	
Other	<u>8,827</u>	<u>-</u>	<u>8,827</u>
Total Expenditures	<u>3,151,650</u>	<u>170,010</u>	<u>3,188,509</u>
Excess of receipts over expenditures	147,653	(168,022)	112,782
Account balance, beginning of year	<u>188,459</u>	<u>168,022</u>	<u>356,481</u>
Account balance (deficit), end of year	<u>\$ 336,112</u>	<u>\$ -</u>	<u>\$ 469,263</u>

LYONS TOWNSHIP SCHOOL TREASURER

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

JUNE 30, 2004

	Total	#101	#102	#103	#104	#105	#106	#107
ASSETS								
Cash and Investments held by Treasurer	\$ 162,723,430	\$ 10,252,623	\$ 22,888,702	\$ 5,488,484	\$ 4,228,140	\$ 4,363,495	\$ 10,534,186	\$ 5,653,100
Cash and Investments held by District	74,000	5,000	-	8,000	-	6,000	-	-
Receivables (net of allowance for uncollectibles)								
Property taxes	86,247,938	5,042,484	10,638,905	10,480,851	5,382,852	5,333,559	4,576,383	4,181,742
Replacement taxes	1,064,007	75,571	-	225,635	85,068	123,334	6,133	43,316
Intergovernmental	5,386,458	33,140	267,494	102,555	1,618,415	36,180	129,737	19,064
Tuition	43,362	-	-	-	-	-	-	-
Interest	482,385	-	91,045	-	-	-	-	-
Other Current Assets	2,178,031	-	183,986	372,018	88,261	9,266	-	44,777
Due from Administrative Agent	91,847	-	-	-	-	-	-	-
Total Assets	\$ 258,291,458	\$ 15,408,818	\$ 34,070,132	\$ 16,677,543	\$ 11,402,736	\$ 9,871,834	\$ 15,246,439	\$ 9,941,999
LIABILITIES AND FUND BALANCE								
Liabilities:								
Payroll								
Deductions Payable	\$ 46,766	\$ (4,665)	\$ 22,250	\$ 22,453	\$ 10,904	\$ (13,201)	\$ 20,383	\$ -
Accounts Payable	9,511,481	738,470	1,510,138	220,760	1,855,455	158,385	952,874	165,716
Salaries and Wages Payable	1,356,707	17,303	-	23,910	-	40,818	-	-
Compensated Absences	-	-	-	-	-	-	-	-
Deferred Revenue	87,487,426	5,109,205	10,636,047	10,379,283	5,383,759	5,333,559	4,573,460	4,186,368
Other Current Liabilities	8,876,602	-	91,847	1,980,000	386,710	9,266	12,744	7,272
Due to Joint Agreements	-	-	-	-	-	-	-	-
Total Liabilities	107,278,982	5,860,313	12,260,282	12,626,406	7,636,828	5,528,827	5,559,461	4,359,356
Fund Balance:								
Total Fund Balance	151,012,476	9,548,505	21,809,850	4,051,137	3,765,908	4,343,007	9,686,978	5,582,643
Total Liabilities and Fund Balance	\$ 258,291,458	\$ 15,408,818	\$ 34,070,132	\$ 16,677,543	\$ 11,402,736	\$ 9,871,834	\$ 15,246,439	\$ 9,941,999

#108	#109	#204	#217	HEADSTART	BASE	LADSE	MEDICAL AND DENTAL ACCOUNTS	TREASURER'S OFFICE
\$ 4,087,367	\$ 22,840,711	\$ 46,272,377	\$ 21,220,504	\$ -	\$ -	\$ 4,557,429	\$ 336,112	\$ 200
-	-	-	50,000	-	-	5,000	-	-
1,277,357	5,897,711	22,748,601	10,687,493	-	-	-	-	-
6,676	56,947	336,533	104,794	-	-	-	-	-
26,818	436,618	35,121	544,656	-	-	1,235,456	-	901,204
-	-	-	-	-	-	43,362	-	-
-	-	-	-	-	-	-	-	391,340
4,667	-	1,245,324	200,226	-	-	-	-	29,506
-	-	-	-	19,965	71,882	-	-	-
<u>\$ 5,402,885</u>	<u>\$ 29,231,987</u>	<u>\$ 70,637,956</u>	<u>\$ 32,807,673</u>	<u>\$ 19,965</u>	<u>\$ 71,882</u>	<u>\$ 5,841,247</u>	<u>\$ 336,112</u>	<u>\$ 1,322,250</u>
\$ (3,662)	\$ -	\$ 2,179	\$ (14,228)	\$ -	\$ -	\$ 4,353	\$ -	\$ -
540,958	1,038,724	819,137	256,149	-	-	1,236,930	-	17,785
-	1,051,378	195,934	18,060	-	-	-	-	9,304
-	-	-	-	-	-	-	-	-
1,277,357	6,091,977	22,905,652	10,591,433	-	-	-	-	1,019,326
2,200,000	174,894	706,200	-	-	-	309,363	-	2,998,306
-	-	-	-	-	-	-	-	-
<u>4,014,653</u>	<u>8,356,973</u>	<u>24,629,102</u>	<u>10,851,414</u>	<u>-</u>	<u>-</u>	<u>1,550,646</u>	<u>-</u>	<u>4,044,721</u>
<u>1,388,232</u>	<u>20,875,014</u>	<u>46,008,854</u>	<u>21,956,259</u>	<u>19,965</u>	<u>71,882</u>	<u>4,290,601</u>	<u>336,112</u>	<u>(2,722,471)</u>
<u>\$ 5,402,885</u>	<u>\$ 29,231,987</u>	<u>\$ 70,637,956</u>	<u>\$ 32,807,673</u>	<u>\$ 19,965</u>	<u>\$ 71,882</u>	<u>\$ 5,841,247</u>	<u>\$ 336,112</u>	<u>\$ 1,322,250</u>

This page was intentionally left blank.