

**Lyons Township School Treasurer
Township 38 North, Range 12 East
Cook County, Illinois**

Financial Statements

Year Ended June 30, 2015

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FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lyons Township School Treasurer
LaGrange, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, major fund and the aggregate remaining fund information of Lyons Township School Treasurer (the Treasurer), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Treasurer's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Treasurer's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this also includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major fund and the aggregate remaining fund information of the Treasurer, as of June 30, 2015, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note M to the audited financial statements, deferred outflows, long-term liabilities and net deficit as of July 1, 2014 have been restated as a result of an adjustment due to the implementation of the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Report for Pensions - an Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

The Lyons Township School Treasurer has not presented the General Fund budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not modified for this missing information.

The Board of Trustees
Lyons Township School Treasurer
LaGrange Park, Illinois

(Continued)

Other Matters (Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the Illinois Municipal Retirement Fund pension data on pages 40 through 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
November 13, 2015

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The discussion and analysis of the Lyons Township School Treasurer's (the Lyons Treasurer) financial performance provides an overall review of the Treasurer's financial activities, for the year ended June 30, 2015. The management of the Lyons Treasurer encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the Lyons Treasurer's financial performance.

Financial Highlights

- In total, net deficit decreased by \$4,981. This represents a 0.3% decrease from 2014.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Lyons Treasurer's basic financial statements. The basic financial statements are comprised of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Lyons Treasurer's finances, in a manner similar to a private-sector business.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Financial Reporting for Pensions* (GASB 68), and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (GASB 71), which were adopted by the Lyons Treasurer as of the fiscal year ended June 30, 2015. GASB 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures related to pension liabilities. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service. GASB 71 established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The implementation of GASB 68 and GASB 71 required a net pension liability for IMRF to be recorded. As a result of this implementation, net deficit as of July 1, 2014 increased by \$371,163, net pension liability (included in long-term liabilities) increased by \$411,240 and deferred outflows increased by \$40,077. Please refer to the Notes to the Financial Statements, Note A, Item 2, Note J and Note M for further information.

The Statement of Net Deficit presents information on all of the Lyons Treasurer's assets, deferred outflows, deferred inflows and liabilities, with the difference reported as net position (deficit). Over time, increases or decreases in net deficit may serve as a useful indicator of whether the financial position of the Lyons Treasurer is improving or deteriorating.

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The Statement of Activities presents information showing how the Lyons Treasurer's net deficit changed during the fiscal year being reported. All changes in net position are reported when revenue is recognized and expenses are incurred.

The government-wide financial statements present the functions of the Lyons Treasurer that are principally supported by fees received from school districts for investing and other business services performed. The Lyons Treasurer has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Lyons Treasurer uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Lyons Treasurer can be divided into two categories: a governmental fund and a fiduciary fund (the Lyons Treasurer maintains no proprietary funds).

The governmental fund is 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 the Lyons Treasurer's near-term financing requirements.

Because the focus of the governmental fund 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund deficit provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Lyons Treasurer maintains one individual governmental fund – General (Distributive) Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund deficit for the General (Distributive) Fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the Lyons Treasurer. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Lyons Treasurer's own programs. The accounting used for fiduciary (agency) funds is on the accrual basis of accounting.

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, 2015**

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Lyons Township School Treasurer's status with the Illinois Municipal Retirement Fund.

Government-Wide Financial Analysis

Lyons Treasurer's combined net deficit increased 34% to (\$1,431,945).

Table 1 Condensed Statement of Net Position		
	<u>2015</u>	<u>2014*</u>
Current and other assets	\$ 1,785,290	\$ 2,001,173
Capital assets	<u>205,417</u>	<u>58,765</u>
Total assets	<u>1,990,707</u>	<u>2,059,938</u>
Deferred outflows related to pensions	<u>107,257</u>	-
Current liabilities	2,914,306	3,004,525
Long-term liabilities	<u>454,410</u>	<u>121,176</u>
Total liabilities	<u>3,368,716</u>	<u>3,125,701</u>
Deferred inflows related to pensions	<u>161,193</u>	-
Net position (deficit):		
Investment in capital assets	205,417	58,765
Unrestricted	<u>(1,637,362)</u>	<u>(1,124,528)</u>
Total net deficit	<u>\$ (1,431,945)</u>	<u>\$ (1,065,763)</u>

*Amounts presented as originally reported and not restated due to the implementation of GASB Statement No. 68 and GASB Statement No. 71.

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Table 2 Changes in Net Deficit		
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Pro-rata billing	\$1,773,350	\$399,233
Insurance proceeds and other	-	<u>1,385,755</u>
Total revenues	<u>1,773,350</u>	<u>1,784,988</u>
Expenses:		
Treasurer's office services	<u>1,768,369</u>	<u>1,143,685</u>
Total expenses	<u>1,768,369</u>	<u>1,143,685</u>
Decrease in net deficit	<u>\$ 4,981</u>	<u>\$641,303</u>

Financial Analysis of the Lyons Treasurer's Funds

The financial position of the Lyons Treasurer as a whole is reflected in its governmental funds, as well. As the Lyons Treasurer completed the year, the governmental fund deficit increased to (\$2,616,563), from the prior year deficit of (\$1,902,216). In FY 2015, there were several non-recurring expenses including a major capital investment for a replacement financial software system, office relocation and higher than expected litigation costs related to collection of unpaid pro-rata bill payments, recovery of over-paid interest income distribution and audit costs due from Lyons Township High School 204 (LTHS).

Factors Bearing on Future

The Lyons Treasurer has strived for continuous improvements and the following factors could bear on the future results.

- During fiscal year 2015, the Lyons Treasurer and several of the Township Districts upgraded the financial software. The Lyons Treasurer has realigned staffing to best support office functions and reporting, developed updated financial procedures and improved security measures.
- Operational costs have decreased in each of the past three years thereby reducing their pro-rata share of expense for each Township District.
- After the fiscal year 2015 pro-rata billing has been collected the fund deficit is expected to decrease. As the one-time capital software investment will be fully paid.

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Requests for Information

This financial report is designed to provide the Lyons Treasurer's citizens, taxpayers, and creditors with a general overview of the Lyons Treasurer's finances and to demonstrate the accountability of the Lyons Treasurer's office. If you have questions about this report, or need additional financial information, contact Dr. Susan Birkenmaier at:

Lyons Township School Treasurer
22 Calendar Court
LaGrange, IL 60525

BASIC FINANCIAL STATEMENTS

Lyons Township School Treasurer
STATEMENT OF NET DEFICIT
June 30, 2015

	Governmental Activities (Distributive) Fund
	Fund
ASSETS	
Cash	\$ 64,327
Accounts receivable:	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,391,929)	1,720,963
Capital assets, net of accumulated depreciation	205,417
Total assets	1,990,707
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	107,257
LIABILITIES	
Accounts payable	48,371
Accrued salaries	13,961
Advances from Township Districts	2,851,974
Noncurrent liabilities:	
Due after one year	454,410
Total liabilities	3,368,716
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	161,193
NET POSITION (DEFICIT)	
Investment in capital assets	205,417
Unrestricted	(1,637,362)
Total net deficit	\$ (1,431,945)

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Programs	Expenses	Program Revenues	Net Expenses and Change in Net Deficit
Governmental activities			
Treasurer's office services	\$ <u>1,768,369</u>	\$ <u>1,773,350</u>	\$ <u>4,981</u>
Net deficit - beginning (as restated, Note M)			<u>(1,436,926)</u>
Net deficit - ending			<u><u>\$ (1,431,945)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer

Governmental Fund BALANCE SHEET

June 30, 2015

	General (Distributive) Fund
ASSETS	
Cash	\$ 64,327
Accounts receivable	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,391,929)	<u>1,720,963</u>
Total assets	<u>\$ 1,785,290</u>
LIABILITIES AND FUND DEFICIT	
Liabilities	
Accounts payable	\$ 48,371
Accrued salaries	13,961
Unearned revenue	1,487,547
Advances from township districts	2,851,974
Fund Deficit	
Unassigned	<u>(2,616,563)</u>
Total liabilities and fund deficit	<u>\$ 1,785,290</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUND TO THE STATEMENT OF NET DEFICIT
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund deficit - governmental fund	\$	(2,616,563)	
Net capital assets used in governmental activities and included in the statement of net deficit do not require the expenditure of financial resources and, therefore, are not reported in the governmental fund balance sheet.		205,417	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:			
Deferred outflows of resources related to pensions	\$	69,977	
Deferred outflows of 2015 employer contributions related to pensions		37,280	107,257
Deferred inflows of resources related to pensions			(161,193)
Pro-rata billings revenue that is deferred in the fund financial statements, because it is not available, is recognized as revenue in the government-wide financial statements.			1,487,547
Long-term liabilities included in the statement of net deficit are not due and payable in the current period and, accordingly, are not reported in the governmental fund balance sheet.			(454,410)
Net deficit - governmental activities	\$		(1,431,945)

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
 Governmental Fund
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEFICIT
For the Year Ended June 30, 2015

	<u>General (Distributive) Fund</u>
Revenue	
Pro-rata billings	\$ <u>1,184,667</u>
Expenditures	
Salaries	463,889
Benefits	263,700
Purchased services	969,794
Supplies and materials	44,665
Capital outlay	156,571
Other objects	395
Total expenditures	<u>1,899,014</u>
Deficiency of revenues over expenditures	(714,347)
Fund deficit	
Beginning of year	<u>(1,902,216)</u>
End of year	\$ <u><u>(2,616,563)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND DEFICIT OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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

Net change in fund deficit - governmental fund	\$ (714,347)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.	146,652
Changes in deferred outflows and inflows of resources related to pensions are reported only in the statement of activities:	
Deferred outflows and inflows of resources related to IMRF pension	(94,013)
Pro-rata billings revenue not collected within 60 days after year end is considered unavailable and is deferred in the government fund. These amounts are considered earned, however, and recognized as revenue in the government-wide statements.	588,683
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.	<u>78,006</u>
Change in net deficit - governmental activities	<u><u>\$ 4,981</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
Agency Fund
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2015

Assets	
Pooled cash and investments	\$ 190,378,264
Advances to Township School Treasurer	<u>2,851,974</u>
Total assets	<u>\$ 193,230,238</u>
Liabilities	
Due to Township Districts:	
Cook County School District 101	10,791,348
Elementary School District 102	10,873,322
Lyons Elementary School District 103	12,114,320
Cook County School District 104	5,493,973
Cook County School District 105	16,170,262
LaGrange Highlands School District 106	10,426,316
Pleasantdale School District 107	13,713,222
Cook County School District 108	6,353,401
Indian Springs School District 109	30,641,996
Lyons Township High School District 204	42,046,742
Argo Community High School District 217	29,132,574
LaGrange Area Department of Special Education	3,903,260
Lyons Township Elementary School Districts' Employee Benefit Cooperative	1,413,600
Cook County Intermediate Service Center #2 (West 40)	(125,955)
Undistributed investment income	<u>281,857</u>
Total liabilities	<u>\$ 193,230,238</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lyons Township School Treasurer (the Treasurer) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the reporting entity and the Treasurer's significant accounting policies:

1. **Reporting Entity**

As required by State Statute, the Lyons Township School Treasurer oversees the treasury functions of eleven school districts, two educational cooperatives and a medical self-insurance cooperative (the Township Districts) through the activities of the assistant school treasurer at each Township District. In this capacity, funds received by the Treasurer from various sources are distributed to the Township Districts on a current basis to meet operating needs. Excess funds are invested by the Treasurer, per the Investment Policy. The Treasurer and each Township District are located within the Township of Lyons, in Cook County, Illinois.

2. **New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was implemented by the Treasurer during the fiscal year ended June 30, 2015. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses on the government-wide financial statements. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute the present value to periods of employee service.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and was implemented by the Treasurer during the fiscal year ended June 30, 2015. This Statement established standards for measuring amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension asset.

Specific changes to the Treasurer's financial statements relate to the recognition of net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. See Note J and Note M for the effects of this restatement.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fund Accounting

The accounts of the Treasurer are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities (arising from cash transactions), fund balances, revenues collected, and expenditures paid. The Treasurer maintains individual funds as required. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are kept by the Treasurer:

a. General (Distributive) Fund

The General (Distributive) Fund is the operating fund of the Treasurer. This fund is used for the administrative aspects of the Treasurer's operations. The revenue consists primarily of pro-rata billings to Township Districts.

b. Fiduciary Fund

The Agency Fund is a fiduciary fund, custodial in nature. It is used to account for cash and investments maintained by the Treasurer, in an agency capacity, for the benefit of the Township Districts.

4. Fund Balance

In the fund financial statements, governmental funds may report five components of fund balance: nonspendable, restricted, committed, assigned, and unassigned.

a. *Nonspendable* - includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable in form criteria include items that are not expected to be converted to cash such as prepaid items. As of June 30, 2015, the Treasurer had no nonspendable fund balances.

b. *Restricted* - refers to amounts that are subject to outside restrictions such as creditors, grantors, contributors, laws and regulations of other governments, or are imposed by law through enabling legislation. Special revenue funds are by definition restricted for those specified purposes. As of June 30, 2015, the Treasurer had no restricted fund balances.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fund Balance (Continued)

- c. *Committed* - refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Treasurer's highest level of decision-making authority (the Board of Trustees). The Board of Trustees commits fund balances by passing a resolution. Amounts committed cannot be used for any purpose unless the Board removes or changes the specific use by taking the same type of formal action it employed to previously commit those funds. As of June 30, 2015, the Treasurer had no committed fund balances.

- d. *Assigned* - refers to amounts that are constrained by the Treasurer's intent to be used for a specific purpose, but are neither restricted or committed. Authority to assign fund balance has not been delegated by the Board of Trustees. As of June 30, 2015, the Treasurer had no assigned fund balances.

- e. *Unassigned* - refers to all spendable amounts not contained in the other four classifications described above. In funds other than the General Fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

5. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net deficit and the statement of activities) report information on all of the nonfiduciary activities of the Treasurer. 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 Township Districts who use or directly benefit from the goods, services, or privileges provided by a given function.

Separate financial statements are provided for the governmental fund and fiduciary fund. The fiduciary fund is excluded from the government-wide financial statements.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues and additions are recorded when earned, and expenses and deductions are recorded when a liability is incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

A Governmental fund is used to account for the Treasurer's general governmental activities. Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded 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 the liabilities of the current period. The Treasurer considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

7. Investments

State statutes and the Treasurer's investment policy authorize the Treasurer to invest in obligations listed in Note E. No amortization is made to interest income for discounted federal securities. Gains and losses on the sale of investments are recorded as interest income at the date of sale or maturity. Investments held in the Fiduciary (Agency) Fund are stated at fair value.

8. Accumulated Unpaid Vacation and Sick Pay

Employees who have completed 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 can be carried forward indefinitely or paid at the discretion of the Township Treasurer. Employees who resign or whose employment is terminated for any reason will be paid for unused vacation time. All vested vacation is accrued when incurred in the government-wide financial statements. A liability is reported in the General (Distributive) fund only to the extent that the earned and untaken vacation will be paid with the expendable available financial resources.

Sick leave of 10 days is provided on a pro-rata basis to all employees. Unused sick leave can be accumulated for future use, up to 240 days, and is forfeited if not utilized. No liability is provided in the financial statements for accumulated unpaid sick leave because sick leave days are forfeited if not used.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets

Capital assets, which consists entirely of 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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

10. Long-Term Obligations

In the government-wide financial statements, all long-term obligations to be paid from government resources are reported as liabilities in the statement of net deficit.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

12. Unearned Revenue

The Treasurer reports unearned revenue on its governmental fund balance sheet. Unearned revenues arise from pro-rata billings to Township Districts which do not meet the Treasurer's revenue recognition criteria for availability as defined in Note A-6. At the end of the current fiscal year, the unearned revenue reported in the General (Distributive) Fund was \$1,487,547.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - TRANSACTIONS WITH TOWNSHIP DISTRICTS

The Lyons Township School Treasurer collects both pro-rata billings and insurance premiums from Township Districts in accordance with state statute 105 ILCS 5/8-4. Billings are used to pay for each Township District's pro rata share of Township Treasurer's expenditures.

Pro rata billings for the fiscal year ended June 30, 2015, are not calculated and billed until the following fiscal year. Prior year billings were billed in a similar manner. The amounts not collected within sixty days of year-end are considered unearned in the governmental fund financial statements until the following year. While collection is expected within one year, some amounts remain outstanding from certain Township Districts for prior fiscal years. The amount owed to the Treasurer's Office at June 30, 2015 for these billings is \$485,469, which relates to all billing periods through June 30, 2015; of this amount, \$233,416 was collected within the sixty day recognition period and recognized as revenue in the General (Distributive) fund.

Also included in the pro-rata billings receivable is the estimated amount for the pro-rata billings for the fiscal year ended June 30, 2015. This entire amount, \$1,487,547, is expected to be billed and collected within one year.

Accounts receivable include costs for a Township District's prior year audits of \$511,069. The entire amount is fully reserved by an allowance for doubtful accounts.

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE B - TRANSACTIONS WITH TOWNSHIP DISTRICTS (Continued)

Detail of the accounts receivable are as follows:

<u>Township District</u>	<u>Amount</u>
Unbilled pro-rata receivable to all Township Districts	\$ 1,487,547
Elementary School District 102	127,849
Lyons Elementary School District 103	105,567
Lyons Township High School District 204	<u>3,391,929</u>
Total pro-rata and other receivables	5,112,892
Less: Allowance for doubtful accounts	<u>(3,391,929)</u>
Total pro-rata billings and other receivables	<u><u>\$ 1,720,963</u></u>

NOTE C - DEFICIT FUND BALANCE

The General (Distributive) Fund has a deficit balance of \$2,616,563 as of June 30, 2015. This deficit is anticipated to be funded by future receipts from Township Districts.

NOTE D - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Deficit

The government fund balance sheet includes a reconciliation between fund balance - total governmental funds and net deficit - governmental activities as reported in the government-wide statement of net deficit. One element of that reconciliation explains that "Long-term liabilities included in the statement of net deficit are not due and payable in the current period and, accordingly, are not reported in the governmental funds balance sheet." The details of the difference are as follows:

Compensated absences	\$ 58,959
IMRF net pension liability	<u>395,451</u>
Net adjustment to increase fund deficit - total governmental funds to arrive at net deficit of governmental activities	<u><u>\$ 454,410</u></u>

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE D - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(Continued)

2. Explanation of Certain Differences Between the Government Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund deficit includes a reconciliation between net change in fund deficit - governmental funds and change in net deficit of governmental activities as reported in the government-wide statement of net deficit. One element of that reconciliation explains that "Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 154,710
Depreciation expense	<u>(8,058)</u>
Net adjustment to increase net change in fund deficit - total governmental fund to arrive at change in net deficit of governmental activities	<u>\$ 146,652</u>

Another element of that reconciliation states that "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." The details of this difference are as follows:

Compensated absences, net	\$ 884
IMRF net pension liability	<u>77,122</u>
Net adjustment to increase net change in fund deficit - total governmental fund to arrive at change in net deficit of governmental activities	<u>\$ 78,006</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE E - DEPOSITS AND INVESTMENTS

The Treasurer is the legal custodian of all Township Districts' cash and investments. Accounting records are maintained to separate the common cash and investment accounts by individual Township District. Cash and investments are recorded at cost and the realized gains, realized losses and investment income are allocated on a pro-rata basis to the Township Districts. No unrealized gains and losses are allocated to the Township Districts or recorded in the financial statements. Cash deposits, investments, and the underlying collateral are held in the name of the Treasurer.

The Treasurer's investment policy is in line with State Statutes. The investments that the Treasurer may purchase are limited by Illinois law to the following: (1) securities that are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) interest-bearing savings accounts, interest-bearing certificates of deposit or time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (4) short-term discount obligations of corporations organized in the United States with assets exceeding \$500,000,000; (5) interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation or school district; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; and (8) money market mutual funds and certain other instruments.

At June 30, 2015, the Treasurer's cash and investments consisted of the following:

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>64,327</u>	\$ <u>190,378,264</u>	\$ <u>190,442,591</u>

For disclosure purposes, this amount is segregated into the following components, at June 30, 2015:

Cash on hand	\$ 200
Deposits with financial institutions	25,322,632
Money Market Mutual Fund	40,385,632
Illinois Funds	423
Illinois School District Liquid Asset Fund Plus	5
Other Investments	<u>124,733,699</u>
 Total	 \$ <u>190,442,591</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Deposits with financial institutions include amounts held in demand accounts, savings accounts and non-negotiable certificates of deposit; custodial credit risk is applicable to these holdings. Carrying value approximates fair value due to the short term nature of these deposits.

The Illinois School Member Liquid Asset Fund Plus (ISDLAF+) is an unrated, not-for-profit investment trust formed pursuant to the School Code and managed by a Board of Trustees, elected from Township Districts. It is not registered with the SEC as an investment company, but operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are rated AAAM and are valued at share price, which is the price for which the investment could be sold.

The Illinois Funds, a state investment pool, was rated AAAM by Standard & Poor's. The State Treasurer is the regulatory oversight agency for the pool and the State Treasurer is audited by the Illinois Auditor General to insure that all state statutes are being followed. Each member owns a prorated share of each investment or deposit, which is held in the name of the fund. The fair value of the position in the external investment pool is the same as the value of the pool shares.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2015, other investments consisted of the following:

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity (in years)	Associated Risks
Federal Home Loan Bank (FHLB) - U.S. Agency implicitly guaranteed	\$ 8,696,565	\$ 8,715,626	6.404	Custodial credit, interest rate
Federal National Mortgage Association - (FNMA) U.S. Agency explicitly guaranteed	76,867,011	77,164,875	16.598	Custodial credit, interest rate
Freddie Mac - U.S. Agency explicitly guaranteed	7,436,244	7,365,189	13.897	Custodial credit, interest rate
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	1,363,466	1,357,927	23.726	Custodial credit, interest rate
Government Bonds - U.S. Agency explicitly guaranteed	22,676,743	22,428,544	6.022	Custodial credit, interest rate
Corporate bonds	<u>7,693,670</u>	<u>7,693,669</u>	0.320	Custodial credit, interest rate
Total	<u>\$ 124,733,699</u>	<u>\$ 124,725,830</u>		

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

The Treasurer's investment policy seeks to ensure preservation of capital in the Treasurer's overall portfolio. The highest return on investments is sought, consistent with the preservation of principal and prudent investment principles. The investment portfolio is required to provide sufficient liquidity to pay Treasurer obligations as they come due, considering maturity and marketability. The investment portfolio is also required to be diversified as to maturities and investments, as appropriate to the nature, purpose, and amount of funds. The Treasurer will also consider investments in local financial institutions, recognizing their contribution to the community's economic development.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Treasurer's investment policy further minimizes credit risk by limiting the investments to the safest types of securities and/or financial institutions; pre-qualifying the financial institutions, brokers, intermediaries, and advisors with which the Treasurer will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

At June 30, 2015, the Treasurer's investments subject to credit risk were rated as followed:

Investment	Moody's Investor Service	Standard & Poor's
Federal Home Loan Bank (FHLB) - U.S Agency implicitly guaranteed	Aaa	Not available
Federal National Mortgage Association (FNMA) - U.S. Agency explicitly guaranteed	Aaa	Not available
Freddie Mac - U.S. Agency explicitly guaranteed	Aaa	Not available
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	Not available	Not available
Corporate bonds *	A2 - Aa2	A-1 - A+

* Credit risk ratings were not available for certain corporate bonds

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The Treasurer's investment policy requires diversification of the investment portfolio to minimize the risk of loss resulting from overconcentration in a particular type of security, risk factor, issuer, or maturity. The policy requires diversification strategies to be determined and revised periodically by the Treasurer's Investment Officer to meet the Treasurer's ongoing need for safety, liquidity, and rate of return.

At June 30, 2015, the Treasurer had four federally backed mortgage investments in excess of 5% of the total investment portfolio. These four investments totaled \$29,353,810 at fiscal year end. However, based on the nature of the investments and the overall credit rating of the investments, this is not in violation of the Treasurer's investment policy.

Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Treasurer's investment policy limits the exposure to deposit custodial credit risk by requiring all deposits in excess of FDIC insurable limits to be secured by collateral in the event of default or failure of the financial institution holding the funds. At June 30, 2015, the bank balance of the Treasurer's deposits with financial institutions totaled \$27,507,218. Uninsured cash totaled \$7,989,065 at June 30, 2015.

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 investments are held by their agent and in the Treasurer's name. At June 30, 2015, there were no investments exposed to custodial credit risk.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated				
Equipment in process	\$ -	\$ 154,710	\$ -	\$ 154,710
Total capital assets, not being depreciated	<u>-</u>	<u>154,710</u>	<u>-</u>	<u>154,710</u>
Capital assets, being depreciated				
Equipment	104,009	-	-	104,009
Total capital assets, being depreciated	<u>104,009</u>	<u>-</u>	<u>-</u>	<u>104,009</u>
Less accumulated depreciation for:				
Equipment	45,244	8,058	-	53,302
Total accumulated depreciation	<u>45,244</u>	<u>8,058</u>	<u>-</u>	<u>53,302</u>
Governmental activities capital assets, net	<u>\$ 58,765</u>	<u>\$ 146,652</u>	<u>\$ -</u>	<u>\$ 205,417</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE G - LONG-TERM LIABILITIES

The long-term liabilities activity for the Treasurer during the year ended June 30, 2015 was as follows:

Governmental Activities	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Compensated absences	\$ 59,843	\$ 18,311	\$ 19,195	\$ 58,959
IMRF net pension liability**	<u>472,573</u>	<u>335,906</u>	<u>413,028</u>	<u>395,451</u>
 Total long-term liabilities - governmental activities	 <u>\$ 532,416</u>	 <u>\$ 354,217</u>	 <u>\$ 432,223</u>	 <u>\$ 454,410</u>

** Beginning balance is shown as restated (see Note J and Note M).

The obligations for accrued compensation absences will be repaid from the General (Distributive) Fund.

NOTE H - OPERATING LEASES

The Treasurer leases its office space and equipment under noncancelable operating leases. Total costs for such leases were \$58,309 for the year ended June 30, 2015. At June 30, 2015, future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Total</u>
2016	\$ 52,844
2017	48,984
2018	47,646
2019	48,838
2020	<u>41,540</u>
 Total	 <u>\$ 239,852</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE I - RISK MANAGEMENT

The Treasurer is exposed to various risks of loss related to torts; workers' compensation claims; theft of, damage to, and destruction of assets; errors and omissions; 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 general fund. There have been no significant reductions in insurance coverage in prior years. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The Treasurer is a member of the Lyons Township Elementary School Districts' Employee Benefit Cooperative (LTESDEBC), a health insurance cooperative that provides medical, dental and life insurance coverage to the employees of the Treasurer. The Township Districts of LTESDEBC make payments to the Cooperative which is used to pay the insurance provider for medical and dental coverage. The Treasurer believes that because it does not control the selection of the governing authority, and because of the control over operations, scope of public service, and special financing relationships exercised by the governing board, LTESDEBC is not included as a component unit of the Treasurer. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND

Plan Description

The Treasurer's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The Treasurer's plan is managed with the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the Benefits Provided section below. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. That report is available for download at www.imrf.org.

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Benefits Provided

IMRF has three benefit plans. The vast majority of IMRF members participate in the Regular Plan (RP).

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

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

Employees Covered by Benefit Terms

As of December 31, 2014, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	8
	8
Total	22

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Contributions

As set by statute, the Treasurer's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The Treasurer's annual contribution rate for calendar year 2014 was 20.15%. The Treasurer also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Net Pension Liability

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

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2014:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation Rate	3.50%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based table of rates, specific to the type of eligibility condition, last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Actuarial Assumptions (Continued)

Mortality For non-disabled retirees, the IMRF-specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF-specific mortality table was used with fully generational projections scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Disabled Retirees Mortality Table, applying the same adjustments that were applied for non-disabled lives. For active members, an IMRF-specific mortality table was used with fully generational projection scale MP-2014 (base year 2014). The IMRF-specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

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

Asset Class	Portfolio Target Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	38%	7.60%
International Equity	17	7.80%
Fixed Income	27	3.00%
Real Estate	8	6.15%
Alternative Investments	9	5.25 - 8.50%
Cash Equivalents	1	2.25%
Total	100%	

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Single Discount Rate

A Single Discount Rate of 7.46% was used to measure the total pension liability. The projection of cash flow used to determine this Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- a. The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- b. The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on plan investments is 7.50%, the municipal bond rate is 3.56%, and the resulting single discount rate is 7.46%.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Changes in Net Pension Liability

The following table shows the components of the change in the Treasurer's net pension liability for the calendar year ended December 31, 2014:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2013	\$ 2,489,177	\$ 2,016,604	\$ 472,573
Changes for the year:			
Service cost	52,146	-	52,146
Interest on the total pension liability	180,410	-	180,410
Difference between expected and actual experience of the total pension liability	(253,535)	-	(253,535)
Changes of assumptions	77,015	-	77,015
Contributions - Employer	-	36,449	(36,449)
Contributions - Employees	-	4,302	(4,302)
Net Investment Income	-	118,742	(118,742)
Benefit payments, including refunds of employee contributions	(180,772)	(180,772)	-
Other (net transfer)	-	(26,335)	26,335
	<u> </u>	<u> </u>	<u> </u>
Net changes	(124,736)	(47,614)	(77,122)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2014	\$ <u>2,364,441</u>	\$ <u>1,968,990</u>	\$ <u>395,451</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.46%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher than the current rate:

	1% Lower (6.46%)	Current Discount Rate (7.46%)	1% Higher (8.46%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ <u>677,075</u>	\$ <u>395,451</u>	\$ <u>159,314</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Treasurer recognized pension expense of \$50,543. At June 30, 2015, the Treasurer reported deferred inflows of resources related to pensions from the following sources:

<u>Deferred Amounts Related to Pensions</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<i>Deferred Amounts to be Recognized in Pension Expense in Future Periods</i>		
Differences between expected and actual experience	\$ -	\$ 161,193
Change of assumptions	48,965	-
Net difference between projected and actual earnings on pension plan investments	<u>21,012</u>	<u>-</u>
 Total deferred amounts to be recognized in pension expense in the future periods	 <u>69,977</u>	 <u>161,193</u>
 Pension contributions made subsequent to the measurement date	 <u>37,280</u>	 <u>-</u>
 Total deferred amounts related to pensions	 <u><u>\$ 107,257</u></u>	 <u><u>\$ 161,193</u></u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE J - PENSION LIABILITY - ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

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

Year Ended June 30,	Net Deferred Inflows of Resources
2016	\$ (59,039)
2017	(42,683)
2018	5,253
2019	5,253
2020	-
Thereafter	-
Total	\$ (91,216)

NOTE K - PENSION LIABILITY - SOCIAL SECURITY/MEDICARE

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund (Note J) are considered "nonparticipating employees". These employees and those qualifying for coverage under the Illinois Municipal Retirement Fund are covered under Social Security/Medicare. The District paid the total required contribution for the current fiscal year.

NOTE L - LITIGATION

On October 15, 2013, the Lyons Township School Treasurer filed litigation against one of its Township Districts (Lyons Township High School District 204). The claim is pursuing uncollected pro-rata billings, unreimbursed audit costs, and interest income allocations for a total of approximately \$4,700,000. As of November 13, 2015, the date these financial statements were available to be issued, the outcome of the litigation is not determinable. The amount for the uncollected pro-rata billings and unreimbursed audit costs have been reported on the Statement of Net Deficit and the Governmental Fund Balance Sheet as an accounts receivable with the entire amount fully reserved by an allowance for doubtful accounts.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE M - RESTATEMENT

The implementation of GASB 68 and GASB 71 (Note J) required the Treasurer to record the net pension liability for IMRF. As a result of this implementation, net deficit as of July 1, 2014 increased by \$371,163, net pension liability (included in long-term liabilities) increased by \$411,240 and deferred outflows increased by \$40,077.

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2015, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of net deficit date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Lyons Township School Treasurer
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 Illinois Municipal Retirement Fund
June 30, 2015

Calendar year ended December 31,	<u>2014</u>
Total pension liability	
Service cost	\$ 52,146
Interest on the total pension liability	180,410
Difference between expected and actual experience of the total pension liability	(253,535)
Assumption changes	77,015
Benefit payments and refunds	<u>(180,772)</u>
Net change in total pension liability	(124,736)
Total pension liability, beginning	<u>2,489,177</u>
Total pension liability, ending	<u>\$ 2,364,441</u>
Plan fiduciary net position	
Contributions, employer	\$ 36,449
Contributions, employee	4,302
Net investment income	118,742
Benefit payments, including refunds of employee contributions	(180,772)
Other (net transfer)	<u>(26,335)</u>
Net change in plan fiduciary net position	(47,614)
Plan fiduciary net position, beginning	<u>2,016,604</u>
Plan fiduciary net position, ending	<u>\$ 1,968,990</u>
Net pension asset	<u>\$ 395,451</u>
Plan fiduciary net position as a percentage of the total pension liability	83.28 %
Covered Valuation Payroll	\$ 423,552
Net pension liability as a percentage of covered valuation payroll	93.37 %

Note: The Treasurer implemented GASB 68 beginning with its fiscal year ended June 30, 2015; therefore, 10 years of information is not available.

Lyons Township School Treasurer
SCHEDULE OF CONTRIBUTIONS
 Illinois Municipal Retirement Fund
June 30, 2015

Calendar Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2014	\$ 105,276 *	\$ 36,449	\$ 68,827	\$ 423,522	8.61 %

* Estimated based on contribution rate of 24.86% and covered valuation payroll of \$423,522

Note: The District implemented GASB 68 beginning with its fiscal year ended June 30, 2015; therefore, 10 years of information is not available.