

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

Financial Statements

Year Ended June 30, 2016

CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Unaudited)	3 - 7
Basic Financial Statements	
Statement of Net Deficit	8
Statement of Activities	9
Balance Sheet - Governmental Fund	10
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Deficit	11
Statement of Revenues, Expenditures, and Changes in Fund Deficit - Governmental Fund	12
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Deficit to the Statement of Activities - Governmental Funds	13
Statement of Fiduciary Assets and Liabilities	14
Notes to the Financial Statements	15 - 39
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedules of Changes in Net Pension Liability and Related Ratios - Illinois Municipal Retirement Fund	41
Schedule of Contributions - Illinois Municipal Retirement Fund	42
Notes to the Required Supplementary Information	43

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, 2016, 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 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the Illinois Municipal Retirement Fund pension data on pages 41 through 42, 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.

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.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
December 13, 2016

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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, 2016. 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. Certain comparative information between the current year and prior year is required to be presented in the Management's Discussion and Analysis (the "MD&A")

Financial Highlights

- In total, net deficit increased by \$291,735. This represents a 20% increase in the deficit position from 2015.

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 Statement of Net Deficit presents information on all of the Lyons Treasurer's assets and deferred outflows of resources and deferred inflows of resources 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.

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.

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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 in the governmental fund balance sheet and in the governmental fund 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.

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.

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

Significant Accounting Policies Adopted in the Current Year

Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, issued in February 2015, was effective for the Treasurer beginning with its year ending June 30, 2016. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for applying fair value to certain investments and disclosures related to all fair value investments.

Government-Wide Financial Analysis

The Lyons Treasurer's net deficit increased 20% to \$1,723,680.

**Table 1
Condensed Statement of Net Position**

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,673,296	\$ 1,785,290
Capital assets	<u>138,038</u>	<u>205,417</u>
Total assets	<u>1,811,334</u>	<u>1,990,707</u>
Deferred outflows related to pensions	<u>115,607</u>	<u>107,257</u>
Current liabilities	2,983,914	2,914,306
Long-term liabilities	<u>195,091</u>	<u>454,410</u>
Total liabilities	<u>3,179,005</u>	<u>3,368,716</u>
Deferred inflows related to pensions	<u>471,616</u>	<u>161,193</u>
Net position (deficit):		
Investment in capital assets	138,038	205,417
Unrestricted	<u>(1,861,718)</u>	<u>(1,637,362)</u>
Total net deficit	<u>\$ (1,723,680)</u>	<u>\$ (1,431,945)</u>

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

**Table 2
Changes in Net Deficit**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Pro-rata billing	<u>\$1,308,770</u>	<u>\$1,773,350</u>
Total revenues	<u>1,308,770</u>	<u>1,773,350</u>
Expenses:		
Treasurer's office services	<u>1,600,505</u>	<u>1,768,369</u>
Total expenses	<u>1,600,505</u>	<u>1,768,369</u>
(Increase) Decrease in net deficit	<u>(\$291,735)</u>	<u>\$ 4,981</u>

**Lyons Township School Treasurer
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016**

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 decreased to \$2,552,970, from the prior year deficit of \$2,616,563. In FY 2017, 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) is expected to increase the governmental fund deficit.

The Agency fund undistributed investment income, which includes the unrealized gain on investments, increased to \$2,216,744 in FY 2016 from \$281,857 in FY15 due to greater diversification of the investment portfolio. GASB 72 addresses the accounting and financial reporting related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement will adjust based on investment portfolio and market factors.

Factors Bearing on Future

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

- Operational costs have decreased in each of the past three years thereby reducing pro-rata share of expense for each Township District.
- After the fiscal year 2016 pro-rata billing has been collected the fund deficit is expected to decrease.
- Once the LTHS lawsuit is settled, the fund deficit is expected to be eliminated, as dictated by the Illinois School Code designated pro-rata billing procedure.
- A paid time off (PTO) plan has been adopted by the Trustees of Schools, eliminating leave categories. Under this plan any time earned must be used by the employee within the fiscal year thus eliminating accrued time off. Time accrued by employees prior to the adoption of the PTO model will be grandfathered for future use or will be paid out when the employee leaves for any reason.
- Several banking changes have been implemented including anti-fraud protection and improved collateral agreements to ensure protection of all funds managed by the Lyons Treasurer.
- The Lyons Treasurer staffing plan has been improved to provide high-level professional support in all aspects of financial reporting and investing.
- The total FY16 pro-rata bill will be based on expenditures of \$1,490,672. This includes \$1,165,767 expected to be collected in FY17 with the balance recorded as a deferred revenue to be collected in FY18 or later.

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, Suite D
LaGrange, IL 60525

BASIC FINANCIAL STATEMENTS

Lyons Township School Treasurer
STATEMENT OF NET DEFICIT
June 30, 2016

	Governmental Activities (Distributive) Fund
	Fund
ASSETS	
Cash	64,377
Accounts receivable:	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,544,703)	\$ 1,608,919
Capital assets, net of accumulated depreciation	138,038
Total assets	1,811,334
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	115,607
LIABILITIES	
Accounts payable	34,183
Accrued salaries	11,054
Advances from Township Districts	2,938,677
Noncurrent liabilities:	
Due within one year	24,798
Due after one year	170,293
Total liabilities	3,179,005
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	471,616
NET POSITION (DEFICIT)	
Investment in capital assets	138,038
Unrestricted	(1,861,718)
Total net deficit	\$ (1,723,680)

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Programs	Expenses	Program Revenues	Net Expenses and Change in Net Deficit
Governmental activities			
Treasurer's office services	\$ <u>1,600,505</u>	\$ <u>1,308,770</u>	\$ <u>(291,735)</u>
Net deficit - beginning			<u>(1,431,945)</u>
Net deficit - ending			<u><u>\$ (1,723,680)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer

Governmental Fund BALANCE SHEET

June 30, 2016

	General (Distributive) Fund
ASSETS	
Cash	\$ 64,377
Accounts receivable	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,544,703)	<u>1,608,919</u>
Total assets	<u>\$ 1,673,296</u>
LIABILITIES AND FUND DEFICIT	
Liabilities	
Accounts payable	\$ 34,183
Accrued salaries	11,054
Unearned revenue	1,242,352
Advances from township districts	2,938,677
Fund Deficit	
Unassigned	<u>(2,552,970)</u>
Total liabilities and fund deficit	<u>\$ 1,673,296</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
June 30, 2016

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

Total fund deficit - governmental fund	\$	(2,552,970)
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.		138,038
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	\$ 100,738	
Deferred outflows of 2016 employer contributions related to pensions	<u>14,869</u>	115,607
Deferred inflows of resources related to pensions		(471,616)
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.		1,242,352
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.		<u>(195,091)</u>
Net deficit - governmental activities	\$	<u><u>(1,723,680)</u></u>

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, 2016

	<u>General (Distributive) Fund</u>
Revenues	
Pro-rata billings	\$ 1,553,840
Other	125
Total revenues	<u>1,553,965</u>
Expenditures	
Salaries	420,190
Benefits	186,258
Purchased services	865,282
Supplies and materials	14,660
Capital outlay	2,864
Other objects	1,118
Total expenditures	<u>1,490,372</u>
Excess of revenues over expenditures	63,593
Fund deficit	
Beginning of year	<u>(2,616,563)</u>
End of year	<u><u>\$ (2,552,970)</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, 2016

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

Net change in fund deficit - governmental fund	\$ 63,593
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.	(67,379)
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	(302,073)
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.	(245,195)
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>259,319</u>
Change in net deficit - governmental activities	<u>\$ (291,735)</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
Agency Fund
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2016

Assets	
Pooled cash and investments	\$ 198,827,322
Advances to Township School Treasurer	<u>2,938,677</u>
 Total assets	 \$ <u><u>201,765,999</u></u>
Liabilities	
Due to Township Districts:	
Cook County School District 101	10,647,350
Elementary School District 102	6,147,204
Lyons Elementary School District 103	11,535,895
Cook County School District 104	7,458,536
Cook County School District 105	16,773,114
LaGrange Highlands School District 106	10,944,447
Pleasantdale School District 107	13,359,939
Cook County School District 108	6,357,764
Indian Springs School District 109	28,748,600
Lyons Township High School District 204	41,764,445
Argo Community High School District 217	42,552,097
LaGrange Area Department of Special Education	2,809,103
Lyons Township Elementary School Districts' Employee Benefit Cooperative	1,103,808
Cook County Intermediate Service Center #2 (West 40)	(653,047)
Undistributed investment income - See Note C	<u>2,216,744</u>
 Total liabilities	 \$ <u><u>201,765,999</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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**

GASB has issued Statement No. 72, *Fair Value Measurement and Application*, issued in February 2015, which was implemented by the Treasurer during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value investments.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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, 2016, the Treasurer had no restricted fund balances.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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, 2016, 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. The Treasurer's 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, 2016

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 F. Investments are stated at fair value, cost, amortized cost or net asset value (NAV), as disclosed in the related notes. 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. Fair Value Measurements

Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fair Value Measurements (Continued)

Level 1	Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Treasurer has the ability to access.
Level 2	Inputs to the valuation methodology include the following: <ul style="list-style-type: none">* Quoted prices for similar assets or liabilities in active markets;* Quoted prices for identical or similar assets or liabilities in inactive markets;* Inputs other than quoted prices that are observable for the asset or liability;* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Treasurer's investments measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Municipal Bonds : Valued at the closing price of identical instruments with comparable durations reported on the inactive market on which the individual securities are traded.

U.S. Treasury Securities and Debt Securities: Valued at the closing price of instruments reported on the inactive market on which the individual securities are traded.

Corporate Bonds : Valued at the closing price of identical instruments with comparable durations reported on the active market on which the individual securities are traded.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Treasurer believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

9. Accumulated Unpaid Vacation and Sick Pay

Employees who have completed six months of employment are entitled to be compensated for vacation time. Unused vacation time cannot be carried forward into the next fiscal year. Employees who resign or whose employment is terminated for any reason will be paid for any unused accrued vacation time they have outstanding at the time of resignation or termination.

Unused, accrued vacation days earned prior to July 1, 2013 went into a separate accrued vacation time bank. Employees may still use these days as vacation days, subject to prior approval from the Treasurer. Any vacation days accrued prior to July 1, 2013 will be paid out to the employee upon his or her separation from employment. All unused, accrued vacation days earned prior to July 1, 2013 are accrued when incurred in the government wide financial statement. 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, and is forfeited if not utilized. No liability is provided in the financial statements for accumulated unpaid sick leave as sick leave days are forfeited if not used.

10. 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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Capital Assets (Continued)

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

11. 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.

12. 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.

13. 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 \$1,242,352.

14. Use of Estimates

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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, 2016 for these billings is \$838,247, which relates to all billing periods through June 30, 2016; of this amount, \$366,567 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, 2016. The entire amount of \$1,490,672 will be billed in fiscal year 2017 and based on prior history, \$1,165,767 is expected to be 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.

Detail of the accounts receivable are as follows:

Township District	<u>Amount</u>
Unbilled pro-rata receivable to all Township Districts (net of allowance)	\$ 1,165,767
Elementary School District 102	186,585
Summit School District 104	121,144
LaGrange School District 105	135,423
Lyons Township High School District 204	<u>3,544,703</u>
 Total pro-rata and other receivables	 5,153,622
Less: Allowance for doubtful accounts	<u>(3,544,703)</u>
 Total pro-rata billings and other receivables	 \$ <u><u>1,608,919</u></u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - UNDISTRIBUTED INVESTMENT INCOME

At June 30, 2016, the balance in the undistributed investment income account was \$2,216,744. The balance consists of prior year undistributed income, current year activity, the closing of an investment account and the unrealized gain on the investment portfolio at June 30, 2016. The amount of the unrealized gain will fluctuate each year and the amount of the unrealized gain is not available to be distributed to each participating District.

NOTE D - DEFICIT FUND BALANCE

The General (Distributive) Fund has a deficit balance of \$2,552,970 as of June 30, 2016. This deficit is anticipated to be funded by future receipts from Township Districts.

NOTE E - 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	\$ 37,169
Health insurance premiums payable	64,798
IMRF net pension liability	<u>93,124</u>
Net adjustment to increase fund deficit - total governmental funds to arrive at net deficit of governmental activities	<u>\$ 195,091</u>

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE E - 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	\$	3,207
Depreciation expense		<u>(70,586)</u>
Net adjustment to decrease net change in fund deficit - total governmental fund to arrive at change in net deficit of governmental activities	\$	<u><u>(67,379)</u></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	\$	21,790
Health insurance premiums payable		(64,798)
IMRF net pension liability		<u>302,327</u>
Net adjustment to decrease net change in fund deficit - total governmental fund to arrive at change in net deficit of governmental activities	\$	<u><u>259,319</u></u>

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE F - 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, 2016, the Treasurer's cash and investments consisted of the following:

	<u>Government</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and investments	\$ <u>64,377</u>	\$ <u>198,827,322</u>	\$ <u>198,891,699</u>

For disclosure purposes, this amount is segregated into the following components, at June 30, 2016:

Cash on hand	\$	250
Deposits with financial institutions*		66,443,563
Illinois Funds		424
Illinois School District Liquid Asset Fund Plus		5
Other Investments		<u>132,447,457</u>
Total		<u>\$ 198,891,699</u>

*Includes accounts held in demand and savings accounts, but primarily consist of certificates of deposits and money market savings accounts which are valued at cost.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE F - 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 District Liquid Asset Fund Plus (ISDLAF+) is qualified investment pool formed pursuant to the School Code and managed by a Board of Trustees, elected from participating members. Investments are measured at NAV per share, using the amortized cost basis provided by the pool. There were no unfunded commitments and no redemption limitations or notice periods.

The 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. The Fund has an affirmed AAAM by Standard & Poor's credit quality rating. Investments in Illinois Funds are measured at \$1.00 per share using the amortized cost basis.

At June 30, 2016, other investments consisted of the following fixed income holdings:

Investment Type	Fair Value	Investment Maturity			
		Less Than One Year	One to Five Years	Six to Ten Years	Greater than Ten Years
Freddie Mac	\$ 6,337,093	\$ -	\$ 369,837	\$ 892,054	\$ 5,075,202
FHLMC	13,479,926	1,009,340	1,827,723	10,642,863	-
FNMA	66,926,767	-	1,008,576	25,110,138	40,808,053
FFCB	1,006,790	-	-	1,006,790	-
GNMA	5,170,979	-	-	-	5,170,979
Corporate Bonds	4,360,077	4,360,077	-	-	-
Municipal Bonds	35,165,825	1,002,205	18,571,430	15,592,190	-
	<u>\$ 132,447,457</u>	<u>\$ 6,371,622</u>	<u>\$ 21,777,566</u>	<u>\$ 53,244,035</u>	<u>\$ 51,054,234</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE F - 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, 2016, 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
Federal Farm Credit Banks (FFCB) - U.S Agency implicitly 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, 2016

NOTE F - 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.

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, 2016, the bank balance of the Treasurer's deposits with financial institutions totaled \$36,308,833. There was no uninsured cash at June 30, 2016.

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, 2016, there were no investments exposed to custodial credit risk.

Fair Value Measurement of Investments

The Treasurer categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Treasurer has the following recurring fair value measurements as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Freddie Mac	\$ -	\$ 6,337,093	\$ -	\$ 6,337,093
FHLMC	-	13,479,926	-	13,479,926
FNMA	-	66,926,767	-	66,926,767
FFCB	-	1,006,790	-	1,006,790
GNMA	-	5,170,979	-	5,170,979
Corporate Bonds	4,360,077	-	-	4,360,077
Municipal Bonds	-	35,168,825	-	35,168,825
	<u>4,360,077</u>	<u>128,090,380</u>	<u>-</u>	<u>132,450,457</u>
Investments, at fair value	\$ 4,360,077	\$ 128,090,380	\$ -	\$ 132,450,457

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE G - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases /</u> <u>Transfers</u>	<u>Decreases /</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated				
Equipment in process	\$ 154,710	-	\$ 154,710	\$ -
Total capital assets, not being depreciated	<u>154,710</u>	<u>-</u>	<u>154,710</u>	<u>-</u>
Capital assets, being depreciated				
Equipment	104,009	157,917	-	261,926
Total capital assets, being depreciated	<u>104,009</u>	<u>157,917</u>	<u>-</u>	<u>261,926</u>
Less accumulated depreciation for:				
Equipment	53,302	70,586	-	123,888
Total accumulated depreciation	<u>53,302</u>	<u>70,586</u>	<u>-</u>	<u>123,888</u>
Governmental activities capital assets, net	<u>\$ 205,417</u>	<u>87,331</u>	<u>\$ 154,710</u>	<u>\$ 138,038</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE H - LONG-TERM LIABILITIES

The long-term liabilities activity for the Treasurer during the year ended June 30, 2016 were as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Compensated absences	\$ 58,959	\$ 19,806	\$ 41,596	\$ 37,169
Health insurance premiums payable	-	68,000	3,202	64,798
IMRF net pension liability	<u>395,451</u>	<u>534,067</u>	<u>836,394</u>	<u>93,124</u>
 Total long-term liabilities - governmental activities	 <u>\$ 454,410</u>	 <u>\$ 621,873</u>	 <u>\$ 881,192</u>	 <u>\$ 195,091</u>
	 <u>Due Within</u> <u>One Year</u>			
Health insurance premiums payable	 <u>\$ 24,798</u>			

The obligations for accrued compensation absences and health insurance premiums payable will be repaid from the General (Distributive) Fund.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE I - OPERATING LEASES

The Treasurer leases its office space and equipment under noncancelable operating leases. Total costs for such leases were \$75,692 for the year ended June 30, 2016. At June 30, 2016, future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Total</u>
2017	\$ 67,856
2018	62,514
2019	61,228
2020	<u>41,540</u>
Total	<u>\$ 233,138</u>

NOTE J - 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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE K - 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 an agent 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.

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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Employees Covered by Benefit Terms

As of December 31, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>7</u>
Total	<u><u>22</u></u>

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 2015 was 16.09%. 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, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2015:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Market Value of Assets
Inflation Rate	2.75%
Salary Increases	3.75% to 14.50% including inflation
Investment Rate of Return	7.50%
Projected Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011 - 2013.
Mortality	For non-disabled retirees, 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 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 projection scale MP-2014 (base year 2014). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment 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.

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Actuarial Assumptions (Continued)

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%	7.39%
International Equity	17%	7.59%
Fixed Income	27%	3.00%
Real Estate	8%	6.00%
Alternative Investments	9%	2.75-8.15%
Cash Equivalents	1%	2.25%
Total	100%	

Single Discount Rate

A Single Discount Rate of 7.50% 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:

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

Single Discount Rate (Continued)

- 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 3.57%, and the resulting single discount rate is 7.50%.

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, 2015:

	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2014	\$ 2,364,441	\$ 1,968,990	\$ 395,451
Changes for the year:			
Service cost	49,307	-	49,307
Interest on the total pension liability	174,722	-	174,722
Difference between expected and actual experience of the total pension liability	(732,476)	-	(732,476)
Changes of assumptions	(8,158)	-	(8,158)
Contributions - employer	-	64,311	(64,311)
Contributions - employees	-	21,624	(21,624)
Net investment income	-	9,825	(9,825)
Benefit payments, including refunds of employee contributions	(93,957)	(93,957)	-
Other (net transfer)	-	(310,038)	310,038
	<u> </u>	<u> </u>	<u> </u>
Net changes	(610,562)	(308,235)	(302,327)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2015	\$ 1,753,879	\$ 1,660,755	\$ 93,124

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

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 7.50%, 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:

	<u>1% Lower (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Higher (8.50%)</u>
Net pension liability (asset)	\$ <u>315,192</u>	\$ <u>93,124</u>	\$ <u>(89,363)</u>

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

For the year ended June 30, 2016, the Treasurer recognized pension expense of \$132,862. At June 30, 2016, the Treasurer reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Deferred Amounts Related to Pensions</u>		
Deferred Amounts to be Recognized in Pension Expense in Future Periods		
Differences between expected and actual experience	\$ -	\$ 466,421
Change of assumptions	-	5,195
Net difference between projected and actual earnings on pension plan investments	<u>100,738</u>	<u>-</u>
Total deferred amounts to be recognized in pension expense in the future periods	<u>100,738</u>	<u>471,616</u>
Pension contributions made subsequent to the measurement date	<u>14,869</u>	<u>-</u>
Total deferred amounts related to pensions	<u>\$ 115,607</u>	<u>\$ 471,616</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

The Treasurer reported \$14,869 as deferred outflows of resources related to pensions resulting from Treasurer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. 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	\$ (243,834)
2017	(177,414)
2018	25,184
2019	25,186
2020	-
Thereafter	-
Total	\$ (370,878)

NOTE L - PENSION LIABILITY - SOCIAL SECURITY/MEDICARE

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

NOTE M - 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 December 13, 2016, 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, 2016

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2016, 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, 2016

Calendar year ended December 31,	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 49,307	\$ 52,146
Interest on the total pension liability	174,722	180,410
Difference between expected and actual experience of the total pension liability	(732,476)	(253,535)
Assumption changes	(8,158)	77,015
Benefit payments and refunds	<u>(93,957)</u>	<u>(180,772)</u>
Net change in total pension liability	(610,562)	(124,736)
Total pension liability, beginning	<u>2,364,441</u>	<u>2,489,177</u>
 Total pension liability, ending	 <u>\$ 1,753,879</u>	 <u>\$ 2,364,441</u>
Plan fiduciary net position		
Contributions, employer	\$ 64,311	\$ 36,449
Contributions, employee	21,624	4,302
Net investment income	9,825	118,742
Benefit payments, including refunds of employee contributions	(93,957)	(180,772)
Other (net transfer)	<u>(310,038)</u>	<u>(26,335)</u>
Net change in plan fiduciary net position	(308,235)	(47,614)
Plan fiduciary net position, beginning	<u>1,968,990</u>	<u>2,016,604</u>
 Plan fiduciary net position, ending	 <u>\$ 1,660,755</u>	 <u>\$ 1,968,990</u>
 Net pension liability	 <u>\$ 93,124</u>	 <u>\$ 395,451</u>
 Plan fiduciary net position as a percentage of the total pension liability	 94.69 %	 83.28 %
 Covered Valuation Payroll	 \$ 399,695	 \$ 423,552
 Net pension liability as a percentage of covered valuation payroll	 23.30 %	 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, 2016

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 %
2015	\$ 64,311 *	64,311	-	\$ 399,695	16.09 %

* Estimated based on contribution rate of 16.09% and covered valuation payroll of \$399,695.

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

Lyons Township School Treasurer

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

1. SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS USED IN THE CALCULATION OF THE 2015 IMRF CONTRIBUTION RATE*

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine the 2015 Contribution Rate:

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10-year rolling period. Taxing bodies (Regular members): 28-year closed period until remaining period reaches 15 years (then 15-year rolling period). Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI. SLEP supplemental liabilities attributable to Public Act 94-712 were financed over 23 years for most employers (two employers were financed over 32 years).
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Growth	4.00%
Price Inflation	3.0% - approximate; no explicit price inflation assumption is used in this valuation.
Salary Increases	4.40% to 16.00%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 calculation pursuant to an experience study of the period 2008-2010.
Mortality	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2020 using projection scale AA. For men, 120% of the table rates were used. For women, 92% of the table rates were used. For disabled lives, the mortality rates are the rates applicable to non-disabled lives set forward 10 years.

Other Information:

Notes There were no benefit changes during the year.

* Based on Valuation Assumptions used in the December 31, 2013 actuarial valuation.