

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007  
AND  
INDEPENDENT AUDITOR'S REPORT**

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**LYONS TOWNSHIP SCHOOL TREASURER**  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyons Township School Treasurer, as of and for the year ended June 30, 2007, which collectively comprise Lyons Township School Treasurer's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lyons Township School Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information included in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance has been derived from Lyons Township School Treasurer's 2006 financial statements and, in our report dated November 21, 2006, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lyons Township School Treasurer, as of June 30, 2007 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Board of Trustees  
Lyons Township School Treasurer

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyons Township School Treasurer's basic financial statements. The financial information listed as supplementary schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole.

*Virchow, Krause & Company, LLP*

Oak Brook, Illinois  
January 11, 2008

# **Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2007**

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The discussion and analysis of Lyons Township School Treasurer's (LTST) financial performance provides an overall review of LTST's financial activities for the year ended June 30, 2007. The management of LTST encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of LTST's financial performance. Certain comparative information between the current year and the prior is required to be presented in the Management's Discussion and Analysis (the "MD&A").

## **Financial Highlights**

- In total, net assets increased by \$981,335. This eliminated LTST's deficit net assets from the prior year.
- LTST had \$886,284 in expenses related to government activities. \$758,597 of these expenses were offset by program specific charges for services.
- Investment earnings exceeded investment earnings paid out to participating districts by approximately \$1.1 million.

## **Overview of the Financial Statements**

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

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

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

### *Government-wide financial statements*

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

The statement of net assets presents information on all of LTST's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of LTST is improving or deteriorating.

# **Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2007**

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

The government-wide financial statements present the functions of LTST that are principally supported by intergovernmental revenues (governmental activities). LTST has no business-type activities; that is, functions that are intended to recover all or a significant portion of their costs through user fees and charges. LTST's governmental activities include providing investing and accounting services for member school districts.

## *Fund financial statements*

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside LTST. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support LTST's own programs. The accounting used for fiduciary funds is much like that for the government-wide financial statements.



# Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2007

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## Notes to basic financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Other information

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

## District-Wide Financial Analysis

LTST's combined net assets increased to \$261,106 as a result of operations in fiscal year 2007.

**Table 1  
Condensed Statement of Net Assets**

	<u>2007</u>	<u>2006</u>
Current assets	\$ 1,435,154	\$ 1,296,502
Capital assets	<u>56,794</u>	<u>63,659</u>
Total assets	<u>1,491,948</u>	<u>1,360,161</u>
Current liabilities	1,133,110	1,998,353
Long-term liabilities	<u>97,732</u>	<u>82,037</u>
Total liabilities	<u>1,230,842</u>	<u>2,080,390</u>
Net assets:		
Invested in capital assets	56,794	63,659
Unrestricted	<u>204,312</u>	<u>(783,888)</u>
Total net assets	<u>\$ 261,106</u>	<u>\$ (720,229)</u>

**Lyons Township School Treasurer  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

<b>Table 2</b>		
<b>Changes in Net Assets</b>		
	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ <u>758,597</u>	\$ <u>697,442</u>
Total program revenues	758,597	697,442
General revenues:		
Investment earnings	9,037,416	5,777,837
Investment earnings paid out	<u>(7,928,394)</u>	<u>(4,558,514)</u>
Total general revenues	<u>1,109,022</u>	<u>1,219,323</u>
Total revenues	<u>1,867,619</u>	<u>1,916,765</u>
<b>Expenses:</b>		
Treasurer's office services	<u>886,284</u>	<u>882,147</u>
Total expenses	<u>886,284</u>	<u>882,147</u>
<b>Increase (decrease) in net assets</b>	<b>\$ <u>981,335</u></b>	<b>\$ <u>1,034,618</u></b>

**Financial Analysis of LTST's Funds**

The financial position of LTST as a whole is reflected in its governmental fund as well. As LTST completed the year, the governmental fund balance increased to (\$874,777). The prior year fund balance was \$(1,665,701).

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

**Financial Review of 2006-2007**

Global expansion reoccurred as the theme over the past twelve months in almost all corners of the globe especially parts of Asia and the United States. As more countries transitioned from command economies to market-based ones, demand out-stripped supply for energy, material, and highly skilled labor. China was the largest of the culprits, but certainly not the only one. Growth soared around the world lifting GDP's from Norway to New Zealand.

# Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2007

A consequence of all this growth was the surfeit of U.S. dollars. Many emerging markets and oil exporting countries ran massive current account excesses with the U.S. building up immense stockpiles of our currency. These excess dollars chased return wherever they could uncover it principally in U.S. Treasuries and mortgages. The paltry yields from these investments caused some of the more savvy investors like hedge funds to employ greater and greater leverage to augment their returns. This in turn led to the pronounced increase of volatility in the capital markets.

Domestically, inflation was tamer than the price of oil and corn might suggest. Labor cost was the salient reason as cheap overseas labor was tapped for manufacturing, software, and customer service. While politicians bemoaned the off shoring of jobs, customers enjoyed the benefit of low cost goods and services this state of affairs created.

The housing boom continued unabated as the aforementioned cheap money was widely available to anyone regardless of FICO score. Fissures were only evident in the frothiest of markets like Florida, Arizona, and some parts of California. Most major metropolitan markets remained robust particularly in downtown locales like Manhattan or San Francisco.

Unless a drastic political or market-based event occurs, these trends should endure through the early part of the next fiscal year meaning rates for secure debt should hold the 4% - 5% range.

## Capital Assets

At the end of the year, LTST had compiled a total investment of \$86,459 (\$56,794 net of depreciation) in equipment. Total depreciation expense for the year was \$7,521. More detailed information about capital assets can be found in Note 3 of the basic financial statements.

**Table 3  
Capital Assets (net of depreciation)**

	<u>2007</u>	<u>2006</u>	<i>Percentage Change</i>
Equipment & furniture	\$ <u>56,794</u>	\$ <u>63,659</u>	- 10.8 %
Total	\$ <u>56,794</u>	\$ <u>63,659</u>	

## Factors Bearing on LTST's Future

The Federal Reserve Bank is holding steady as the economy is still vibrant although the inflation picture appears murky. Unemployment is low and wages remain subdued but energy costs are higher so Bernanke and crew are unsure what side of the fence to fall on. Additionally, the demand for yield from the global glut of U.S. dollars keeps returns low regardless of risk. All spread product including junk bonds are at cycle lows in relation to government debt.

# **Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2007**

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For the upcoming fiscal year, the twin themes of low rates and moderate inflation will probably keep the Federal Reserve out of the game. Oil costs and the ever growing housing bubble are the only potential lures that may draw them into the market. Absent that, rates should remain low and steady for the foreseeable future.

This acute lack of respect for risk means LTST must accept short-term market rates for the excess monies. Extending out the yield curve or venturing into higher risk instruments offers little incremental gain.

With this global competition for dollar denominated debt assets and risk grossly mispriced, safe instruments like government debt, CD's, and money market funds remain the only viable choices. Extending maturities or venturing into spread product even traditionally safe ones is just too risky for LTST.

## **Requests for Information**

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

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

**LYONS TOWNSHIP SCHOOL TREASURER**  
**STATEMENT OF NET ASSETS**  
 JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES (DISTRIBUTIVE) FUND
<b>Assets</b>	
Accounts receivable:	
Interest	\$ 541,116
Pro-rata billings	881,059
Prepaid items	12,979
Capital assets, net of accumulated depreciation	<u>56,794</u>
Total assets	<u>1,491,948</u>
<b>Liabilities</b>	
Cash deficit	1,101,482
Accounts payable	22,939
Accrued salaries	8,689
Long-term liabilities:	
Other long-term liabilities due within one year	6,868
Other long-term liabilities due after one year	<u>90,864</u>
Total liabilities	<u>1,230,842</u>
<b>Net assets</b>	
Investment in capital assets	56,794
Unrestricted	<u>204,312</u>
Total net assets	<u>\$ 261,106</u>

**LYONS TOWNSHIP SCHOOL TREASURER**  
**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
<b>Governmental activities</b>			
Treasurer's office services	\$ 886,284	\$ 758,597	\$ (127,687)
	General revenues:		
			9,037,416
			<u>(7,928,394)</u>
			<u>1,109,022</u>
			981,335
			<u>(720,229)</u>
			<u>\$ 261,106</u>

**LYONS TOWNSHIP SCHOOL TREASURER**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2007**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2006**

	GENERAL (DISTRIBUTIVE) FUND	
	2007	2006
<b>Assets</b>		
Accounts receivable:		
Interest	\$ 541,116	\$ 478,721
Pro-rata billings	881,059	798,147
Prepaid items	12,979	19,634
Total assets	\$ 1,435,154	\$ 1,296,502
<b>Liabilities</b>		
Cash deficit	\$ 1,101,482	\$ 1,965,590
Accounts payable	22,939	23,350
Accrued salaries	8,689	9,413
Deferred revenue	1,176,821	963,850
Total liabilities	2,309,931	2,962,203
<b>Fund balance</b>		
Reserved for prepaid items	12,979	19,634
Unrestricted	(887,756)	(1,685,335)
Total fund balance	(874,777)	(1,665,701)
Total liabilities and fund balance	\$ 1,435,154	\$ 1,296,502

**LYONS TOWNSHIP SCHOOL TREASURER**  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**YEAR ENDED JUNE 30, 2007**

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Total fund balances - governmental fund \$ (874,777)

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

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

Cost of capital assets	\$	86,459	
Depreciation expense to date		<u>(29,665)</u>	
			56,794

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

Pro-rata billings	\$	824,421	
Interest		<u>352,400</u>	
			1,176,821

Long-term liabilities applicable to the Treasurer's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Assets. The balance of compensated absences at June 30, 2007 is \$97,732.

(97,732)

Net assets of governmental activities \$ 261,106



**LYONS TOWNSHIP SCHOOL TREASURER**  
**GOVERNMENTAL FUND**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2006

	GENERAL (DISTRIBUTIVE) FUND	
	2007	2006
<b>Receipts</b>		
Earnings on investments	\$ 8,962,383	\$ 5,669,761
(Earnings on investments distributed to school districts)	(7,928,394)	(4,558,514)
Net earnings on investments	1,033,989	1,111,247
Pro-rata billings	620,659	674,798
Total receipts	1,654,648	1,786,045
<b>Expenditures</b>		
Current:		
Administrative:		
Salaries	323,612	316,372
Benefits	165,367	166,428
Purchased services	318,838	317,185
Supplies	50,235	54,226
Other	2,588	10,588
Capital outlay	3,084	3,647
Total expenditures	863,724	868,446
Excess (deficiency) of receipts over expenditures	790,924	917,599
Fund balance, beginning of year	(1,665,701)	(2,583,300)
Fund balance, end of year	\$ (874,777)	\$ (1,665,701)