

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

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2012
AND
INDEPENDENT AUDITORS' REPORT**

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LYONS TOWNSHIP SCHOOL TREASURER

As of and for the Year Ended June 20, 2012

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Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
Oak Brook, IL 60523-3389
tel 630 990 3131
fax 630 990 0039
bakertilly.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Lyons Township School Treasurer, as of and for the year ended June 30, 2012, which collectively comprise the Lyons Township School Treasurer's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lyons Township School Treasurer's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Lyons Township School Treasurer as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the historical pension information 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, economical, 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.

Board of Trustees
Lyons Township School Treasurer

The Lyons Township School Treasurer has not presented the Management's Discussion and Analysis or 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, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Oak Brook, Illinois
April 3, 2013

Baker Tilly Muchow Krause, LLP

LYONS TOWNSHIP SCHOOL TREASURER
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	<u>GOVERNMENTAL ACTIVITIES (DISTRIBUTIVE) FUND</u>
Assets	
Cash	\$ 64,105
Accounts receivable:	
Pro-rata billings (net of allowance for doubtful accounts of \$216,348)	1,644,004
Prepaid items	6,620
Capital assets, net of accumulated depreciation	<u>74,134</u>
Total assets	<u>1,788,863</u>
Liabilities	
Due to participating members	2,397,074
Accounts payable	54,471
Accrued salaries	13,039
Noncurrent liabilities:	
Due within one year	8,405
Due in more than one year	<u>87,162</u>
Total liabilities	<u>2,560,151</u>
Net assets	
Investment in capital assets	74,134
Unrestricted (deficit)	<u>(845,422)</u>
Total net assets (deficit)	<u>\$ (771,288)</u>

LYONS TOWNSHIP SCHOOL TREASURER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
Governmental activities			
Treasurer's office services	\$ 1,361,713	\$ 733,884	\$ (627,829)
	General Revenues:		
			\$ 19,883
			\$ 19,883
			(607,946)
			(163,342)
			\$ (771,288)

LYONS TOWNSHIP SCHOOL TREASURER
GOVERNMENTAL FUND
BALANCE SHEET
AS OF JUNE 30, 2012

	GENERAL (DISTRIBUTIVE) FUND
Assets	
Cash	\$ 64,105
Accounts receivable:	
Pro-rata billings (net of allowance for doubtful accounts of \$216,348)	1,644,004
Prepaid items	6,620
Total assets	\$ 1,714,729
Liabilities	
Due to participating members	\$ 2,397,074
Accounts payable	54,471
Accrued salaries	13,039
Deferred revenue	1,618,575
Total liabilities	4,083,159
Fund balance	
Nonspendable prepaid items	6,620
Unassigned (deficit)	(2,375,050)
Total fund balance (deficit)	(2,368,430)
 Total liabilities and fund balance	 \$ 1,714,729

LYONS TOWNSHIP SCHOOL TREASURER
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Total fund balance (deficit) - governmental fund	\$	(2,368,430)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>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.</p>		
Cost of capital assets	111,402	
Less: accumulated depreciation	<u>(37,268)</u>	74,134
<p>Interest and 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.</p>		
Pro-rata billings	<u>1,618,575</u>	1,618,575
<p>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.</p>		
		<u>(95,567)</u>
Net assets (deficit) of governmental activities	\$	<u>(771,288)</u>

LYONS TOWNSHIP SCHOOL TREASURER
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

		GENERAL (DISTRIBUTIVE) FUND
Revenues		
Pro-rata billings	\$	696,003
Other		<u>19,883</u>
Total revenues		<u>715,886</u>
Expenditures		
Current:		
Salaries		568,768
Benefits		260,127
Purchased services		491,071
Supplies		60,526
Other		1,035
Capital outlay		<u>19,874</u>
Total expenditures		<u>1,401,401</u>
Net change in fund balance		(685,515)
Fund balance (deficit), beginning of year		<u>(1,682,915)</u>
Fund balance (deficit), end of year	\$	<u>(2,368,430)</u>

LYONS TOWNSHIP SCHOOL TREASURER
 RECONCILIATION OF THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balance - governmental fund \$ (685,515)

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

Capital outlays are reported in governmental fund as expenditures. However, in the Statement of Net Assets, the cost of those assets is capitalized and depreciated over their estimated useful lives as depreciation expense in the Statement of Activities.

Depreciation expense	\$	(9,087)	
Capital outlay		<u>19,874</u>	10,787

Pro-rata billings revenue not collected within 60 days after year end is considered unavailable and is deferred in the governmental fund.

These amounts are considered earned, however, and are recognized as revenue in the government-wide statements. 37,881

In the Statement of Activities, certain operating expenses - compensated absences and retirement benefits - are measured by the amounts earned during the year. In the governmental fund, however, expenditures for these items are measured by the amount of financial resources that are used (essentially, the amounts actually paid). This year, compensated absences used and/or paid exceeded the amounts earned.

28,901

Change in net assets of governmental activities \$ (607,946)

LYONS TOWNSHIP SCHOOL TREASURER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AS OF JUNE 30, 2012

	<u>AGENCY FUND</u>
Assets	
Pooled cash and investments	\$ 204,618,386
Due from Township School Treasurer	<u>2,397,074</u>
Total assets	\$ <u>207,015,460</u>
Liabilities	
Liabilities,	
Due to participating members:	
Cook County School District 101	10,023,088
Elementary School District 102	19,425,612
Lyons Elementary School District 103	15,177,650
Cook County School District 104	8,223,227
Cook County School District 105	12,852,616
LaGrange Highlands School District 106	9,734,018
Pleasantview School District 107	12,809,899
Cook County School District 108	5,576,758
Indian Springs School District 109	25,643,123
Lyons Township High School District 204	38,503,753
Argo Community High School District 217	40,409,622
LaGrange Area Department of Special Education	5,019,836
Lyons Township Elementary School Districts' Employee Benefit Cooperative	2,468,376
Cook County Intermediate Service Center #2 (West 40)	363,914
Undistributed investment income	<u>783,968</u>
Total liabilities	\$ <u>207,015,460</u>

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES

The Lyons Township School Treasurer (the "Treasurer") oversees the treasury functions of the eleven school districts located within the Township of Lyons in Cook County, Illinois, as well as for two educational cooperatives and a medical self-insurance cooperative (collectively the "Participating Members") through the activities of the assistant school treasurer at each Participating Member. In this capacity, funds are received by the Treasurer from various sources which are distributed to the Participating Members on a current basis to meet operating needs. Excess funds are invested by the Treasurer with Participating Members approval.

The accounting policies of the Treasurer conform to accounting principles generally accepted in the United States of America, as applicable to governmental units of this type. The accepted standard setting body for establishing accounting and financial reporting principles is the Governmental Accounting Standards Board (the "GASB"). The following is a summary of the more significant accounting policies of the Treasurer:

Reporting Entity

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

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

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONT.)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Treasurer. All of the Treasurer's operating activities are considered "governmental activities". The Treasurer has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to participating members who use or directly benefit from services or privileges provided by the Treasurer.

Governmental Fund Financial Statements

The accounts of the Treasurer in the governmental fund financial statements are organized and operated on the basis of funds. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, net assets, fund balance, revenues and expenditures. The minimum number of funds maintained is consistent with legal and managerial requirements.

Separate financial statements are provided for the governmental fund and the fiduciary fund; the fiduciary fund is excluded from the government-wide financial statements. The fiduciary fund consists of an agency fund used to account for assets held by the Treasurer in a trustee capacity for the participating members.

Measurement Focus and Basis of Accounting

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

Governmental funds are used to account for the Treasurer's general government 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 pay liabilities of the current period. The Treasurer considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, certain compensated absences, claims and judgments are recorded as a fund liability when expected to be paid with expendable available financial resources.

Interest on investments and pro-rata billings are susceptible to accrual. Other revenues are recognized as revenue when cash is received by the Treasurer or when measurable and available as defined above.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONT.)

Major Governmental Fund

General (Distributive) Fund - The General Fund is the primary operating fund of the Treasurer. It is used to account for all financial resources except those required to be accounted for in another fund. This account is used for most of the administrative aspects of the Treasurer's operations. The revenue consists primarily of contributions ("Pro-rata Billings") from Participating Members.

Fiduciary Fund Type

Agency Funds - The Agency Fund follows the accrual basis of accounting and does not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

State statutes authorize the Treasurer to invest in obligations of the U.S. Treasury, certain highly-rated commercial paper, corporate bonds, repurchase agreements, the State Treasurer's Investment Pool and money market mutual funds registered under the Investment Company Act of 1940, with certain restrictions. Investments are stated at fair value. Changes in fair value of investments are recorded as investment income.

Receivables and Payables

Pro rata billings represent uncollected amounts previously billed to participating members for services performed by the Treasurer in prior years and amounts expected to be billed to participating members for services performed by the Treasurer for the year ended June 30, 2012. The amount is presented net of an allowance for doubtful accounts of \$216,348.

Services performed by the Treasurer are billed in arrears to participating members. Services performed in one fiscal year are billed in the following fiscal year. However, such billings have historically not covered all of the Treasurer's annual expenditures. This resulted in cash deficits within the Treasurer's General Fund which are funded by borrowings from the pooled investments of the Agency Fund. This amount is included in the Treasurer's General Fund as amounts "due to participating members." Conversely, within the Agency Fund this is presented as "due from Township School Treasurer."

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONT.)

Deferred Revenue

The Treasurer reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise from pro rata billings to participating members which do not meet the Treasurer’s revenue recognition criteria for availability as defined above. At the end of the current fiscal year, the deferred revenue reported in the governmental fund was as follows:

	<u>Unavailable</u>		<u>Totals</u>
Pro-rata billings receivable	\$ 1,618,575	\$	1,618,575
Total	\$ 1,618,575	\$	1,618,575

Prepaid Items

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

Capital Assets

Capital assets, which consist entirely of equipment, are reported in the government-wide financial statements. Capital assets are defined by the Treasurer as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Depreciation of capital assets is provided using the straight-line method over the following estimated useful lives:

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

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

Compensated Absences

Employees who have completed at least 60 work days are entitled to be compensated for vacation time. Vacations are to be taken in the following year in which they are earned; unused vacation time can be carried forward indefinitely or paid at the discretion of the Township Treasurer. Employees who resign or whose employment is terminated for any reason will be paid for unused vacation time. All vested vacation is accrued when incurred in the government-wide financial statements. A liability is reported in the governmental fund only to the extent that the earned and untaken vacation will be paid with expendable available financial resources.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONT.)

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

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 assets. Long-term obligations for governmental funds are not reported as liabilities in the governmental fund financial statements.

Claims and Judgments

Claims and judgments are reported as liabilities if all conditions of Governmental Accounting Standards board pronouncements are met. The liability and expenditure for claims and judgments is only reported in the governmental fund if it has matured. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred.

Equity Classifications

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

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

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

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned using the following definitions.

Nonspendable fund balance includes amounts not in spendable form. At June 30, 2012, the nonspendable fund balance represented prepaid items.

Restricted fund balance includes amounts constrained for a specific purpose enabling legislation or an outside party.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTANT POLICES (CONT.)

Committed fund balance includes amounts constrained for a specific purpose by a government using its highest level of decision authority, the Township Treasurer Trustees. This formal action must occur prior to the end of the reporting period, but the amount of commitment, which will be subject to the constraint, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Township Treasurer Trustees.

Assigned fund balance includes amounts constrained for a specific purpose by the Township Treasurer Trustees or by an official designated by the Trustees.

Unassigned fund balance includes residual fund balance within the General Fund which has not been classified within the other mentioned categories, above.

The Treasurer has not adopted a flow of fund policy; therefore, in accordance with GASB Statement No. 54, the default flow of funds apply. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended will be restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Assets and Fund Equity

The General Fund had a deficit fund balance of \$2,368,430 as of June 30, 2012. This deficit is anticipated to be funded by future receipts from Participating Members.

Non-Compliance with Illinois Public Funds Act

The Treasurer held assets in the pooled investments for its agency fund that are non-compliant with the Illinois Public Funds Act. This included \$6,492,992 held in insurance contracts, the type of which are not allowable per the act, and \$20,667,769 in mutual funds that have a portion of their underlying investments held in unallowable assets. The Treasurer's intent is to hold the insurance contracts to maturity to avoid surrender charges. The non-allowable mutual funds will be liquidated and reinvested as soon as is practical.

NOTE 3 – DEPOSITS AND INVESTMENTS

Under the Illinois Compiled Statutes, the Lyons Township School Treasurer is the lawful custodian of all Participating Members' funds. The Treasurer is appointed by the Township School Trustees, an independently elected body, to serve as the school treasurer in the township. The Treasurer is the direct recipient of property taxes, replacement taxes and most state and federal aid and disburses school funds upon lawful order of the school board. The Treasurer invests excess funds at his discretion, subject to the legal restrictions discussed below. For these purposes, the Treasurer is permitted to combine monies from more than one fund of a single Participating Member and to combine monies of more than one Participating Member in the township. Monies combined under these circumstances, as well as investment earnings, are accounted for separately for each fund and/or Participating Member.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

The Treasurer's investment policies are established by the Lyons Township School Trustees as prescribed by the Illinois School Code and the Illinois Compiled Statutes. The Treasurer is authorized to invest in obligations of the U.S. Treasury, backed by the full faith and credit of the U.S. Government, certificates of deposit issued by commercial banks and savings and loan associations, commercial paper rated within the three highest classifications by at least two standard rating services (subject to certain limitations), and other limited investments.

At year end, the District's cash and investments was comprised of the following:

	<i>Government- wide</i>	<i>Fiduciary</i>	<i>Total</i>
Cash and investments	\$ 64,105	\$ 204,618,386	\$ 204,682,491
Total	<u>\$ 64,105</u>	<u>\$ 204,618,386</u>	<u>\$ 204,682,491</u>

For disclosure purposes, this amount is segregated into the following components:

	<i>Cash and investments (Carrying Value)</i>
Deposits with financial institutions	\$ 38,046,803
Money Market Mutual Fund	3,465,480
Illinois School District Liquid Asset Fund	3,116,548
Other investments	<u>160,053,660</u>
Total	<u>\$ 204,682,491</u>

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 (see below).

The money market mutual fund represents holdings in the RS Money Market Fund which invests in short-term money market instruments (those rated in the highest short-term rating category by at least two nationally recognized ratings services) including bank certificates of deposit, other bank obligations, notes, U.S. government obligations and repurchase agreements. Risks as defined in *Governmental Accounting Standards Board Statement No. 40* cannot be determined because of the variety of the investments held in the fund.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

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

At June 30, 2012, other investments consisted of the following:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Weighted Average Maturity (in years)</i>	<i>Associated Risks</i>
Federal Farm Credit Bureau (FFCB) - U.S. Agency implicitly guaranteed	\$ 3,622,965	0.26	Custodial credit, credit, concentration of credit, interest rate
Federal Home Loan Bank (FHLB) - U.S. Agency implicitly guaranteed	6,389,614	0.80	Custodial credit, credit, concentration of credit, interest rate
Federal Home Loan Mortgage Corporation (FHLMC) - U.S. Agency explicitly guaranteed	6,913,805	1.06	Custodial credit, interest rate
Federal National Mortgage Association (FNMA) - U.S. Agency explicitly guaranteed	13,008,904	2.29	Custodial credit, interest rate
Government National Mortgage Association (GNMA) - U.S. Agency explicitly guaranteed	925,150	0.39	Credit, interest rate
Insurance Annuity Contracts	6,329,078	0.08	Custodial credit, interest rate
United States Treasury Notes	20,754,912	1.67	Credit, interest rate
Mutual Funds - Govt Bond Funds	98,882,764	-	Custodial credit, credit, concentration of credit, interest rate
Municipal Bonds	<u>3,226,468</u>	0.66	interest rate
Total	<u>\$ 160,053,660</u>		

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Interest Rate Risk. The Treasurer's investment policy seeks to ensure preservation of capital in the Treasurer's overall portfolio. The safety of principal is the foremost object of the Treasurer's investment program. The policy requires operating funds to be invested primarily in shorter-term securities, money market mutual funds, or similar investment pools. In addition, the policy requires the Treasurer's investment portfolio to be sufficiently liquid to enable both the Treasurer and the Participating Members to meet all operating requirements as they come due. Interest rate risk is disclosed using the weighted average maturity (in years).

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 rating organizations (NRSRO's). The Treasurer's investment policy further minimizes credit risk by:

- > Limiting investments to the safest types of securities/financial instruments;
- > Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Treasurer will do business; and
- > Diversifying the investments portfolio so that potential losses on individual securities will be minimized.

Allowable investments include the following:

- > Bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the full faith and credit of the United States of America.
- > Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
- > Interest bearing savings accounts, certificates of deposit, or time deposits constituting direct obligations of any bank as defined by the Illinois Banking Act.
- > Collateralized repurchase agreements which conform to the requirements of section 2(g) or 2(h) of the Illinois Public Funds Investment Act.
- > Money market mutual funds registered under the Investment Company Act of 1940.
- > Federal Deposit Insurance Corp. (FDIC) banks, short-term discount obligations of the Federal National Mortgage Association, and securities issuable by savings banks or savings and loan associations insured by the FDIC.
- > Short-term obligations of corporations (commercial paper) organized in the United States of America with assets exceeding \$500,000,000 and one of the three highest rating classifications of at least two standard services.
- > Illinois Public Treasurer's Investment Pool.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

At June 30, 2012, the Treasurer's investments subject to credit risk were rated as follows:

<u>Investment</u>	<u>Moody's Investor Service</u>	<u>Standard & Poor's</u>
Federal Farm Credit Bureau (FFCB)	AAA	AA+
Federal Home Loan Bank (FHLB)	AAA	AA+
Insurance Annuity Contracts	Not available	Not available
Government Bond Funds	AAA	AA+
Municipal Bonds:		
Downers Grove Park District	Aa2	Not available
Northern IL Municipal Power Agency	A2	Not available
Wheaton IL Park District	Aa3	Not available
Libertyville IL General Obligation	Aa2	Not available
Lisle IL Park District	Aa2	Not available
Naperville IL General Obligation	AAA	Not available
DeKalb County IL Build America Bonds	Aa1	Not available
Cook County HS District 218 Bonds	Not available	AA
Arkansas State Development Finance Authority	Not available	AA+
Sedgwick & Shawnee County Bonds	AAA	Not available

Concentration of Credit Risk. The Treasurer's policy states that it shall diversify its investment portfolio so that potential losses on individual securities will be minimized. Diversification can be by type of investment, number of institutions invested in, and length of maturity. The Treasurer's Investment Policy limits investment in commercial paper to 33% of the Treasurer's total portfolio.

At June 30, 2012, none of the Treasurer's investments subject to concentration of credit risk were in excess of 5% of the Treasurer's total investment portfolio.

Custodial Credit Risk - Deposits

With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the Treasurer's deposits may not be returned to it. At June 30, 2012, deposits in each local bank were insured by the FDIC in the amount of \$250,000 for savings accounts (including NOW accounts) and interest-bearing demand deposit accounts and unlimited amounts for noninterest bearing transaction accounts. The Treasurer's investment policy states that funds will only be maintained in financial institutions that are members of the Federal Deposit Insurance Corporation. Collateralizing all funds in excess of FDIC or insurable limits is desirable but is at the discretion of the Treasurer. At June 30, 2012, the Treasurer had collateral agreements with BMO Harris Bank, Bridgeview Bank, First National Bank of LaGrange, State Bank of Countryside, JP Morgan Chase Bank, and Heartland Bank. At June 30, 2012, the bank balance of the Treasurer's deposits with financial institutions was \$53,363,384. Of this amount \$19,881,437 was uninsured or uncollateralized and therefore subject to custodial credit risk

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Custodial Credit Risk – Investments

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer’s investment policy does not require investments to be collateralized.

At June 30, 2012, \$54,841,818 of the Treasurer’s investments were exposed to custodial credit risk.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the Treasurer for the year ended June 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<u>Capital assets being depreciated:</u>				
Equipment	\$ 91,528	\$ 19,874	\$ -	\$ 111,402
Total capital assets being depreciated	<u>91,528</u>	<u>19,874</u>	<u>-</u>	<u>111,402</u>
<u>Less Accumulated Depreciation for:</u>				
Equipment	<u>28,181</u>	<u>9,087</u>	<u>-</u>	<u>37,268</u>
Total accumulated depreciation	<u>28,181</u>	<u>9,087</u>	<u>-</u>	<u>37,268</u>
Net capital assets being depreciated	<u>63,347</u>	<u>10,787</u>	<u>-</u>	<u>74,134</u>
Net governmental activities capital assets	<u>\$ 63,347</u>	<u>\$ 10,787</u>	<u>\$ -</u>	<u>\$ 74,134</u>

NOTE 5 – OPERATING LEASES

The Treasurer leases its office space and equipment under non-cancelable operating leases. Total costs for such leases were \$45,206 for the year ended June 30, 2012. At June 30, 2012, future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2013	\$ <u>42,688</u>
Total	\$ <u>42,688</u>

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 – LONG-TERM LIABILITIES

Changes in General Long-term Liabilities. During the year ended June 30, 2012, the following is the long-term activity for the Treasurer:

	<i>Balance July 1, 2011</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2012</i>	<i>Due Within One Year</i>
<u><i>Governmental Activities</i></u>					
Compensated absences	\$ 124,468	\$ 15,690	\$ (81,743)	\$ 58,415	\$ 8,405
IMRF net pension obligation	-	126,751	(89,599)	37,152	-
Total long-term liabilities - governmental activities	<u>\$ 124,468</u>	<u>\$ 142,441</u>	<u>\$ (171,342)</u>	<u>\$ 95,567</u>	<u>\$ 8,405</u>

The obligations for accrued compensated absences and the net pension obligation will be repaid from the General (Distributive) Fund.

NOTE 7 – 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 from 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 participating members 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.

NOTE 8 – RETIREMENT SYSTEMS

Illinois Municipal Retirement Fund

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

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – RETIREMENT SYSTEMS (CONT.)

Funding Policy. As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The Treasurer is required to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011 was 15.22 percent of annual covered payroll. The required contribution rate for calendar year 2012 was 18.26%. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost and net pension obligation are as follows:

Annual required contribution	\$	107,495
Interest on net pension obligation		-
Adjustment to annual pension contribution		<u>-</u>
Annual pension cost		107,495
Contributions made		<u>(89,599)</u>
Change in net pension obligation		17,896
Net Pension Obligation - Beginning of Year		<u>19,256</u>
Net Pension Obligation - End of Year	\$	<u>37,152</u>

The interest on the beginning net pension obligation and adjustment to the annual required contribution are considered immaterial and have not been included in the annual pension cost calculation.

The District's annual pension cost, percentage of annual pension cost contributed, and net pension obligation for for the current year and each of the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 107,495	83%	\$ 37,152
June 30, 2011	80,192	76%	19,256
June 30, 2010	63,760	100%	-

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – RETIREMENT SYSTEMS (CONT.)

The required contribution for fiscal year 2012 was determined as part of the December 31, 2009, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The employer Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 34.99 percent funded. The actuarial accrued liability for benefits was \$2,171,000 and the actuarial value of assets was \$759,615 resulting in an underfunded actuarial accrued liability (UAAL) of \$1,411,385. The covered payroll (annual payroll of active employees covered by the plan) was \$588,693 and the ratio of the UAAL to the covered payroll was 239.75 percent.

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

NOTE 9 – TRANSACTIONS WITH PARTICIPATING MEMBERS

The Lyons Township School Treasurer collects both pro-rata billings and insurance premiums from Participating Members. Billings are used to pay for each Participating Member's pro-rata share of Township expenditures.

Pro-rata billings for the fiscal year ended June 30, 2012, are not calculated and billed until the following fiscal year. Prior billing years were billed in a similar manner. These amounts are not collected within sixty days of year-end and are considered deferred until the following year. While collection is expected within one year, some amounts remain outstanding from certain Participating Members for prior fiscal years. The amount owed to the Treasurer's Office at June 30, 2012 for these billings is \$577,819, which relates to all billing periods through June 30, 2011; of this amount, \$25,249 was collected within the sixty day recognition period and recognized as revenue in the governmental fund.

Also included in pro-rata billings receivable is the calculated amount for the pro-rata billings for the fiscal year ended June 30, 2012. This entire amount (\$1,192,533) is expected to be billed and collected within one year.

LYONS TOWNSHIP SCHOOL TREASURER
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 – SUBSEQUENT EVENTS

The employee appointed to serve as Treasurer for the Lyons Township School Treasurer for the fiscal year ended June 30, 2012, resigned on September 1, 2012 under allegations of misappropriating assets. As of April 3, 2013, the date of issuance of the financial statements, the Lyons Township School Treasurer had pending litigation against this now former employee to retrieve these assets. The Lyons Township School Treasurer has also filed a claim with its insurance carrier. At this time, neither the outcome of the litigation nor the amount to be paid as a claim by the insurance carrier are determinable; as such, no related amounts have been recorded in the financial statements.

NOTE 11 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; Statement 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

LYONS TOWNSHIP SCHOOL TREASURER

ILLINOIS MUNICIPAL RETIREMENT FUND

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

JUNE 30, 2012

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$ 107,495	83%	\$ 37,152
12/31/10	80,192	76%	19,256
12/31/09	63,760	100%	-
12/31/08	58,957	100%	-
12/31/07	47,683	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payrol ((b-a)/c)
12/31/11	\$ 759,615	\$ 2,171,000	\$ 1,411,385	34.99%	\$ 588,693	239.75%
12/31/10	709,490	1,191,396	481,906	59.55%	427,921	112.62%
12/31/09	581,606	1,160,464	578,858	50.12%	441,249	131.19%
12/31/08	413,312	1,004,928	591,616	41.13%	415,773	142.29%
12/31/07	587,662	747,566	159,904	78.61%	331,826	48.19%

On a market value basis, the actuarial value of assets as of December 31, 2011, is \$718,931. On a market basis, the funded ratio would be 33.12%.

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