

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

Financial Statements

Year Ended June 30, 2014

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FINANCIAL SECTION

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Lyons Township School Treasurer
LaGrange Park, 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, 2014, and the related notes to the financial statements, which collectively comprise the Treasurer's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major fund and the aggregate remaining fund information of the Treasurer, as of June 30, 2014, 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

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 affected by this missing information.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Illinois Municipal Retirement Fund historical data, on page 29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
January 12, 2015

Lyons Township School Treasurer Management's Discussion and Analysis For the Year Ended June 30, 2014

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, 2014. The management of the Lyons Treasurer encourages readers to consider the information presented herein in conjunction with the basic financial statements to enhance their understanding of the Lyons Treasurer's financial performance.

Financial Highlights

- In total, net position increased by \$641,303. This represents a 38% increase from 2013.

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 Position presents information on all of the Lyons Treasurer's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 government's net position 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
For the Year Ended June 30, 2014**

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 funds deficit provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the financial statements

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

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Other information

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

Government-Wide Financial Analysis

Lyons Treasurer's combined net position (deficit) increased by 38% to (\$1,065,763) as a result of operations and insurance settlement proceeds in fiscal year 2014.

Table 1 Condensed Statement of Net Position		
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,001,173	\$ 1,802,704
Capital assets	<u>58,765</u>	<u>70,463</u>
Total assets	<u>2,059,938</u>	<u>1,873,167</u>
Current liabilities	3,004,525	3,473,824
Long-term liabilities	<u>121,176</u>	<u>106,409</u>
Total liabilities	<u>3,125,701</u>	<u>3,580,233</u>
Net position (deficit):		
Investment in capital assets	58,765	70,463
Unrestricted	<u>(1,124,528)</u>	<u>(1,777,529)</u>
Total net position	<u>\$ (1,065,763)</u>	<u>\$ (1,707,066)</u>

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

**Table 2
Changes in Net Position**

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Pro-rata billing	\$399,233	\$690,674
Miscellaneous and insurance proceeds	1,385,755	6,081
Total revenues	<u>1,784,988</u>	<u>696,755</u>
Expenses:		
Treasurer's office services	1,143,685	1,632,533
Total expenses	<u>1,143,685</u>	<u>1,632,533</u>
Increase (decrease) in net position	<u>\$641,303</u>	<u>\$(935,778)</u>

Financial Analysis of the Lyons Treasurer's Funds

The financial position of the Lyons Treasurer as a whole is reflected in its governmental funds, as well. As the Lyons Treasurer completed the year, the governmental fund deficit decreased to (\$1,902,216), from the prior year deficit of (\$3,258,741).

General Fund Budgetary Highlights

The Lyons Treasurer's budget for the General (Distributive) Fund anticipated \$1,797,576 of excess revenues over expenditures. The actual results showed an excess of revenues collected over expenditures of \$1,356,525. This was primarily a result of improved pro-rata billing collections and other collections such as insurance settlement payments.

**Lyons Township School Treasurer
Management's Discussion and Analysis
For the Year Ended June 30, 2014**

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
930 Barnsdale Rd
LaGrange Park IL 60526

BASIC FINANCIAL STATEMENTS

Lyons Township School Treasurer
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities (Distributive) Fund</u>
ASSETS	
Cash	\$ 64,327
Accounts receivable:	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,289,427)	1,936,846
Capital assets, net of accumulated depreciation	<u>58,765</u>
Total assets	<u>2,059,938</u>
LIABILITIES	
Accounts payable	20,802
Accrued salaries	9,786
Advances from Township Districts	2,973,937
Noncurrent liabilities:	
Due after one year	<u>121,176</u>
Total liabilities	<u>3,125,701</u>
NET POSITION (DEFICIT)	
Investment in capital assets	58,765
Unrestricted	<u>(1,124,528)</u>
Total net position	<u><u>\$ (1,065,763)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Programs	Expenses	Program Revenues	Net Expenses and Change in Net Position
Governmental activities			
Treasurer's office services	\$ <u>1,143,685</u>	\$ <u>399,233</u>	\$ <u>(744,452)</u>
General Revenues:			
			\$ <u>1,385,755</u>
			<u>1,385,755</u>
			641,303
			<u>(1,707,066)</u>
			<u><u>\$ (1,065,763)</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer

Governmental Fund BALANCE SHEET

June 30, 2014

	<u>General (Distributive) Fund</u>
ASSETS	
Cash	\$ 64,327
Accounts receivable:	
Pro-rata billings and other receivables (net of allowance for doubtful accounts of \$3,289,427)	<u>1,936,846</u>
Total assets	<u>\$ 2,001,173</u>
LIABILITIES AND FUND DEFICIT	
Liabilities	
Accounts payable	\$ 20,802
Accrued salaries	9,786
Unearned revenue	898,864
Advances from township districts	2,973,937
Fund Deficit	
Unassigned	<u>(1,902,216)</u>
Total liabilities and fund deficit	<u>\$ 2,001,173</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 POSITION
For the Year Ended June 30, 2014

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

Total fund deficit - governmental fund	\$ (1,902,216)
Net capital assets used in governmental activities and included in the statement of net position do not require the expenditure of financial resources and, therefore, are not reported in the governmental fund balance sheet.	58,765
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.	898,864
Long-term liabilities included in the statement of net position are not due and payable in the current period and, accordingly, are not reported in the governmental fund balance sheet.	<u>(121,176)</u>
Net position - governmental activities	<u>\$ (1,065,763)</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, 2014

	<u>General (Distributive) Fund</u>
Revenue	
Pro-rata billings	\$ 1,087,990
Other	1,385,755
Total revenues	<u>2,473,745</u>
Expenditures	
Salaries	403,882
Benefits	238,643
Purchased services	445,053
Supplies and materials	24,429
Capital outlay	4,628
Other objects	585
Total expenditures	<u>1,117,220</u>
Excess of revenues over expenditures	1,356,525
Fund deficit	
Beginning of year	<u>(3,258,741)</u>
End of year	<u><u>\$ (1,902,216)</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, 2014

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

Net change in fund deficit - governmental fund	\$ 1,356,525
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 depreciation expense exceeds capital outlay in the current period.	(11,698)
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.	(688,757)
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>(14,767)</u>
Change in net position - governmental activities	<u>\$ 641,303</u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
Agency Fund
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
For the Year Ended June 30, 2014

Assets

Pooled cash and investments	\$	224,879,326
Advances to Township School Treasurer		<u>2,973,937</u>
Total assets	\$	<u><u>227,853,263</u></u>

Liabilities

Due to Township Districts:		
Cook County School District 101		20,207,688
Elementary School District 102		13,301,026
Lyons Elementary School District 103		11,439,931
Cook County School District 104		10,055,034
Cook County School District 105		15,507,281
LaGrange Highlands School District 106		10,117,989
Pleasantdale School District 107		14,089,091
Cook County School District 108		6,884,344
Indian Springs School District 109		26,156,558
Lyons Township High School District 204		61,213,413
Argo Community High School District 217		32,034,328
LaGrange Area Department of Special Education		5,469,604
Lyons Township Elementary School Districts' Employee Benefit Cooperative		1,096,233
Cook County Intermediate Service Center #2 (West 40)		(19,624)
Undistributed investment income		<u>300,367</u>
Total liabilities	\$	<u><u>227,853,263</u></u>

The accompanying notes are an integral part of this statement.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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. 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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting (Continued)

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.

3. 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, 2014, 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, 2014, the Treasurer had no restricted fund balances.
- 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, 2014, 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, 2014, the Treasurer had no assigned fund balances.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fund Balance (Continued)

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.

4. Government-Wide and Fund Financial Statements

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

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

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

5. 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.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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.

6. Investments

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

7. Accumulated Unpaid Vacation and Sick Pay

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

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets

Capital assets, which consists entirely of equipment, are reported in the government-wide financial statements. Capital assets are defined by the Treasurer as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

10. 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 above. At the end of the current fiscal year, the unearned revenue reported in the General (Distributive) Fund was \$898,864.

11. Use of Estimates

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

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014, 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 deferred 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, 2014 for these billings is \$538,746, which relates to all billing periods through June 30, 2014; of this amount, \$162,982 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, 2014. This entire amount, \$777,000, is expected to be billed and collected within one year.

Other receivables include costs for a Township District's prior year audits that are expected to be reimbursed by the Township District. The amount reported as other receivables is \$511,069 with the entire amount fully reserved by an allowance for doubtful accounts.

Detail of the accounts receivable are as follows:

<u>Township District</u>	<u>Amount</u>
Unbilled pro-rata receivable to all Township Districts	\$ 777,000
Elementary School District 102	121,864
Indian Springs School District 109	46,395
Lyons Township High School District 204	3,289,427
Argo Community High School District 217	116,587
Insurance proceeds	875,000
 Total pro-rata and other receivables	 5,226,273
Less: Allowance for doubtful accounts	(3,289,427)
 Total pro-rata billings and other receivables	 \$ <u><u>1,936,846</u></u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE C - DEFICIT FUND BALANCE

The General (Distributive) Fund has a deficit balance of \$1,902,216 as of June 30, 2014. This deficit is anticipated to be funded by future receipts from Township Districts.

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

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

The government fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Long-term liabilities included in the statement of net position 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	\$ 59,843
Net pension obligation	<u>61,333</u>
Net adjustment to increase fund deficit - total governmental funds to arrive at net position of governmental activities	<u>\$ 121,176</u>

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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

(Continued)

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

The governmental fund statement of revenues, expenditures, and changes in fund deficit includes a reconciliation between net change in fund deficit - governmental funds and change in net position of governmental activities as reported in the government-wide statement of net position. 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	\$	2,597
Depreciation expense		(8,903)
Loss on disposal		<u>(5,392)</u>

Net adjustment to increase net change in fund deficit - total governmental fund to arrive at change in net position of governmental activities	\$	<u><u>(11,698)</u></u>
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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	\$	966
Net pension obligation, net		<u>(15,733)</u>

Net adjustment to increase net change in fund deficit - total governmental fund to arrive at change in net position of governmental activities	\$	<u><u>(14,767)</u></u>
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Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE E - DEPOSITS AND INVESTMENTS

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

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

At June 30, 2014, the Treasurer's cash and investments consisted of the following:

	Governmental	Fiduciary	Total
Cash and investments	\$ <u>64,327</u>	\$ <u>224,879,326</u>	\$ <u>224,943,653</u>

For disclosure purposes, this amount is segregated into the following components, at June 30, 2014:

Deposits with financial institutions	\$ 20,257,829
Money Market Mutual Fund	97,128,339
Illinois Funds	423
Illinois School District Liquid Asset Fund Plus	5
Other Investments	107,557,057
 Total	 \$ 224,943,653

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At June 30, 2014, other investments consisted of the following:

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity (in years)	Associated Risks
Federal Home Loan Bank (FHLB) - U.S. Agency implicitly guaranteed	\$ 4,027,067	\$ 4,029,340	20.890	Custodial credit, interest rate
Federal National Mortgage Association - (FNMA) U.S. Agency explicitly guaranteed	92,716,885	93,240,225	21.650	Custodial credit, interest rate
Freddie Mac - U.S. Agency explicitly guaranteed	<u>10,813,105</u>	<u>10,725,820</u>	14.339	Custodial credit, interest rate
Total	<u>\$ 107,557,057</u>	<u>\$ 107,995,385</u>		

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper, corporate bonds and mutual funds to the top two ratings issued by nationally recognized 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, 2014, the Treasurer's investments subject to credit risk were rated as followed:

Investment	Moody's Investor Service	Standard & Poor's
Federal Home Loan Bank (FHLB) - U.S Agency implicitly guaranteed	Aaa	Not available
Federal National Mortgage Association (FNMA) - U.S. Agency explicitly guaranteed	Aaa	Not available
Freddie Mac - U.S. Agency explicitly guaranteed	Aaa	Not available

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE E - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

At June 30, 2014, the Treasurer had seven federally backed mortgage investments in excess of 5% of the total investment portfolio. These seven investments totaled \$61,271,438 at June 30, 2014. However, based on the nature of the investments and the overall credit rating of the investments, this is not in violation of the Treasurer's investment policy.

Custodial Credit Risk

With respect to deposits, custodial credit risk is the risk that, in the event of a bank failure, the Treasurer'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, 2014, the bank balance of the Treasurer's deposits with financial institutions totaled \$23,476,521. All deposits with financial institutions are either insured or collateralized at June 30, 2014.

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, 2014, there were no investments exposed to custodial credit risk.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets, being depreciated				
Equipment	\$ 117,508	\$ 2,597	\$ 16,096	\$ 104,009
 Total capital assets, being depreciated	 <u>117,508</u>	 <u>2,597</u>	 <u>16,096</u>	 <u>104,009</u>
 Less accumulated depreciation for:				
Equipment	47,045	8,903	10,704	45,244
 Total accumulated depreciation	 <u>47,045</u>	 <u>8,903</u>	 <u>10,704</u>	 <u>45,244</u>
 Governmental activities capital assets, net	 \$ <u>70,463</u>	 \$ <u>(6,306)</u>	 \$ <u>5,392</u>	 \$ <u>58,765</u>

NOTE G - OPERATING LEASES

The Treasurer leases its office space and equipment under noncancelable operating leases. Total costs for such leases were \$50,141 for the year ended June 30, 2014. At June 30, 2014, future minimum lease payments for these leases are as follows:

	<u>Year Ending</u> <u>June 30</u>	<u>Total</u>
2015	\$	50,781
2016		7,488
2017		<u>2,496</u>
 Total	 \$	 <u><u>60,765</u></u>

Lyons Township School Treasurer
 NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE H - LONG-TERM LIABILITIES

The long-term liabilities activity for the Treasurer during the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities				
Compensated absences	\$ 60,809	\$ 25,789	\$ 26,755	\$ 59,843
IMRF net pension obligation	<u>45,600</u>	<u>77,821</u>	<u>62,088</u>	<u>61,333</u>
 Total long-term liabilities - governmental activities	 \$ <u>106,409</u>	 \$ <u>103,610</u>	 \$ <u>88,843</u>	 \$ <u>121,176</u>

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

NOTE I - RISK MANAGEMENT

The Treasurer is exposed to various risks of loss related to torts; workers' compensation claims; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Treasurer has purchased insurance from private insurance companies for general liability, workers' compensation, and other coverages to mitigate these risks. Premiums have been recorded as expenditures in the general fund. There have been no significant reductions in insurance coverage 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 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, 2014

NOTE J - RETIREMENT FUND COMMITMENTS

Illinois Municipal Retirement Fund

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. 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 (RSI). That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the District's regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires the District to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The contribution rate for calendar year 2013 used by the District was 15.52 percent of annual covered payroll. The District annual required contribution rate for calendar year 2013 was 21.25 percent. The District 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 state statute.

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE J - RETIREMENT FUND COMMITMENTS (Continued)

Fiscal IMRF Pension Cost and Net IMRF Pension Obligation

The District's annual IMRF pension cost is calculated based on the annual required contribution (ARC) of the employer. The following table shows the components of the District's annual IMRF pension cost for the fiscal year, the amount actually contributed to the plan for the fiscal year, and changes in the District's net IMRF pension obligation as of June 30, 2014.

	June 30, 2014
Annual required contribution (ARC)	\$ 75,921
Interest on net IMRF obligation	3,420
Adjustment to annual required contribution	(1,520)
Annual IMRF cost	77,821
Less: Contributions made	62,088
Increase in IMRF obligation	15,733
Net IMRF obligation, beginning of year	45,600
Net IMRF obligation, end of year	\$ 61,333

Annual Pension Cost

Information related to the employer's contributions are on a fiscal year basis. The actuarial and trend information are on a calendar basis as that is the year used by the IMRF. The required contribution for the fiscal year 2014 was \$75,921.

Three-Year Trend Information for the Regular Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2014	\$ 77,821	80%	\$ 61,333
06/30/2013	57,013	85%	45,600
06/30/2012	107,495	83%	37,152

Lyons Township School Treasurer
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE J - RETIREMENT FUND COMMITMENTS (Continued)

Annual Pension Cost (Continued)

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10 percent per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3 percent annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. The District's regular plan's unfunded actuarial accrued liability at December 31, 2011 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, 2013, the most recent actuarial valuation date, the regular plan was 64.45 percent funded. The actuarial accrued liability for benefits was \$1,748,912 and the actuarial value of assets was \$1,127,160, resulting in an underfunded actuarial accrued liability (UAAL) of \$621,752. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$311,124 and the ratio of the UAAL to the covered payroll was 200 percent.

The schedule of funding progress, presented as required supplementary information (RSI) 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 liabilities for benefits.

NOTE K - 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 the January 12, 2015, the date these financial statements were available to be issued, the outcome of the litigation is not determinable. The amount for the uncollected pro-rata billings and unreimbursed audit costs have been reported on the Statement of Net Position 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, 2014

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 12, 2015, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of net position date that require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Lyons Township School Treasurer
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 1,127,160	\$ 1,748,912	\$ 621,752	64.45%	\$ 311,124	199.84%
12/31/2012	921,103	1,547,761	626,658	59.51%	399,106	157.02%
12/31/2011	759,615	2,171,000	1,411,385	34.99%	588,693	239.75%

On a market value basis, the actuarial value of assets as of December 31, 2013 is \$1,320,778. On a market basis, the funded ratio would be 75.52%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with the Lyons Township School Treasurer. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.